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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 28, 2003

Commission file number 1-6682

Hasbro, Inc.

(Exact Name of Registrant, As Specified in its Charter)

Rhode Island	**05-0155090**
(State of Incorporation)	(I.R.S. Employer Identification No.)
1027 Newport Avenue, Pawtucket, Rhode Island	**02862**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code **(401) 431-8697**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	**New York Stock Exchange**
Preference Share Purchase Rights	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ or No o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ or No o.

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price of the stock on June 27, 2003 was approximately $2,730,778,000. The registrant does not have non-voting common stock outstanding.

The number of shares of common stock outstanding as of February 29, 2004 was 175,930,755.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for our 2004 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

PART I

ITEM 1. *BUSINESS*

General Development and Description of Business and Business Segments

Except as expressly indicated or unless the context otherwise requires, as used herein, the "Company", "we", or "us", means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries. Unless otherwise specifically indicated, all dollar or share amounts herein are expressed in thousands of dollars or shares, except for per share amounts.

We are a worldwide leader in children's and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. Both internationally and in the U.S., our widely recognized core brands such as PLAYSKOOL, TONKA, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER, and WIZARDS OF THE COAST provide what we believe are the highest quality play experiences in the world. Our offerings encompass a broad variety of games, including traditional board and card, hand-held electronic, trading card and roleplaying games, as well as electronic learning aids and puzzles. Toy offerings include boys' action figures, vehicles and playsets, girls' toys, electronic toys and plush products, preschool toys and infant products, children's consumer electronics, electronic interactive products, creative play and toy related specialty products. We also license to others certain of our trademarks, characters and other property rights for use in connection with consumer promotions and the sale of noncompeting toys and non-toy products.

In managing our business, we focus on two major areas, toys and games. Organizationally, our principal segments are U.S. Toys, Games, and International. Financial information with respect to our segments and geographic areas is included in note 16 to the Company's financial statements, which are included in Item 8 of this 10-K.

In the United States, our U.S. Toys segment engages in the design, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and plush products, preschool toys and infant products, children's consumer electronics, electronic interactive products, creative play and toy related specialty products. Our Games segment includes the development, manufacturing, marketing and selling of traditional board and card games, hand-held electronic games, trading card and roleplaying games, as well as learning aids and puzzles. Within the International segment, we develop, manufacture, market and sell both toy and game products in non-U.S. markets.

We also have other operating segments. Our Operations segment is responsible for arranging product production for the majority of our other segments. The Retail segment operated retail shops. In December 2003, the Company announced the closure of all of its remaining shops. We also have other segments that primarily license certain of our intellectual property to third parties. In 2003, these other segments did not meet the quantitative thresholds for reportable segments.

U.S. Toys

In the U.S. Toys segment, our products are categorized as boys' toys, girls' toys, preschool, children's consumer electronics, creative play and other products.

Our boys' toys include a wide range of core properties such as G.I. JOE and TRANSFORMERS action figures, and the TONKA line of trucks and interactive toys. Other products include entertainment-based licensed products, such as STAR WARS toys and accessories, as well as other licensed products, such as BEYBLADE tops. 2004 marks the 40th anniversary of the introduction of the G.I. JOE action figure. To commemorate this anniversary, we will be reintroducing some of the

classic figures with replicas of the original gear and packaging. Also in 2004, we will be introducing a new theme to the G.I. JOE action figures, VALOR VS. VENOM, which will feature new characters, battles and methods of play. This line of action figures will be supported by comic books as well as a direct to video DVD scheduled for release in the fall of 2004. The TRANSFORMERS line will also enter into a new storyline in 2004, TRANSFORMERS ENERGON, which will be introduced with new characters in the spring of 2004 and supported by television programming. In addition, we plan to introduce TRANSFORMERS ALTERNATORS, licensed replicas of popular vehicles that change into classic TRANSFORMERS characters. The TONKA 2004 product line includes the TOUGHEST MIGHTY DUMP truck. The TONKA TOUGH TRUCK ADVENTURES line will feature the T-Shift Lever, which will activate a vehicle's special features and unlock new sounds. In 2004, we are also looking to capitalize on the popularity of BEYBLADE by introducing ENGINE GEAR tops, which have a "turbo" winder and clutch mechanism, as well as the HARD METAL SYSTEM featuring tops with die cast metal parts.

Girls' toys include the MY LITTLE PONY line. In 2004, a new MY LITTLE PONY story line will be introduced and supported by an animated on-pack video. In addition, we will introduce TWINKLETWIRLS DANCE STUDIO as part of the MY LITTLE PONY line, and a new feature plush baby MY LITTLE PONY for little girls to nurture. The MY LITTLE PONY line will continue to be supported by a licensing program in publishing, video, and other girl directed consumables. New for 2004 is SECRET CENTRAL, a collectible line of dolls that give girls all of their favorite doll play—hair and fashion—but with a twist. Unlike other dolls whose focus is only fashions and accessories, the characters at SECRET CENTRAL allow girls to become immersed in the social circle of 20 different high schoolers who are part of the "Class of '04" through details about them that only can be found out in the handwritten notes that come with each doll and at www.secretcentral.com.

Since 2001, we have had a broad-based licensing relationship with DISNEY, which will continue in 2004. As part of this alliance, we will feature toy lines based on WALT DISNEY PICTURES' and PIXAR's anticipated release of THE INCREDIBLES, due out in November 2004, as well as a variety of other toys based on classic and new DISNEY characters, such as BUZZ LIGHTYEAR from DISNEY/PIXAR'S TOY STORY. THE INCREDIBLES line will feature the INCREDIBLE MR. INCREDIBLE, a 12-inch action figure with speech and muscle pumping features, and the INCREDOBILE, an action packed vehicle with secret agent-type features. During 2004, we will also have rights under a new licensing relationship with DREAMWORKS. As part of this relationship, the Company will feature the toy and game lines for SHREK 2, which is expected to be released in the summer of 2004. The SHREK 2 line will include the WISE CRACKING DONKEY, a 12-inch plush toy with a variety of special features.

Our preschool products include a portfolio of core brands primarily marketed under the PLAYSKOOL trademark. The PLAYSKOOL line includes such well-known products as MR. POTATO HEAD, SIT 'N SPIN and GLOWORM, a successful line of infant toys including STEP START WALK N' RIDE, 2-IN-1 TUMMY TIME GYM and BUSY BALL POPPER. In 2004, we will be re-launching the classic WEEBLES brand. WEEBLES will provide kids 0-2 with a wacky motion-filled world of figures and playsets designed to inspire laughter and dancing and to celebrate the joy of play. For growing toddlers, the RIDE2ROLL SCOOTER is a foot-to-floor ride-on toy that easily converts to a child's first scooter that encourages balance, coordination and timing. The preschool role-play line COOL CREW will add the MAGIC TALKIN' KITCHEN to the line-up in 2004. PLAYSKOOL also offers preschool action figures with TRANSFORMERS GO-BOTS, as well as SPEEDSTARS, marketed as the fastest way to racing fun.

Creative play items for both girls and boys include such classic core lines as PLAY-DOH, EASY-BAKE oven, and LITE-BRITE and SPIROGRAPH design toys. During 2004, we plan to expand the PLAY-DOH DOH-DOH ISLAND line by introducing DOH DOH'S BEACH BUGGY. Under the PLAY-DOH brand, we also plan to introduce a town called DOHVILLE, which will bring fun and

classic preschool themes to life. In 2004, we will also be introducing a battery-operated version of the LITE-BRITE CUBE, allowing greater expansion into international markets, as well as a handheld travel unit.

Our children's consumer electronics products include HITCLIPS micro music systems, which will continue to have new artists and innovative players added in 2004. The consumer electronics product line also includes the VIDEONOW portable video players. We will be introducing new content, including NICKLEODEON properties, as well as an improved system for the VIDEONOW players in 2004. Our robotic pets include the FURREAL FRIENDS brand offering a line of electronic toy pets with both FURREAL FRIENDS Cats and Kittens, as well as GO GO MY WALKING PUP, which was introduced in 2003. In 2004, we will introduce a new line of newborn puppies and kittens as well as a lost and found puppy, who becomes more personable the more you care for him. In addition, we also plan to introduce the LUV CUBS baby bears in the FURREAL FRIENDS line in 2004. The LUV CUBS bears will have realistic movements as well as arms that will "hug" you back.

Other products in our U.S. Toys segment include the SUPER SOAKER line of water products and the NERF line of soft foam sports action toys. New in 2004 is the SUPER SOAKER MONSTER ROCKET, a 7-foot hydro powered mylar rocket that will launch up to 100 feet in the air.

Games

We market our games and puzzles under several well known core brands, including MILTON BRADLEY, PARKER BROTHERS, TIGER GAMES, AVALON HILL, and WIZARDS OF THE COAST.

The MILTON BRADLEY, PARKER BROTHERS, TIGER GAMES and AVALON HILL brand portfolios consist of a broad assortment of games for children, families and adults. Our core game items include MONOPOLY, BATTLESHIP, GAME OF LIFE, SCRABBLE, CHUTES AND LADDERS, CANDY LAND, TROUBLE, MOUSETRAP, OPERATION, HUNGRY HUNGRY HIPPOS, CONNECT FOUR, TWISTER, YAHTZEE, JENGA, CLUE, SORRY!, RISK, BOGGLE, OUIJA, DIPLOMACY, ACQUIRE and TRIVIAL PURSUIT, as well as a line of jigsaw puzzles for children and adults, including BIG BEN and CROXLEY. We have a series of marketing initiatives designed to encourage game play among a wide variety of audiences, including MY FIRST GAMES, FAMILY GAME NIGHT and GET TOGETHER GAMES. In the last two years, we have successfully expanded the TRIVIAL PURSUIT brand through the introduction in 2002 of TRIVIAL PURSUIT 20th ANNIVERSARY EDITION, with questions on people, places and events of the last 20 years, and the introduction in 2003 of the TRIVIAL PURSUIT DVD POP CULTURE board game, with questions and interactive play on pop culture, TRIVIAL PURSUIT VOLUME 6, TRIVIAL PURSUIT LORD OF THE RINGS EDITION and a refreshed edition of TRIVIAL PURSUIT JUNIOR. We hope to continue the success of the TRIVIAL PURSUIT brand in 2004 through the introduction of TRIVIAL PURSUIT 1990'S EDITION, which will focus on people, places and events of the 1990's.

In 2004, we plan to introduce several games leveraging licensed properties. As we discussed above, in 2003 we entered into an agreement with DREAMWORKS and as a result, will be licensing several games related to SHREK 2, which is scheduled to be released in the summer of 2004. These games will include THE SHREK 2 TWISTED FAIRY TALE GAME, which will follow the storyline of the movie, MONOPOLY JR. SHREK 2 EDITION, which will combine classic MONOPOLY game-style play with the SHREK characters, and SHREK edition of OPERATION, which incorporates classic OPERATION game play with the SHREK character. In addition, we intend to leverage our strategic alliance with DISNEY by introducing a variety of games involving DISNEY characters. These include SCRABBLE JUNIOR DISNEY, DISNEY MAGIC KINGDOM GAME, where players will visit various attractions throughout the MAGIC KINGDOM, and THE DISNEY PRINCESS SPINNING WISHES GAME, where girls will play the role of various DISNEY princess characters as they search for three wishes. Also, starting in 2004, our DISNEY license will include WINNIE THE POOH and we

will be introducing the WINNIE THE POOH HIDE AND SEEK GAME, which will be geared towards children of preschool ages.

2004 marks the 55th anniversary of the CANDY LAND game and we plan to introduce updated and refreshed characters as well as new packaging, board art and playing pieces for this classic board game. The introduction will be supported by a variety of television and print advertising, consumer promotions and in-store merchandising. 2004 also marks the 70th anniversary of SORRY!, and we plan to introduce new packaging, board art and playing pawns to create greater consumer appeal. We will also introduce SORRY! ELECTRONIC "SWEET REVENGE" card game, which delivers the essence of the SORRY! game with innovative technology. In the preschool games category, we plan to reintroduce the CROCODILE DENTIST game, which was first introduced in 1991, and the WHAC-A-MOLE game, based on the popular arcade game. Planned for introduction in the children's games category is the HEROSCAPE game which will involve building customized battle environments, collecting hero figures and doing battle against your opponents. In the Tweens category, we plan to introduce TIGER GAMES TV PAINTBALL, which will allow kids to experience the activity of paintball on their television. 2004 will also mark the first year of our arrangement with HALLMARK to offer a line of premium puzzles.

WIZARDS OF THE COAST trading card and roleplaying games include the popular MAGIC: THE GATHERING, DUNGEONS AND DRAGONS, and NEOPETS games. MAGIC: THE GATHERING, which celebrated its 10th anniversary in 2003, has worldwide popularity, with over six million players in more than 75 countries. MAGIC: THE GATHERING ONLINE, introduced in 2002, is an online site where players can purchase, trade and play digital cards with other players, build and customize decks and organize their card collections right on their PCs. It now has over 140,000 registered accounts. MAGIC: THE GATHERING ONLINE features built-in tutorials and practice rooms for beginning players as well as leagues and tournaments for advanced players. WIZARDS OF THE COAST has a unique organized play program for its trading card games, sanctioning over 137,000 game tournaments around the world in 2003.

2004 marks the 30th anniversary of DUNGEONS AND DRAGONS. As part of this anniversary, we plan to introduce a new campaign setting, EBERRON, and will expand our highly successful DUNGEONS AND DRAGONS MINIATURES line. The anniversary will also be supported through numerous celebrations and brand awareness programs. Additionally, WIZARDS OF THE COAST hopes to continue the success of its NEOPETS trading card game through a variety of consumer promotions as well as a series of product expansions. Also, in 2004, WIZARDS OF THE COAST will introduce DUEL MASTERS, a trading card game that has been immensely popular in Japan, into the U.S. and the rest of the world. We expect the launch to be supported by comic books, a video game and a network television show.

International

In addition to our business in the United States, we operate in more than 25 countries, selling a representative range of the toy and game products marketed in the United States, together with some items which are sold only internationally. Key international brands for 2003 included ACTION MAN, FURREAL FRIENDS, PLAY-DOH, PLAYSKOOL, MONOPOLY, BEYBLADE, and MAGIC: THE GATHERING. In 2004, our international line will include the launch of DUEL MASTERS and VIDEONOW. We will also act as distributor for BRATZ DOLLS in certain European markets. We also intend to launch the battery operated LITE-BRITE and LITE-BRITE CUBE units.

Other Segments

In our Operations segment, we source production of substantially all of our Toys products and certain of our Games products through unrelated manufacturers in various Far East countries,

principally China, using a Hong Kong based subsidiary for quality control and order coordination purposes. See "Manufacturing and Importing" below for more details concerning overseas manufacturing.

Our Retail segment operated approximately 70 retail stores under the WIZARDS OF THE COAST and GAME KEEPER names, many of which not only sold a wide range of games, but also provided locations for tournaments and other organized play activities. In December 2003, we announced the closure of the remaining stores in the Retail segment, in order to enable a deeper focus by Wizards of the Coast on its core business of game design and marketing. The Company expects that revenues for Company products which used to be sold in these retail stores will continue through other sales channels. The Games segment plans to increase certain advertising and marketing initiatives to sustain the benefits that the retail stores provided to our product lines in the past.

We have another segment, the Hasbro Properties Group, which generates revenue through the out-licensing of certain of our intellectual property to third parties for promotional and merchandising uses in businesses which do not compete directly with our own product offerings.

Other Information

To further extend our range of products in the various segments of our business, we have Hong Kong units which market directly to retailers a line of high quality, low priced toys, games and related products, primarily on a direct import basis. Direct sales to these customers are reflected in the revenue of the segment in which the product sold resides.

Finally, certain of our products are licensed to other companies for sale in selected countries where we do not otherwise have a business presence.

During the 2003 fiscal year, revenues from our BEYBLADE line of products contributed 11% of our consolidated net revenues. No other line of products constituted more than 10% of our consolidated revenues in 2003. No individual line of products accounted for more than 10% of our consolidated net revenues during our 2002 and 2001 fiscal years.

Working Capital Requirements

Our working capital needs are primarily financed through cash generated from normal operations and, when necessary, short-term borrowings, which generally reach peak levels during the August through November period of each year. This corresponds to the time of year when our receivables also generally reach peak levels. Our historical revenue pattern is one in which the second half of the year is more significant to our overall business than the first half and, within the second half of the year, the fourth quarter is the most prominent. The trend of retailers over the past few years has been to make a higher percentage of their purchases of toy and game products within or close to the fourth quarter holiday consumer buying season, which includes Christmas. We expect that this trend will continue.

The toy and game business is also characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of a product line, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which we have licenses for promotional product, and differences in overall economic conditions. As a result, comparisons of our unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of our sales for that year. Also, quick response inventory management practices now being used result in fewer orders being placed significantly in advance of shipment with more orders being placed for immediate delivery. Unshipped orders at January 25, 2004 and January 26, 2003 were

approximately $117,000 and $112,000, respectively. It is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog of unshipped orders at any date in a given year can also be affected by programs that we may employ to induce customers to place orders and accept shipments early in the year. This method is a general industry practice. The programs that we plan to employ to promote sales in 2004 are not substantially different from those we employed in 2003.

Historically, we commit to the majority of our inventory production and advertising and marketing expenditures for a given year prior to the peak third and fourth quarter retail selling season. Our accounts receivable increase during the third and fourth quarter as customers increase their purchases to meet expected consumer demand in the holiday season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until the fourth quarter or early in the first quarter of the subsequent year. The timing difference between expenses paid and revenues collected makes it necessary for us to borrow varying amounts during the year. During 2003 and 2002, we utilized cash from our operations and borrowing under our secured amended and restated revolving credit agreement to meet our cash flow requirements. Prior to November 2003, we had a committed secured revolving credit facility of $380,000, maturing in March 2005. The facility was secured by substantially all of our domestic accounts receivable and inventory. The facility did not require us to maintain a compensating balance but did contain certain restrictive covenants. In November 2003, we amended this facility. The amended and restated agreement provides us with an unsecured revolving credit facility of $350,000, maturing in March 2007. The available amount is scheduled to be reduced by $50,000 effective March 31, 2005 and an additional $50,000 effective November 30, 2005. If we fail to maintain certain financial ratios or if our credit rating drops below BB at Standard & Poor's or Fitch Ratings, or Ba3 at Moody's, borrowings under the facility would be secured by substantially all of our domestic inventory and certain of our intangible assets. We are not required to maintain compensating balances under this revolving facility. The revolving credit agreement also contains certain restrictive covenants which include minimum cash flow and coverage requirements, and limitations with respect to capital expenditures, investments, acquisitions, share repurchases and

dividend payments. We were in compliance with all restrictive covenants throughout the fiscal year ended December 28, 2003. We had no borrowings outstanding under our unsecured revolving credit agreement at December 28, 2003. In addition to our unsecured revolving credit agreement, we also had uncommitted lines of credit from various banks available at December 28, 2003 totaling approximately $149,000. Amounts available and unused under committed and uncommitted lines at December 28, 2003 were approximately $451,000.

In December 2003, we entered into a three-year trade accounts receivable securitization program to provide an additional source of working capital and liquidity. Under this program, we sell, on an ongoing basis, substantially all of our U.S. dollar denominated trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC. Hasbro Receivables Funding is consolidated with Hasbro, Inc. for financial reporting purposes. The securitization program allows this entity to sell, on a revolving basis, an undivided interest of up to $250,000 worth of the eligible receivables it holds to bank conduits. The program is intended to provide a cost-effective source of working capital and short-term financing for us. At December 28, 2003, approximately $193,700 was outstanding under this facility, the proceeds of which were used to repurchase portions of our long-term debt.

Royalties, Research and Development

The continuing development of new products and the redesigning of existing items for continued market acceptance are key determinants of success in the toy and game industry. In 2003, 2002 and 2001, we spent $143,183, $153,775 and $125,633, respectively, on activities relating

to the development, design and engineering of new products and their packaging (including items brought to us by independent designers) and on the improvement or modification of ongoing products. Much of this work is performed by our internal staff of designers, artists, model makers and engineers.

In addition to the design and development work performed by our own staff, we deal with a number of independent toy and game designers for whose designs and ideas we compete with other toy and game manufacturers. Rights to such designs and ideas, when acquired by us, are usually exclusive and the agreements require us to pay the designer a royalty on our net sales of the item. These designer royalty agreements in some cases also provide for advance royalties and minimum guarantees.

We also produce a number of toys under trademarks and copyrights utilizing the names or likenesses of characters from familiar movies, television shows and other entertainment media, for whose rights we compete with other toy and game manufacturers. Licensing fees for these rights are generally paid as a royalty on our net sales of the item. Licenses for the use of characters are generally exclusive for specific products or product lines in specified territories. In many instances, advance royalties and minimum guarantees are required by these license agreements. In 2003, 2002 and 2001, we incurred $248,423, $296,152 and $209,725, respectively, of royalty expense. A portion of this expense relates to amounts paid in prior years as royalty advances. Under the terms of currently existing license agreements, in certain circumstances, we may be required to pay an aggregate of $203,500 in guaranteed or minimum royalties in 2004 and thereafter. We have $28,717 of prepaid royalties, which are a component of prepaid expenses and other current assets on our balance sheet. Included in other assets is $148,322 representing the long-term portion of royalty advances already paid. Of the unpaid guaranty, we may be required to pay approximately $58,300, $103,400, $16,600, $9,900, $7,600 and $7,700 in 2004, 2005, 2006, 2007, 2008, and 2009 and thereafter, respectively. Amounts paid and advances to be paid relate to anticipated revenues in the years 2004 through 2018.

Marketing and Sales

Our products are sold nationally and internationally to a broad spectrum of customers including wholesalers, distributors, chain stores, discount stores, mail order houses, catalog stores, department stores and other traditional retailers, large and small, as well as internet-based "e-tailers." Our own sales forces account for the majority of sales of our products. Remaining sales are generated by independent distributors who sell our products principally in areas of the world where we do not otherwise maintain a direct presence. We maintain showrooms in New York and selected other major cities worldwide as well as at many of our subsidiary locations. Although we had more than 3,000 customers in the United States and Canada during 2003, including specialty retailers carrying trading card games and toy-related product, there has been significant consolidation at the retail level over the last several years in our industry, which we expect to continue. As a result, the majority of our sales are to large chain stores, distributors and wholesalers. In countries other than the United States and Canada, we have, in aggregate, more than 7,500 customers, many of which are individual retail stores. During 2003, sales to our two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., represented 21% and 16%, respectively, of consolidated net revenues, and sales to our top five customers accounted for approximately 52% of our consolidated net revenues.

We advertise many of our toy and game products extensively on television. Generally our advertising highlights selected items in our various product groups in a manner designed to promote the sale of not only the selected item, but other items we offer in those product groups as well. We introduce many of our new products to major customers during the year prior to the year

of introduction of such products for sale. In addition, we showcase many of our new products in New York City at the time of the American International Toy Fair in February.

In 2003, we spent $363,876 on advertising, promotion and marketing programs compared to $296,549 in 2002 and $290,829 in 2001.

Manufacturing and Importing

During 2003, our products were manufactured in third party facilities in the Far East as well as in our three owned facilities located in East Longmeadow, Massachusetts, Waterford, Ireland, and Valencia, Spain. In the fourth quarter of 2003, we ceased manufacturing at our Valencia, Spain facility as a result of changes in the global marketplace for our products and to take advantage of cost efficiencies through sourcing of the products using lower cost production alternatives.

Most of our products are manufactured from basic raw materials such as plastic, paper and cardboard, although certain products also make use of electronic components. All of these materials are readily available but may be subject to significant fluctuations in price. Our manufacturing processes and those of our vendors include injection molding, blow molding, spray painting, printing, box making and assembly. We purchase most of the components and accessories used in our toys and certain of the components used in our games, as well as some finished items, from manufacturers in the United States and in other countries in the world. However, the countries of the Far East, and particularly the People's Republic of China, constitute the largest manufacturing center of toys in the world and the substantial majority of our toy products are manufactured in China. The 1996 implementation of the General Agreement on Tariffs and Trade reduced or eliminated customs duties on many of the products imported by us.

We believe that the manufacturing capacity of our third party manufacturers, together with our own facilities, as well as the supply of components, accessories and completed products which we purchase from unaffiliated manufacturers, are adequate to meet the anticipated demand in 2004 for our products. Our reliance on designated external sources of manufacturing could be shifted, over a period of time, to alternative sources of supply for our products, should such changes be necessary or desirable. However, if we were to be prevented from obtaining products from a substantial number of our current Far East suppliers due to political, labor or other factors beyond our control, our operations and our ability to obtain products would be disrupted while alternative sources of product were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly disrupt our operations and increase the cost of our products imported into the United States or Europe.

We make our own tools and fixtures for our manufacturing facilities but purchase dies and molds principally from independent United States and international sources.

Competition

We are a worldwide leader in the design, manufacture and marketing of games and toys but our business is highly competitive. We compete with several large toy and game companies in our product categories, primarily Mattel, Inc., as well as many smaller United States and international toy and game designers, manufacturers and marketers. Competition is based primarily on meeting consumer entertainment preferences and on the quality and play value of our products. To a lesser extent, competition is also based on product pricing. The volatility in consumer preferences with respect to family entertainment continually creates new opportunities for existing competitors and start-ups to develop products which compete with our toy and game offerings.

Employees

At December 28, 2003, we employed approximately 6,900 persons worldwide, approximately 4,000 of whom were located in the United States.

Trademarks, Copyrights and Patents

We seek to protect our products, for the most part, and in as many countries as practical, through registered trademarks, copyrights and patents to the extent that such protection is available, cost effective, and meaningful. The loss of such rights concerning any particular product is unlikely to result in significant harm to our business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

Our toy and game products sold in the United States are subject to the provisions of The Consumer Product Safety Act (the "CPSA"), The Federal Hazardous Substances Act (the "FHSA"), The Flammable Fabrics Act (the "FFA"), and the regulations promulgated thereunder. In addition, certain of our products, such as the mixes for our EASY BAKE and QUEASY BAKE ovens, are also subject to regulation by the Food and Drug Administration.

The CPSA empowers the Consumer Product Safety Commission (the "CPSC") to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product "a banned hazardous substance" under the CPSA and to ban it from commerce. The CPSC can file an action to seize and condemn an "imminently hazardous consumer product" under the CPSA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides for the repurchase by the manufacturer of articles that are banned.

Consumer product safety laws also exist in some states and cities within the United States and in Canada, Australia and Europe. We maintain laboratories that employ testing and other procedures intended to maintain compliance with the CPSA, the FHSA, the FFA, international standards, and our own standards. Notwithstanding the foregoing, there can be no assurance that all of our products are or will be hazard free. Any material product recall could have an adverse effect on our results of operations or financial condition, depending on the product and scope of the recall, and could negatively affect sales of our other products, as well.

The Children's Television Act of 1990 and the rules promulgated thereunder by the United States Federal Communications Commission, as well as the laws of certain countries, place certain limitations on television commercials during children's programming.

We maintain programs to comply with various United States federal, state, local and international requirements relating to the environment, plant safety and other matters.

Availability of Information

Our internet address is *http://www.hasbro.com*. We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available free of charge on or through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Forward-Looking Information and Risk Factors That May Affect Future Results

From time to time, including in this Annual Report on Form 10-K and in our annual report to shareholders, we publish "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These "forward-looking statements" may relate to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities, liquidity, and similar matters. Forward-looking statements are inherently subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "looking forward," "may," "planned," "potential," "should," "will" and "would" or any variations of words with similar meanings. We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed or anticipated in our forward-looking statements. The factors listed below are illustrative and other risks and uncertainties may arise as are or may be detailed from time to time in our public announcements and our filings with the Securities and Exchange Commission, such as on Forms 8-K, 10-Q and 10-K. We undertake no obligation to make any revisions to the forward-looking statements contained in this Annual Report on Form 10-K or in our annual report to shareholders to reflect events or circumstances occurring after the date of the filing of this report.

Volatility of consumer preferences and the high level of competition in the family entertainment industry make it difficult to maintain the long-term success of existing product lines or consistently introduce successful new products. In addition, an inability to develop and introduce planned new products and product lines in a timely manner may damage our business.

Our business and operating results depend largely upon the appeal of our family entertainment products, principally games and toys. Our failure to successfully anticipate, identify and react to consumer preferences in family entertainment could have an adverse effect on our revenues, profitability and results of operations.

A decline in the popularity of our existing products and product lines or the failure of new products and product lines to achieve and sustain market acceptance could result in reduced overall revenues and margins, which could harm our business, financial condition and results of operations. Our continued success will depend on our ability to redesign, restyle and extend our existing family entertainment product lines in ways that capture consumer interest and imagination and to develop, introduce and gain customer interest for new family entertainment product lines. However, consumer preferences with respect to family entertainment are continuously changing and are difficult to predict. Individual family entertainment products generally, and high technology products in particular, often have short consumer life cycles. Not only must we address rapidly changing consumer tastes and interests but we face competitors who are also constantly introducing new products that compete with our products for consumer purchasing.

In addition to designing and developing products based on our own brands, we seek to fulfill consumer preferences and interests by producing products based on popular entertainment properties developed by other parties and licensed to us. The success of entertainment properties released theatrically for which we have a license, such as STAR WARS or DISNEY related productions, can significantly affect our revenues. In addition, competition in our industry can lessen our ability to secure, maintain, and renew popular licenses to entertainment products on beneficial terms, if at all, and to attract and retain the talented employees necessary to design, develop and market successful products based on these properties. The loss of ownership rights granted pursuant to any of our licensing agreements could have a material adverse effect on our business and competitive position.

We cannot assure you that:

1) Any of our current products or product lines will continue to be popular for any significant period of time;

2) Any property for which we have a significant license will achieve or sustain popularity;

3) Any new products and product lines we introduce will achieve an adequate degree of market acceptance;

4) Any new product's life cycle will be sufficient to permit us to profitably recover development, manufacturing, marketing, royalties (including royalty advances and guarantees) and other costs of the product; or

5) We will be able to manufacture, source and ship new or continuing products in a timely basis to meet constantly changing consumer demands, a risk that is heightened by our customers' compressed shipping schedules and the seasonality of our business.

In developing new products and product lines, we have anticipated dates for the associated product introductions. When we state that we will introduce, or anticipate introducing, a particular product or product line at a certain time in the future those expectations are based on completing the associated development and implementation work in accordance with our currently anticipated development schedule. Unforeseen delays or difficulties in the development process, or significant increases in the planned cost of development, may cause the introduction date for products to be

later than anticipated or, in some situations, may cause a product introduction to be discontinued. Any delay or cancellation of planned product development and introduction may decrease the number of products we sell and harm our business.

Our business is seasonal and therefore our annual operating results will depend, in large part, on our sales during the relatively brief holiday season. Further, this seasonality is increasing, as large retailers become more efficient in their control of inventory levels through quick response inventory management techniques.

Sales of our family entertainment products at retail are seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season, that includes Christmas. This seasonality is increasing, as large retailers become more efficient in their control of inventory levels through quick response inventory management techniques. These customers are timing reorders so that they are being filled by suppliers closer to the time of purchase by consumers, which to a large extent occurs during September through December, rather than maintaining large on-hand inventories throughout the year to meet consumer demand. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and thereby shift a significant portion of inventory risk and carrying costs to the supplier.

The limited inventory carried by retailers may also reduce or delay retail sales, resulting in lower revenues for us. Additionally, the logistics of supplying more and more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules, which also may reduce our sales and harm our financial performance. This seasonal pattern requires significant use of working capital, mainly to manufacture or acquire inventory during the portion of the year prior to the holiday season, and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that are less popular with consumers. Our failure to accurately predict and respond to consumer demand, resulting in our underproducing popular items and/or overproducing less popular items, would reduce our total sales and harm our results of operations. In addition, as a result of the seasonal nature of our business, we would be

significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events, such as a terrorist attack or military engagement, that harm the retail environment or consumer buying patterns during our key selling season.

The continuing consolidation of our retail customer base means that economic difficulties or changes in the purchasing policies of our major customers could have a significant impact on us.

We depend upon a relatively small retail customer base to sell the majority of our products. For the fiscal year ended December 28, 2003, Wal-Mart Stores, Inc. and Toys 'R Us, Inc. accounted for approximately 21% and 16%, respectively, of our consolidated net revenues and our five largest customers, including Wal-Mart and Toys 'R Us, in the aggregate accounted for approximately 52% of our consolidated net revenues. While the consolidation of our customer base may provide certain benefits to us, such as potentially more efficient product distribution and other decreased costs of sales and distribution, this consolidation also means that if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could harm our business, financial condition and results of operations. Increased concentration among our customers could also negatively impact our ability to negotiate higher sales prices for our products and could result in lower gross margins than would otherwise be obtained if there were less consolidation among our customers. In addition, the bankruptcy or other lack of success of one or more of our significant retail customers could negatively impact our revenues and bad debt expense.

We may not realize anticipated benefits of acquisitions or these benefits may be delayed or reduced in their realization; our ability to make acquisitions is limited by our credit agreement.

Although we have not made any major acquisitions in the last few years, acquisitions have been a significant part of our historical growth and have enabled us to further broaden and diversify our product offerings. In making acquisitions, we have targeted companies that we believe offer attractive family entertainment products, but we cannot be certain that the products of companies we acquire will achieve or maintain popularity with consumers. In some cases, we expect that the integration of the product lines of the companies that we acquire into our operations will create production, marketing and other operating synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we acquire companies that we believe have strong and creative management, in which case we plan to operate them autonomously rather than integrating them into our operations. We cannot be certain that the key talented individuals at these companies will continue to work for us after the acquisition or that they will continue to develop popular and profitable products or services.

Because of limitations in our credit agreement, we are limited in our ability to make substantial acquisitions in the near term. Although we plan to continue our focus and resources on our core owned and controlled brands, we cannot assure you that such efforts will produce revenue growth to replace the growth historically provided by our acquisitions.

Our substantial sales and manufacturing operations outside the United States subject us to risks associated with international operations.

We operate facilities and sell products in numerous countries outside the United States. For the year ended December 28, 2003, our net revenues from international customers comprised

approximately 39% of our total consolidated net revenues. We expect our sales to international customers to continue to account for a significant portion of our revenues. Additionally, we utilize third-party manufacturers located principally in the Far East and we have a manufacturing facility in Ireland. These sales and manufacturing operations are subject to the risks associated with international operations, including:

1) Currency conversion risks and currency fluctuations;

2) Limitations, including taxes, on the repatriation of earnings;

3) Political instability, civil unrest and economic instability;

4) Greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;

5) Complications in complying with laws in varying jurisdictions and changes in governmental policies;

6) Natural disasters and the greater difficulty and expense in recovering therefrom;

7) Transportation delays and interruptions; and

8) The imposition of tariffs.

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to political, labor or other factors beyond our control, our operations would be disrupted while alternative sources of products were secured. In addition, as many of our products are manufactured in the People's Republic of China, health conditions and other factors affecting social and economic activity in China and affecting the movement of people and products into and out of China could have a negative impact on our operations. Also, the imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status with, the People's Republic of China, could significantly increase our cost of products imported into the United States or Europe and harm our business. Because of the importance of our international sales and international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly and adversely affected if any of the risks described above were to occur.

We may not realize the full benefit of our licenses if the licensed material has less market appeal than expected or if sales revenue from the licensed products is not sufficient to earn out the minimum guaranteed royalties.

An important part of our business involves obtaining licenses to produce products based on various theatrical releases, such as STAR WARS, DISNEY and DREAMWORKS movies. The license agreements we enter to obtain these rights usually require us to pay minimum royalty guarantees that may be substantial, and in some cases may be greater than what we are ultimately able to recoup from actual sales, which could result in write-offs of such amounts that would harm our results of operations. At December 28, 2003, we had $177,039 of prepaid royalties, $28,717 of which are included in prepaid expenses and other current assets and $148,322 of which are included in other assets. Under the terms of existing contracts, we are required to pay future minimum guaranteed royalties totaling approximately $203,500. In addition, acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses we currently hold when they become available for renewal, or missing business opportunities for new licenses. As a licensee, we have no guaranty that a particular brand will be a successful toy or game product.

We anticipate that the continuing trend toward shorter theatrical duration for movie releases will make it increasingly difficult for us to sell licensed products based on entertainment properties and may lead our customers to reduce their demand for these products in order to minimize inventory risk. Furthermore, there can be no assurance that a successful brand will continue to be successful or maintain a high level of sales in the future. In the event that we are not able to acquire or maintain advantageous licenses, our revenues and profits may be harmed.

Our business is dependent on intellectual property rights and we may not be able to protect such rights successfully. In addition, we have a material amount of acquired product rights which, if impaired, would result in a reduction of our income.

Our intellectual property, including our license agreements and other agreements that establish our ownership rights and maintain the confidentiality of our intellectual property, are of great value. We rely on a combination of trade secret, copyright, trademark, patent and other proprietary rights laws to protect our rights to valuable intellectual property related to our brands. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights. We may need to resort to litigation to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Our failure to protect our intellectual property rights could harm our business and competitive position. Much of our intellectual property has been internally developed and has no carrying value on our balance sheet. As of December 28, 2003, we had $705,905 of acquired product and licensing rights included in other assets. Declines in the profitability of the acquired brands or licensed products may impact our ability to recover the carrying value of the related assets and could result in an impairment charge. Reduction in our net income caused by impairment charges could materially and adversely affect our results of operations.

From time to time, we are involved in litigation, arbitration or regulatory matters where the outcome is uncertain and which could entail significant expense.

As is the case with many large multinational corporations, we are subject from time to time to regulatory investigations, litigation and arbitration disputes. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of any of these matters could entail significant expense for us and harm our business.

We rely on external financing, including our credit facilities and accounts receivable securitization facility, to fund our operations. If we were unable to obtain or service such financing, or if the restrictions imposed by such financing were too burdensome, our business would be harmed.

Due to the seasonal nature of our business, in order to meet our working capital needs, particularly those in the third and fourth quarters, we rely on our revolving credit facility and our other credit facilities for working capital. In November 2003, we entered into an amended and restated revolving credit agreement with substantially all of our existing lenders, which provides for a $350 million revolving credit facility. The amount available for borrowing under this facility will be reduced by $50 million effective March 31, 2005, and by a further $50 million effective November 30, 2005. If we fail to maintain certain financial ratios or if our credit rating drops below BB at Standard & Poor's or Fitch ratings or Ba3 at Moody's ratings, this facility, which is currently unsecured, would become secured by substantially all of our domestic inventory as well as certain of our intangible assets. The credit agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions on capital expenditures, investments, acquisitions, share repurchases, incurrence of

indebtedness and dividend payments. These restrictive covenants may limit our future actions, and financial, operating and strategic flexibility. In addition, our financial covenants were set at the time we entered into our credit facility. Our performance and financial condition may not meet our original expectations, causing us to fail to meet such financial covenants. If we were unable to meet our financial covenants, or if we failed to comply with other covenants in our credit facility, we could face significant negative consequences.

As an additional source of working capital and liquidity, in December 2003, we entered into a $250 million three-year trade accounts receivable securitization program. Under this program, we sell on an ongoing basis, substantially all of our U.S. dollar denominated trade accounts receivable to a bankruptcy remote special purpose entity. Under this facility, the special purpose entity is able to sell, on a revolving basis, undivided ownership interests in the eligible receivables to bank conduits. We retain a subordinated interest and servicing rights to those eligible receivables sold under the facility. During the term of the facility, we must maintain certain performance ratios. If we fail to maintain these ratios, we could be prevented from accessing this cost-effective source of working capital and short-term financing.

We believe that our cash flow from operations, together with our cash on hand and access to existing credit facilities and our accounts receivable securitization facility, are adequate for current and planned needs in 2004. However, our actual experience may differ from these expectations. Factors that may lead to a difference include, but are not limited to, the matters discussed herein, as well as future events that might have the effect of reducing our available cash balance, such as unexpected material operating losses or increased capital or other expenditures, as well as increases in inventory or accounts receivable that are ineligible for sale under our securitization facility, or future events that may reduce or eliminate the availability of external financial resources.

We also may choose to finance our capital needs, from time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Variations in these factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms, or at all, could damage our ability to support our future operations or capital needs or engage in other business activities.

As of December 28, 2003, we had approximately $701 million of total principal amount of indebtedness outstanding. If we are unable to generate sufficient available cash flow to service our outstanding debt we would need to refinance such debt or face default. There is no guarantee that we would be able to refinance debt on favorable terms, or at all. This total indebtedness includes the $250 million in aggregate principal amount of 2.75% senior convertible debentures which we issued in 2001. On December 1, 2005, December 1, 2011 and December 1, 2016, and upon the occurrence of certain fundamental corporate changes, holders of the 2.75% senior convertible debentures may require us to purchase their debentures. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at our discretion, provided that we will pay accrued and unpaid interest in cash. Our current intent is to settle in cash any puts exercised in the future. However, we may not have sufficient funds at that time to make the required repurchases.

We previously issued warrants that provide the holder with an option through January 2008 to sell all of these warrants to us for a price to be paid, at our election, of either $100 million in cash or $110 million in our common stock, such stock being valued at the time of the exercise of the option. Should we be required to settle these warrants under this option, we believe that we will have adequate funds to settle in cash if necessary. However, we may not have sufficient funds at that time to make the required payment and may be required to settle the warrants in stock.

Market and public health conditions and other third party conduct could negatively impact our margins and our other business initiatives.

Economic and public health conditions, including factors that impact the strength of the retail market and retail demand or our ability to manufacture and deliver products, rising fuel and raw material prices or transportation costs may lower our margins and harm our business. In addition, general economic conditions were significantly and negatively affected by the September 11, 2001 terrorist attacks and could be similarly affected by any future attacks. Economic conditions may also be negatively impacted by wars and other conflicts, or the prospect of such events. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could adversely affect our sales and profitability. Other conditions, such as the unavailability of electrical components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Additional factors outside of our control could

delay or increase the cost of implementing our business initiatives and product plans or alter our actions and reduce actual results. Work stoppages, slowdowns or strikes, or the occurrence or threat of wars or other conflicts, could impact our ability to manufacture or deliver product.

As a manufacturer of consumer products and a large multinational corporation, we are subject to various government regulations, violation of which could subject us to sanctions. In addition, we could be the subject of future product liability suits, which could harm our business.

As a manufacturer of consumer products, we are subject to significant government regulations under The Consumer Products Safety Act, The Federal Hazardous Substances Act, and The Flammable Fabrics Act. In addition, certain of our products are subject to regulation by the Food and Drug Administration. While we take all the steps we believe are necessary to comply with these acts, there can be no assurance that we will be in compliance in the future. Failure to comply could result in sanctions which could have a negative impact on our business, financial condition and results of operations.

In addition to government regulation, products that have been or may be developed by us may expose us to potential liability from personal injury or property damage claims by the users of such products. There can be no assurance that a claim will not be brought against us in the future. While we currently maintain product liability insurance coverage in amounts we believe sufficient for our business risks, we may not be able to maintain such coverage or such coverage may not be adequate to cover all potential claims. Moreover, even if we maintain sufficient insurance coverage, any successful claim could significantly harm our business, financial condition and results of operations.

As a large, multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust, customs and tax requirements, anti-boycott regulations and the Foreign Corrupt Practices Act. Our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could harm our business and financial condition.

We have a material amount of goodwill which, if it becomes impaired, would result in a reduction in our net income.

Goodwill is the amount by which the cost of an acquisition accounted for using the purchase method exceeds the fair value of the net assets we acquire. Current accounting standards require that goodwill no longer be amortized but instead be periodically evaluated for impairment based on the fair value of the reporting unit. In 2002, as the result of the adoption of Statement of Financial Accounting Standards No. 142 on December 31, 2001, the first day of fiscal 2002, we recorded an

impairment charge, before taxes, of $296,223 as a cumulative effect of accounting change in our consolidated statement of operations. At December 28, 2003, approximately $463.7 million, or 14.7%, of our total assets represented goodwill. Declines in our profitability may impact the fair value of our reporting units, which could result in a further write-down of our goodwill. Reductions in our net income caused by the write-down of goodwill could harm our results of operations.

Financial Information About International and United States Operations and Export Sales

The information required by this item is included in note 16 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this report and is incorporated herein by reference.

ITEM 2. *PROPERTIES*

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Rhode Island				
Pawtucket(1)(2)(6)	Administrative, Sales & Marketing Offices & Product Development	343,000	Owned	—
Pawtucket(6)	Executive Office	23,000	Owned	—
East Providence(6)	Administrative Office	120,000	Leased	2004
Central Falls(1)(2)(6)	Warehouse	261,500	Owned	—
Massachusetts				
East Longmeadow(2)	Office, Manufacturing & Warehouse	1,148,000	Owned	—
East Longmeadow(1)(2)	Warehouse	500,000	Leased	2004
Texas				
Arlington(2)	Warehouse	60,200	Leased	2004
Dallas(2)	Warehouse	147,500	Leased	2005
Washington				
Renton(2)(3)	Offices	134,900	Leased	2005
Tukwilla(2)	Warehouse	5,000	Leased	2004
Australia				
Lidcombe(5)	Office & Warehouse	161,400	Leased	2007
Eastwood(5)	Office	16,900	Leased	2008
Belgium				
Brussels(5)	Office & Showroom	18,800	Leased	2008
Canada				
Montreal(5)	Office, Warehouse & Showroom	133,900	Leased	2010
Mississauga(5)	Sales Office & Showroom	16,300	Leased	2010
Montreal(5)	Warehouse	88,100	Leased	2010
Chile				
Santiago(5)	Warehouse	67,600	Leased	2006
Santiago(5)	Office	17,300	Leased	2006

China				
Shenzen PRC(5)	Office	25,700	Leased	2006

Denmark				
Glostrup(5)	Office	9,200	Leased	2004
England				
Uxbridge(5)	Office & Showroom	51,000	Leased	2013
France				
Le Bourget du Lac(5)	Warehouse	107,900	Owned	—
Savoie Technolac(5)	Office	33,500	Owned	—
Creutzwald(5)	Warehouse	301,300	Owned	—
Germany				
Dietzenbach(5)	Office	43,000	Leased	2006
Soest(5)	Office & Warehouse	258,300	Owned	—
Soest(5)	Warehouse	53,800	Leased	2005
Soest(5)	Warehouse	21,500	Leased	2004
Greece				
Athens(5)	Office & Warehouse	25,100	Leased	2007
Hong Kong				
Kowloon(4)	Offices	62,100	Leased	2005
New Territories(4)	Warehouse	11,500	Leased	2005
New Territories(4)	Warehouse	8,100	Leased	2005
Hungary				
Budapest(5)	Office & Warehouse	10,000	Leased	2004
Ireland				
Waterford(5)	Office, Manufacturing & Warehouse	244,000	Owned	—
Italy				
Milan(5)	Office & Showroom	12,100	Leased	2007
Mexico				
Periferico(5)	Office	16,100	Leased	2004
Carretera(5)	Warehouse	215,500	Leased	2004
The Netherlands				
Utrecht(5)	Office	7,200	Leased	2008
New Zealand				
Auckland(5)	Office & Warehouse	35,000	Leased	2010
Poland				
Warsaw(5)	Office & Warehouse	18,600	Leased	2004
Spain				
Valencia(5)	Office & Warehouse	469,100	Leased	2014

Switzerland				
Berikon(5)	Office & Warehouse	25,000	Leased	2004
Delemont(5)	Office	9,200	Leased	2009
Turkey				
Istanbul(5)	Office	6,800	Leased	2004
Wales				
Newport(5)	Warehouse	75,000	Leased	2013
Newport(5)	Warehouse	170,000	Owned	—

(1) Property used in the U.S. Toys segment.

(2) Property used in the Games segment.

(3) Property used in Other segments.

(4) Property used in the Operations segment.

(5) Property used in the International segment.

(6) Property used in the Corporate area.

In addition to the above listed facilities, the Company either owns or leases various other properties approximating an aggregate of 313,300 square feet which are utilized by its various segments. The Company also either owns or leases an aggregate of approximately 533,579 square feet not currently being utilized in its operations or previously included in restructuring actions, which are currently subleased or offered for sublease.

The foregoing properties consist, in general, of brick, cinder block or concrete block buildings which the Company believes are in good condition and well maintained.

The Company believes that its facilities are adequate for its current needs.

ITEM 3. ***LEGAL PROCEEDINGS***

We are currently party to certain legal proceedings, none of which, individually or in the aggregate, we believe to be material to our financial condition.

ITEM 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS***

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons are the executive officers of the Company. Such executive officers are elected annually. The position(s) and office(s) listed below are the principal position(s) and office(s) held by such persons with the Company, or its subsidiaries or divisions employing such person. The persons listed below generally also serve as officers and directors of certain of the Company's various subsidiaries at the request and convenience of the Company.

Name	Age	Position and Office Held	Period Serving in Current Position
Alan G. Hassenfeld(1)	55	Chairman of the Board	Since 1999
Alfred J. Verrecchia(2)	61	President and Chief Executive Officer	Since 2003
David D. R. Hargreaves(3)	51	Senior Vice President and Chief Financial Officer	Since 2001
Brian Goldner(4)	40	President, Toy	Since 2003
Richard B. Holt(5)	62	Senior Vice President and Chief Audit and Fiscal Compliance Officer	Since 2003
Barry Nagler(6)	47	Senior Vice President, General Counsel and Secretary	Since 2001
Deborah Thomas Slater(7)	40	Senior Vice President and Controller	Since 2003
Martin R. Trueb	51	Senior Vice President and Treasurer	Since 1997
E. David Wilson(8)	66	President, Games	Since 2001

(1) Prior to May 2003, Chairman of the Board and Chief Executive Officer since 1999; Prior thereto, Chairman of the Board, President and Chief Executive Officer.

(2) Prior thereto, President and Chief Operating Officer from 2001 to 2003; prior thereto President, Chief Operating Officer and Chief Financial Officer from 2000 to 2001; prior thereto, Executive Vice President and Chief Financial Officer from 1999 to 2000; prior thereto, Executive Vice President, Global Operations and Development during 1999; prior thereto, Executive Vice President and President, Global Operations from 1996 to 1999.

(3) Prior thereto, Senior Vice President and Deputy Chief Financial Officer from 1999 through 2000; prior thereto, Senior Vice President, Finance during 1999; prior thereto, Senior Vice President, Finance and Planning, Global Marketing from 1997 to 1999.

(4) Prior thereto, President, U.S. Toys, from 2001 to 2003; prior thereto, from 2000 to 2001, Senior Vice President and General Manager, U.S. Toys; during 2000, Chief Operating Officer of Tiger Electronics, Ltd., a subsidiary of the Company; prior thereto, Chief Operating Officer, Bandai America, Inc., from 1997 to 2000.

(5) Prior thereto, Senior Vice President and Controller from 1992 to 2003.

(6) Prior thereto, Senior Vice President and General Counsel from 2000 to 2001; prior thereto, Senior Vice President and General Counsel, Reebok International, Ltd. from 1997 to 2000.

(7) Prior thereto, Vice President and Assistant Controller from 1998 to 2003.

(8) Prior thereto, Senior Vice President and Sector Head, Games from 1999 to 2001; prior thereto, President, Hasbro Americas from 1997 to 1999.

PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The Company's common stock, par value $.50 per share (the "Common Stock"), is traded on the New York Stock Exchange. The following table sets forth the high and low sales prices as reported on the Composite Tape of the New York Stock Exchange and the cash dividends declared per share of Common Stock for the periods listed.

Period	Sales Prices		Cash Dividends Declared
	High	Low	
2003			
1st Quarter	$ 14.60	11.01	$ .03
2nd Quarter	18.05	13.66	.03
3rd Quarter	19.37	17.26	.03
4th Quarter	22.63	18.21	.03
2002			
1st Quarter	$ 17.30	12.84	$ .03
2nd Quarter	16.98	13.56	.03
3rd Quarter	13.92	10.75	.03
4th Quarter	13.48	9.87	.03

The approximate number of holders of record of the Company's Common Stock as of February 27, 2004 was 9,500.

Dividends

Declaration of dividends is at the discretion of the Company's Board of Directors and will depend upon the earnings and financial condition of the Company and such other factors as the Board of Directors deems appropriate. Payment of dividends is further subject to restrictions contained in agreements relating to the Company's outstanding short-term and long-term debt. Under the most restrictive agreement, dividend payments are restricted to the greater of $50 million per annum or 50% of prior fiscal year consolidated net income.

ITEM 6. ***SELECTED FINANCIAL DATA***

(Thousands of Dollars and Shares Except per share Data and Ratios)

	Fiscal Year				
	2003	2002	2001	2000	1999
Statement of Earnings Data:					
Net revenues	**$ 3,138,657**	2,816,230	2,856,339	3,787,215	4,232,263
Net earnings (loss) before cumulative effect of accounting change	**$ 175,015**	75,058	60,798	(144,631)	188,953
Per Common Share Data:					
Earnings (loss) before cumulative effect of accounting change					
Basic	**$ 1.01**	.43	.35	(.82)	.97
Diluted	**$ .98**	.43	.35	(.82)	.93
Cash dividends declared	**$ .12**	.12	.12	.21	.24
Balance Sheet Data:					
Total assets	**$ 3,163,376**	3,142,881	3,368,979	3,828,459	4,463,348
Long-term debt	**$ 686,871**	857,274	1,165,649	1,167,838	420,654
Ratio of Earnings to Fixed Charges(1)	**4.56**	2.05	1.76	(.67)	4.10
Weighted Average Number of Common Shares:					
Basic	**173,748**	172,720	172,131	176,437	194,917
Diluted	**178,484**	173,488	173,018	176,437	202,103

(1) For purposes of calculating the ratio of earnings to fixed charges, fixed charges include interest, amortization of debt expense and one-third of rentals; earnings available for fixed charges represent earnings before fixed charges and income taxes. Earnings for 2000 were insufficient to cover fixed charges by $225,986.

See "Business-Forward-Looking Information and Risk Factors That May Affect Future Results" contained in Item 1 of this report for a discussion of risks and uncertainties that may affect future results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this report for a discussion of factors affecting the comparability of information contained in this Item 6.

ITEM 7. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following discussion should be read in conjunction with the audited consolidated financial statements of the Company included elsewhere in this document.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements concerning the Company's expectations and beliefs. See "Business—Forward-Looking Information and Risk Factors That May Affect Future Results" for a discussion of other uncertainties, risks and assumptions associated with these statements.

Summary

A percentage analysis of results of operations follows:

	2003	2002	2001
Net revenues	**100.0%**	100.0%	100.0%
Cost of sales	**41.0**	39.0	42.8
Gross profit	**59.0**	61.0	57.2
Amortization	**2.4**	3.4	4.3
Royalties	**7.9**	10.5	7.3
Research and product development	**4.6**	5.5	4.4
Advertising	**11.6**	10.5	10.2
Selling, distribution and administration	**21.5**	23.3	23.6
Interest expense	**1.7**	2.8	3.6
Other expense, net	**1.5**	1.3	0.4
Earnings before income taxes and cumulative effect of accounting change	**7.8**	3.7	3.4
Income taxes	**2.2**	1.0	1.3
Net earnings before cumulative effect of accounting change	**5.6**	2.7	2.1
Cumulative effect of accounting change, net of tax	**(0.6)**	(8.8)	—
Net earnings (loss)	**5.0%**	(6.1)%	2.1%

(Thousands of Dollars and Shares Except Per Share Data)

Executive Summary

The Company earns revenue and generates cash through the sale of a variety of toy and game products both within the United States and in international markets. Most of the Company's products are either internally developed or licensed from outside inventors. In addition to the products based on its own core brands, the Company also offers internally developed products tied to licensed theatrical and television based entertainment properties, such as STAR WARS and DISNEY movies.

The Company's principal business strategies focus on:

- Growing its core brands,
- Developing new and innovative toy and game products, and
- Increasing operating margins by optimizing efficiencies within the Company.

Management views the Company's principal product opportunities as falling into three general categories: core brands, innovative new products and entertainment-based products. Although the Company intends to continue to offer products based on licensed entertainment properties, in the

past three years the Company has actively sought to reduce its reliance on products based on these entertainment properties and to achieve more consistent performance by focusing greater resources on the development and growth of its core brands and on producing innovative products which are not based on movie properties.

The Company's core brands represent Company-owned or Company-controlled brands, such as G.I. JOE, TRANSFORMERS, MY LITTLE PONY, MONOPOLY, MAGIC: THE GATHERING, PLAYSKOOL and TONKA, which the Company views as presenting potential to be successful over the long-term. By focusing on core brands, the Company is working to build a more consistent revenue stream and basis for future growth. However, the volatility of consumer preferences and the high level of competition in the family entertainment industry make it difficult to maintain the long-term success of existing product lines and consistently introduce successful new products.

In addition to its focus on core brands, the Company's strategy also involves trying to meet ever changing consumer preferences by identifying and offering innovative products based on market opportunities. In 2003, the success of innovative products such as BEYBLADE, FURREAL FRIENDS, and VIDEONOW contributed significantly to the Company's success. Although BEYBLADE products accounted for approximately 11% of the Company's consolidated net revenues in 2003, the Company believes its strategy of focusing on the development of its core brands and continuing to identify opportunistic new products will prevent the Company from being dependent on the success of any one product line.

While the Company's strategy focuses on growing its core brands and the development of innovative, new products, the Company continues to evaluate and enter into strategic arrangements to license entertainment-based properties when the Company believes it is economically beneficial. Entertainment-based licenses in 2003 included DISNEY and STAR WARS. Revenues in 2002 were positively impacted by increased shipments of STAR WARS products as a result of the release of STAR WARS: EPISODE II: ATTACK OF THE CLONES, theatrically in May of 2002 and on DVD and video in November of 2002. Although gross profits of entertainment-based products are generally higher, this increased gross margin is offset by royalty expenses incurred on these sales, as well as amortization expense of property rights paid to the licensor of such properties.

In recent years, the Company has also focused on reducing its fixed costs and increasing its operating margins. In 2003, the Company continued this focus with a number of business efficiency initiatives. Two of these initiatives were the cessation of manufacturing at the Company's Valencia, Spain facility and the announced closure of the remaining retail stores operated under the Wizards of the Coast and Gamekeeper names. The Company continues to review its operations in order to determine areas where greater efficiency can be achieved.

The Company's strategy for the near-term also focuses on the reduction of long-term debt. The goal of management is to reduce the Company's debt-to-capitalization ratio, defined as total debt, both short-term and long-term, as a percentage of total equity plus total debt, to 25-30% over the medium term. In the fourth quarter of 2003, the Company initiated a tender offer, pursuant to which the Company repurchased $167,257 of aggregate principal amount of the 8.50% notes due 2006 previously issued by the Company. In addition, in the first quarter of 2003, the Company repurchased or repaid $200,288, in principal amount, of 7.95% notes due in March 2003. At December 28, 2003, the Company's debt-to-capitalization ratio was approximately 34%, which compared to approximately 48% at December 29, 2002.

2003 was a year of continuing consolidation in the toy and game industry, with further store closings and the bankruptcy of two notable toy and game retailers. As a result, the Company's customer base continues to become more concentrated. While the consolidation of customers may provide certain benefits to the Company, such as potentially more efficient product distribution and other decreased costs of sales and distribution, this consolidation also creates additional risks to

the Company's business associated with a major customer having financial difficulties or reducing its business with the Company. In addition, increased customer concentration may decrease the prices the Company is able to obtain for some of its products. The Company believes that its strategy of seeking to produce sought after products, which provide value to both consumers and the Company's customers, will help protect the Company from any negative impact resulting from an environment of increasing retail consolidation.

Results of Operations

Net earnings for the fiscal year ended December 28, 2003 were $157,664, or $.88 per diluted share. Net earnings (loss) for fiscal 2002 and 2001 were $(170,674) and $59,732, or $(.98) and $.35 per diluted share, respectively.

Included in net earnings for 2003 is a cumulative effect of accounting change, net of tax, of $(17,351), or $(.10) per diluted share, relating to the adoption of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity" ("SFAS 150"). Subsequent to the adoption of this statement, which requires the Company to adjust certain warrants to their fair value through earnings, the Company incurred a non-cash charge of $13,630 relating to the increase in fair value of these warrants. Net earnings in 2003 also included the impact of debt reduction activities and charges associated with the business efficiency activities of the Company, two of which were noted above. Associated cash charges in 2003 include a loss on the extinguishment of debt, net of taxes, of $12,612 relating to the repurchase of the Company's debt mentioned above. Additionally, 2003 net earnings include cash charges, net of taxes, of $20,684 relating to severance and lease costs associated with the cessation of manufacturing at the Company's facility in Valencia, Spain and the disposition of substantially all of the Company's remaining retail stores.

Included in the net loss for 2002 is a cumulative effect of accounting change, net of tax, of $(245,732), or $(1.42) per diluted share, relating to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The 2002 net loss also includes a non-cash charge, net of tax, of $31,747 for the write-down of the Company's investment in Infogrames Entertainment S.A. ("Infogrames") common stock. In addition, the 2002 net loss includes a charge of $7,566 relating to a fine imposed on the Company's United Kingdom affiliate by the Office of Fair Trading in the United Kingdom ("OFT") for alleged anti-competitive pricing practices. The 2002 net loss was favorably impacted by the provisions of SFAS 142 that eliminated the amortization of goodwill and certain intangibles deemed to have indefinite lives. The elimination of this amortization and its related tax effect had SFAS 142 been applied in 2001 would have increased net earnings by $45,013. Also favorably impacting the 2002 net loss was interest income, net of tax, of $7,556, received on an IRS tax settlement.

Included in net earnings for 2001 is a $1,066 net of tax charge relating to the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities." Costs incurred in the Company's International segment relating to the deteriorating Argentine business environment and the devaluation of the peso amounted to $11,290, net of tax, in 2001. Approximately half of this charge relates to the impact of the devaluation on U.S. dollar denominated intercompany liabilities the Company held in Argentina.

Consolidated net revenues for the year ended December 28, 2003 were $3,138,657 compared to $2,816,230 in 2002 and $2,856,339 in 2001. Most of the Company's revenues and operating profit result from its three principal segments: U.S. Toys, Games and International, which are discussed in detail below.

U.S. Toys

Net revenues in the U.S. Toys segment increased by 6% in 2003 over 2002 to $1,057,984. The increase is due primarily to strong sales of BEYBLADE and FURREAL FRIENDS products, which were introduced in the second half of 2002. In addition, revenue from sales of VIDEONOW, which was introduced in 2003, and MY LITTLE PONY, which was reintroduced in 2003, contributed to the increase in revenues. Revenues were also positively impacted by increased shipments of products related to certain core brands, such as TRANSFORMERS and PLAYSKOOL products. Sales of DISNEY products also increased as a result of the theatrical, video and DVD releases of FINDING NEMO and the DVD and video re-releases of THE LION KING in 2003. These increases were partially offset by the expected decrease in sales of STAR WARS products in a non-movie year, as well as decreased sales of BOB THE BUILDER, E-KARA, and ZOIDS products.

U.S. Toys' operating profit for the year ended December 28, 2003 was $91,996 compared with $75,664 in the prior year. The increase in operating profit was largely due to lower royalty and amortization expenses as the result of lower sales of entertainment-based products, primarily STAR WARS related products. STAR WARS property rights are amortized in proportion to expected remaining sales. In periods with higher sales of STAR WARS products, such as 2002, the resulting amortization expense will be higher. The decreases in royalty and amortization expense were

partially offset by decreased gross profits due to a change in product mix. Although revenues increased in 2003, the 2002 product mix included higher sales of STAR WARS products, which have higher gross margins, while the 2003 product mix included increased sales of lower gross margin products, resulting in an overall decrease in gross profits. Operating profit in 2003 was also impacted by higher advertising expense reflecting the Company's increased focus on marketing to raise awareness of its core brands and to launch new products.

Net revenues in the U.S. Toys segment increased by 7% in 2002 over 2001 to $996,496. The increase was due primarily to higher revenues from STAR WARS products. In addition, revenues were positively impacted by increased shipments of products related to certain core brands, such as G.I. JOE, TRANSFORMERS and PLAYSKOOL products, as well as the introduction of BEYBLADE products. These increases were partially offset by decreased sales of electronic interactive products, such as B.I.O. BUGS and POO-CHI, remote control toys and, to a lesser extent, POKEMON products and E-KARA. In addition, 2001 sales were favorably affected by the theatrical and video releases of JURASSIC PARK III and DISNEY'S MONSTERS, INC. in that year.

U.S. Toys' operating profit for the year ended December 29, 2002 was $75,664 compared with $15,808 in the prior year. The increase in operating profit was largely due to higher gross margins resulting from the mix of products sold in 2002 versus 2001, primarily STAR WARS products, which carry a higher gross margin. The increase in gross margin was partially offset by increased royalty expense resulting from higher sales of licensed products in 2002, again primarily STAR WARS products. In addition to this, operating profit was positively impacted by lower sales and administration costs in 2002 as a result of the Company's focus on cost reduction and more effective management, resulting largely from the consolidation of the U.S. Toys segment into essentially one location, a process begun in 2000. Higher amortization expense in 2002 relating to the product rights associated with STAR WARS was offset by the elimination of amortization of goodwill and product rights deemed to have an indefinite life as the result of the Company's adoption of SFAS 142 at the beginning of fiscal 2002.

Games

Games segment revenues increased 9% in 2003 to $804,547 from 2002 levels of $739,782. The increase primarily relates to continued strong shipments of TRIVIAL PURSUIT 20TH ANNIVERSARY EDITION, which was initially released in the U.S. in the third quarter of 2002, as well as shipments

of TRIVIAL PURSUIT POP CULTURE DVD game, which was introduced in the fourth quarter of 2003; increased shipments of TWISTER products which include TWISTER MOVES; continued strong sales of MONOPOLY brand products; and increased revenues from shipments of other core brands, primarily MAGIC: THE GATHERING products, as well as higher revenues from other non-licensed trading card games. These increases were partially offset by decreased sales of licensed trading card games including POKEMON and HARRY POTTER.

Games segment operating profit increased to $175,295 in 2003 from $124,523 in 2002. The increase in operating profit was primarily due to increased gross profit from higher revenues, as well as lower royalty expense, resulting from decreased sales of licensed trading card games. These factors were partially offset by an increase in advertising expense due to the Company's strategy to increase advertising focused on increasing demand for its core brands. Operating profit for 2003 also benefited from decreased fixed expenses as the result of cost reduction initiatives.

Games segment revenues declined 8% in 2002 to $739,782 from 2001 levels of $801,467. The decrease was primarily due to decreased sales of trading card games, primarily POKEMON, and, to a lesser extent, HARRY POTTER and MAGIC: THE GATHERING, as well as decreased sales of electronic games. These decreases were partially offset by increased sales of TRIVIAL PURSUIT resulting from the introduction of the 20th anniversary edition.

Games segment operating profit decreased to $124,523 in 2002 from $156,089 in 2001. The decrease in operating profit was primarily due to the decrease in revenues as well as increased product development expenses. These factors were partially offset by a decrease in selling, distribution and administration expenses largely due to the Company's cost reduction initiatives as well as decreased intangible amortization expense resulting from the Company's adoption of SFAS 142.

International

International segment revenues increased 22% in 2003 compared to 2002 to $1,184,532. Revenues were positively impacted by currency translation of approximately $127,900 as the result of the weaker U.S. dollar. This foreign exchange impact accounted for 13% of the percentage increase in net segment revenues for 2003. Local currency revenue increases for 2003 were primarily a result of revenues from BEYBLADE products and to a lesser extent, FURREAL FRIENDS products, which were introduced in most markets in the fourth quarter of 2002. Revenues were also positively impacted by increased sales of core brand products, including MY LITTLE PONY, as well as MAGIC: THE GATHERING, TRANSFORMERS, MONOPOLY and PLAYSKOOL products. These increases were partially offset by lower revenues from STAR WARS products, decreases in sales of licensed trading card games including HARRY POTTER and POKEMON, and decreased sales of E-KARA products.

International operating profit increased to $91,273 in 2003 from $5,177 in 2002. The increase in operating profit was primarily due to increased gross profit on higher revenues, partially offset by increased advertising expense. The expected decrease in royalty expense relating to lower sales of STAR WARS products was largely offset by increased royalty expense associated with higher sales of BEYBLADE products and the foreign exchange impact of the weaker U.S. dollar. Selling, distribution and administration costs decreased as a percentage of sales, but increased in amount, largely due to the foreign exchange impact of the weaker U.S. dollar. Gross profit and operating profit were also negatively impacted by the Company's decision to cease its manufacturing operations in Spain. The most significant components related to this action were cash charges of approximately $18,400 associated with severance. However, this move is expected to result in future cost savings to the Company. Although revenues were positively impacted by the weaker U.S. dollar, as noted above, operating expenses were also impacted, with a resulting net positive

translation impact to International operating profit of approximately $6,500 for 2003. Operating profit in 2002 was negatively impacted by a fine against the Company by the OFT for alleged anti-competitive pricing practices, which resulted in a charge of $7,566 in the fourth quarter.

International segment revenues decreased 3% in 2002 to $970,825 compared to 2001. While revenues decreased from 2001, International segment revenues were positively impacted by currency translation of approximately $34,700 as the result of the weaker U.S. dollar. Decreases relating to POKEMON and JURASSIC PARK III products were mostly offset by increased sales of STAR WARS products, DISNEY products resulting from the international release of MONSTERS, INC. in 2002, and BEYBLADE products.

International operating profit decreased to $5,177 in 2002 from $28,658 in 2001. As noted above, operating profit was negatively impacted by a fine against the Company by the OFT in 2002 of $7,566. Operating profit was also negatively impacted by increased product development expenses as the result of the Company's increased focus on developing its core brands. Increased gross margins were largely offset by higher royalty expenses resulting from increased sales of entertainment-based licensed properties, primarily STAR WARS products. Although revenues were positively impacted by the weaker U.S. dollar, as noted above, operating expenses were also impacted, with a resulting net positive translation impact to International operating profit of approximately $4,700 for 2002.

Other Segments

Revenues from the Retail segment, which represents the retail operations of Wizards of the Coast, were $37,707 in 2003, compared with $48,983 in 2002 and $51,019 in 2001. The operating loss of this segment was $(34,604) in 2003 versus $(19,877) in 2002, and $(36,897) in 2001. In December 2003, the Company announced the closure of all of its remaining Wizards of the Coast and Game Keeper stores. Included in the segment's 2003 operating loss is a charge related to this action, the most significant components of which were cash charges related to leases and severance of approximately $14,000. The retail stores provided the Company with a direct to consumer sales channel for Wizards of the Coast and other Hasbro products. The Company expects that revenues for Company products which used to be sold in these retail stores will continue through other sales channels. The Games segment plans to increase certain advertising and marketing initiatives to sustain the benefits that the retail stores provided to its product lines in the past. While the Company will have continuing revenue and certain costs associated with the sales of products which used to be sold in the retail stores in its future operations, it did not consider operating retail stores core to its business and believes the elimination of these stores will decrease costs to the Company and improve business efficiencies. The 2001 operating loss includes a charge of approximately $16,000 associated with impairment of long-lived assets.

Gross Profit

The Company's gross profit margin decreased in 2003 to 59.0% from 61.0% in 2002, which compares with 57.2% in 2001. The decrease from 2002 primarily reflects a change in mix of products sold, with decreased sales of STAR WARS products in 2003 over 2002. The increase in gross margin from 2001 to 2002 also reflects this mix of products sold, with increased sales of STAR WARS and DISNEY products partially offset by decreased sales of trading card games. All of these products have higher gross margins. In addition to the mix of products sold, the decrease from 2002 gross margin levels also reflects 2003 charges incurred by the Company to cease manufacturing operations in Spain, comprised primarily of severance costs as well as non-cash charges

associated with fixed assets. The production activities previously performed in Spain will be transferred to the Company's other manufacturing facilities or outsourced to third party suppliers. The Company aggressively monitors its levels of inventory, attempting to avoid unnecessary

expenditures of cash and potential charges related to obsolescence. The Company's failure to accurately predict and respond to consumer demand could result in overproduction of less popular items, which could result in higher obsolescence costs, causing a reduction in gross profit.

Expenses

Amortization expense decreased to $76,053 or 2.4% of net revenues in 2003, compared with amortization of $94,576 or 3.4% of net revenues in 2002 and $121,652 or 4.3% of net revenues in 2001. The decrease from 2002 to 2003 is primarily related to decreased amortization of the property rights related to STAR WARS. The STAR WARS property rights are amortized in proportion to expected remaining sales. In periods with higher sales of STAR WARS products, such as 2002, the resulting amortization expense will be higher. Comparing 2002 to 2001, the 2001 amortization amount includes $53,655 of amortization of goodwill and certain intangibles that were determined to have indefinite lives when the Company adopted the provisions of SFAS 142 on December 31, 2001. Such intangibles and goodwill are no longer amortized and they are tested for impairment at least annually. When compared to adjusted amortization from 2001, the resulting increase in amortization expense in 2002 was, for the most part, the result of increased amortization of STAR WARS property rights.

Royalty expense decreased to $248,423, or 7.9% of net revenues in 2003 from $296,152, or 10.5% of net revenues in 2002. The decrease primarily relates to lower sales of STAR WARS related products. This decrease was in accordance with the Company's expectations as the Company continues to focus on its core brands, and there was no theatrical, video, or DVD release of a STAR WARS property in 2003. The decrease in royalty expense as a result of STAR WARS was partially offset by increased royalty expense related to BEYBLADE products and the foreign exchange impact of the weaker U.S. dollar. Royalty expense increased to $296,152, or 10.5% of net revenues in 2002 from $209,725 or 7.3% of net revenues in 2001. The increase was primarily related to increased sales of entertainment-based product, principally STAR WARS related. Revenues derived from entertainment-based properties, such as STAR WARS, and resultant royalties, while continuous over the life of a contract, are generally higher in amount in the year a theatrical release takes place. The degree to which revenues, royalties and operating profits fluctuate is dependent not only on theatrical release dates, but video and DVD release dates as well. In 2004, the Company has licensing rights to two major theatrical releases, DISNEY/PIXAR'S THE INCREDIBLES, expected to be released in the spring, and DREAMWORKS' SHREK 2, expected to be released in the summer.

Expenditures for research and product development were $143,183 in 2003 compared to $153,775 in 2002 and $125,633 in 2001. As percentages of net revenues, research and product development was 4.6% in 2003 compared to 5.5% in 2002 and 4.4% in 2001. Investment in research and product development costs is an important component to the Company's strategy to grow core brands and to create new and innovative toy and game products. The decrease in 2003 was primarily the result of more efficient and cost effective processes for design and engineering. The increase from 2001 to 2002 related to the Company's continued focus on product innovation as part of its strategy to develop its core brands. The Company expects research and product development expenses to remain consistent with 2003 levels as a percentage of sales in 2004.

Advertising expense in 2003 increased to $363,876, or 11.6% of net revenues, compared to $296,549 or 10.5% of net revenues in 2002 and $290,829 or 10.2% of net revenues in 2001. The increases reflect the Company's greater focus on marketing to increase and maintain awareness of its core brands, as well as to introduce new products. The Company expects 2004 expense to increase in dollars and as a percentage of sales as it continues to follow this strategy of focusing on core brands and offering new innovative products.

Selling, distribution and administration expenses increased in dollars, but decreased as a percentage of net revenues in 2003 to $674,544 or 21.5% of net revenues from $656,725 or 23.3% of net revenues in 2002. The costs decreased both in dollars and as a percentage of net revenues in 2002 from the 2001 costs of $673,687 or 23.6% of net revenues. The increase in dollars in 2003 partially reflects charges relating to the Company's announced closure of its remaining retail stores operated under the Wizards of the Coast and Game Keeper names. The increased expenses were also the result of higher distribution expenses due to increased sales volume, higher international expenses in translated U.S. dollars as the result of the weaker U.S. dollar, and increased management bonus provisions as the result of the Company's improved financial performance. These increases offset decreases in certain other expenses resulting from the Company's ongoing cost reduction efforts as part of its strategy to make its business more efficient. The decrease from 2001 to 2002 was primarily due to the Company's cost reduction efforts, partially offset by a charge of $7,566 in 2002 relating to a fine assessed by the OFT against the Company for alleged anti-competitive pricing practices. The Company is continuing its focus on reducing selling, distribution and administration expenses, and anticipates that these costs as a percentage of net revenues will continue to decline in 2004.

Nonoperating Expense

Other expense, net, of $48,090 in 2003 compares to other expense, net, of $37,704 in 2002 and $11,443 in 2001. The 2003 amount includes a loss on extinguishment of debt of $20,342 relating to the 8.50% Notes due 2006, repurchased pursuant to a tender offer in the fourth quarter of 2003. Under the tender offer, the Company repurchased notes totaling $167,257 in aggregate principal amount. Nonoperating expense in 2003 also includes a non-cash charge of $13,630 related to the increase in the fair value of certain warrants required to be classified as a liability under the provisions of SFAS 150. As a result of adopting this new accounting standard, these warrants are now required to be adjusted to their fair value each quarter through earnings. The fair value of these warrants is primarily affected by the stock price of the Company at the date of measurement, but is also affected by the Company's stock price volatility over time as well as risk-free interest rates. Assuming the Company's stock volatility and risk-free interest rates remain constant, the fair value of the warrants will increase and the Company will recognize a charge to earnings if the price of the Company's stock increases. If the price of the Company's stock decreases and the Company's stock volatility and risk-free interest rates remain constant, the fair value of the warrants will decrease and the Company will recognize income. Based on a hypothetical increase in the Company's stock price to $25.00 per share at December 28, 2003 from its actual price of $21.22 a share on that date, the Company would have recognized an additional non-cash charge to earnings of approximately $16,650 to adjust the warrants to their fair value.

Nonoperating expense for 2002 includes a $42,902 write-down of the value of the common stock of Infogrames, held by the Company as an available-for-sale investment. This charge was partially offset by interest income on a tax settlement of $10,211 received in the second quarter of 2002. The 2001 amount primarily reflects losses on foreign currency transactions, including the impact of the Argentine peso devaluation.

Interest expense decreased to $52,462 in 2003 from $77,499 in 2002 and $103,688 in 2001. Approximately 52% of the decrease in 2003 as compared to 2002 is attributable to lower levels of short-term and long-term debt. This mainly reflects the repurchase and repayment of debt in the first quarter of 2003 when the Company repurchased or repaid $200,288, in principal amount, of 7.95% Notes, due in March 2003, using cash from operations. In the fourth quarter of 2003, as noted above, the Company repurchased $167,257 in principal amount of 8.50% Notes due 2006, in conjunction with a tender offer. The remaining decrease in interest expense in 2003 as compared to 2002 is due to lower effective interest rates, partially the result of interest rate swap agreements

entered into during 2002 to reduce the amount of the Company's debt subject to fixed interest rates. The Company expects interest expense to continue to decrease in 2004 as a result of the Company executing its strategy of reducing its debt-to-capitalization ratio through reductions in long-term debt.

A decrease in average borrowing rates accounted for approximately 53% of the decrease in interest expense from 2002 to 2001. This decrease was primarily the result of the issuance of $250,000 of 2.75% convertible senior debentures in November and December of 2001, the proceeds of which were used to repurchase debt with higher interest rates. To a lesser extent, average borrowing rates decreased as the result of interest rate swap agreements entered into in May 2002. The remaining 47% of the decrease in interest expense in 2002 was due to decreased average borrowings in 2002, primarily reflecting decreased short-term borrowings in 2002 as well as the repurchase, in principal amount, of $124,585 of 7.95% Notes due March 2003 during the last three quarters of 2002.

Income Taxes

Income tax expense was 28.3% of pretax earnings in 2003 compared with 27.9% of pretax earnings in 2002 and 36.8% in 2001. Absent the effect of the charge related to the adjustment of certain warrants to their fair value, which has no tax effect, the 2003 effective tax rate would have been 26.8%. Absent the effect of the amounts paid to the OFT in 2002, the 2002 tax rate would have been 26.0%. The increase in adjusted rate, from 26.0% to 26.8%, is primarily due to an increase in the valuation allowance established for certain deferred tax assets, offset by the tax impact

of higher operating profits in jurisdictions with lower statutory tax rates. The decrease in 2002 from 2001 is primarily due to the adoption of SFAS 142, which eliminated amortization of goodwill and certain intangibles deemed to have an indefinite life.

Cumulative Effect of Accounting Changes

On June 30, 2003, the first day of the third quarter of fiscal 2003, the Company adopted Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity" ("SFAS 150"). SFAS 150 required the Company to reclassify certain warrants recorded as equity to a liability, and adjust the warrants to their fair value through earnings as of that date. On the date of adoption, the Company reclassified $107,669 from equity, where the warrants had previously been recorded, to current liabilities. A cumulative effect of accounting change of $17,351 was recorded to adjust the amount of this liability to its fair value on the adoption date. There is no tax benefit associated with this charge.

On December 31, 2001, the first day of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 required the Company, within six months of the date of adoption, to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. This initial assessment was completed during the second quarter of 2002. As part of this assessment, the Company allocated goodwill and other corporate assets and liabilities to its various reporting units. It then compared the carrying values of its reporting units to the fair values of those reporting units. The fair values of the reporting units were calculated using an income approach, which looks to the present value of expected future cash flows. These values were compared in total with the fair value of the business based on market capitalization at the date of testing. Based on the result of this assessment, the Company recorded a one-time transitional charge of $245,732, net of related tax impact of $50,491, resulting from the impairment of goodwill relating to the U.S. Toys reporting unit primarily as the result of the change in goodwill impairment criteria from an undiscounted to a discounted cash flow method. This transitional charge was recorded as a cumulative effect of an accounting change and, in accordance with the statement, recorded retroactively to the first quarter of 2002.

During 2001, the Company adopted the provisions of SFAS 133 which required that the Company record all derivatives, such as foreign exchange contracts, on the balance sheet at fair value. Changes in the derivative fair values that are designated, effective and qualify as cash flow hedges, are deferred and recorded as a component of accumulated other comprehensive earnings ("AOCE") until the hedged transactions occur and are then recognized in the consolidated statements of operations. As a result of adopting SFAS 133, and in accordance with the transition provisions, the Company recorded a one-time after tax charge of $1,066 during 2001 representing the cumulative effect of the adoption in its consolidated statements of operations and an after tax unrealized loss of $753 to AOCE, which the Company reclassified to earnings in 2001.

Liquidity and Capital Resources

Hasbro has historically generated a significant amount of cash from normal operations. The Company has funded its operations and liquidity needs primarily through cash flows from operations, as well as utilizing, when needed, borrowings under its secured and unsecured credit facilities. Historically, the majority of the Company's cash collections occur late in the fourth quarter and early in the first quarter of the subsequent year. As receivables are collected, the proceeds are used to repay outstanding short-term debt. During 2004, the Company expects to continue to fund its working capital needs primarily through operations and, when needed, through its revolving credit facility or receivable securitization program. As an additional source of working capital and liquidity, in December 2003, the Company entered into a three-year receivable securitization program whereby undivided interests in up to $250,000 of eligible domestic trade accounts receivable are sold, on a revolving basis, to bank conduits. In accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," receivable interests securitized are accounted for as a sale and removed from the consolidated balance sheet. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through the securitization program and committed lines of credit, are adequate to meet its needs for 2004. However, unforeseen circumstances in the toy or game industry, such as softness in the retail environment or unanticipated changes in consumer preferences could result in a significant decline in revenues and operating results for the Company, which could result in the Company being in non-compliance with its debt covenants and unable to use funding from its receivable securitization program. Non-compliance with its debt covenants could result in the Company being unable to utilize borrowings under its revolving credit facility, other bank lines and the securitization program, a circumstance most likely to occur when operating shortfalls would most require supplementary borrowings to enable the Company to continue to fund its operations. In addition, a significant deterioration in the business of a major U.S. customer could result in a decrease in eligible accounts receivable which would prevent the Company from being able to fully utilize its receivable securitization program. The Company expects to be in compliance with its borrowing and securitization covenants in 2004.

Long-term debt increased from nil in 1997 to $1,167,838 at December 31, 2000. This increase was the result of funding the Company's 1998 and 1999 business acquisitions, as well as repurchases of the Company's common stock. During the last three fiscal years, as part of its strategy of reducing long-term debt and its overall debt-to-capitalization ratio, the Company has been able to repurchase or repay approximately $490,000 in principal amount of long-term debt, primarily using cash from operations. Remaining principal amounts of long-term debt at December 28, 2003 were $676,020. The Company believes that the continuing reduction in its debt-to-capitalization ratio improves its liquidity situation by both decreasing cash required to service outstanding debt and by increasing the ability of the Company to obtain additional financing if the need to do so arises.

At December 28, 2003, cash and cash equivalents, net of short-term borrowings, were $497,393 which compares to $474,321 and $199,071 at December 29, 2002 and December 30, 2001, respectively. Hasbro generated approximately $454,000, $473,000 and $372,000 of net cash from its operating activities in 2003, 2002 and 2001, respectively. Although net earnings before cumulative effect of accounting change increased to $175,015 in 2003 compared to $75,058 in 2002, the decrease in cash from operations in 2003 to 2002 was primarily the result of non-cash expenditures in 2002, including utilization of prepaid expenses related to STAR WARS royalties, and increased amortization expense in 2002, primarily STAR WARS related. Net cash provided by operating activities in 2002 also included a $120,000 royalty advance payment, which was recorded as a long-term asset. The increased cash flows from operations in 2002 from 2001 results primarily from the Company's aggressive management of its cash flow requirements. Cash flows from operations were favorably impacted by the Company's cost reduction initiatives in 2003, 2002, and 2001, resulting in a lower level of fixed operating expenses. Fourth quarter days sales outstanding improved to 49 days from 50 days in 2002 and 52 days in 2001. Accounts receivable at year-end is primarily composed of fourth quarter revenues.

In 2003, as noted above, the Company entered into a revolving securitization facility whereby the Company is able to sell undivided interests in qualifying accounts receivable on an ongoing basis. At December 28, 2003, there was $193,713 outstanding under this program. The securitization facility replaced other programs routinely used by the Company to accelerate payment of trade receivables in prior years. Receivables as of December 28, 2003 were also impacted by the increased sales in the fourth quarter of 2003. The December 28, 2003 accounts receivable balance was also increased by approximately $29,100 from the currency impact of the weaker U.S. dollar. Inventories decreased to $168,979 at December 28, 2003 from $190,144 at December 29, 2002 as a result of the Company's inventory management and, to a lesser extent, the disposition of substantially all of its remaining retail stores operated under the Wizards of the Coast and Gamekeeper names. These decreases were partially offset by the currency impact of the weaker U.S. dollar in 2003. The net decrease in inventory levels reflects the Company's continued focus on supply chain management and its continued aggressive management of cash flow requirements. Improved inventory management in 2002 resulted in inventory levels being approximately $27,000 or 13% lower at December 2002 than December 2001.

Prepaid expenses and other current assets increased to $211,981 at December 28, 2003 from $190,964 at December 29, 2002. The increase was primarily related to prepaid amounts relating to an increase in deferred and other taxes and other prepaid expenses and deposits. Prepaid expenses and other current assets also increased, to a lesser extent, as a result of the currency impact of the weaker U.S. dollar. These increases partially offset decreases in prepaid royalties from 2002. Generally, when the Company enters into a licensing agreement for entertainment-based properties, an advance royalty payment is required at the inception of the agreement. This payment is then recognized in the consolidated statement of operations as the related sales are made. In addition to the decrease related to STAR WARS products, the decrease in advanced royalties is also due to the Company's business strategy of focusing on its core brands and reducing its reliance on licensed products. Increased sales of entertainment-based licensed products, primarily STAR WARS products, in 2002 resulted in a decrease in prepaid royalties from 2001, net of a $120,000 royalty advance paid in 2002 relating to the STAR WARS license. Due to the timing of future expected royalties covered by this payment, this advance was recorded in other assets as a long-term advance.

Accounts payable and accrued expenses increased to $905,368 at December 28, 2003 from $743,958 at December 29, 2002. Of the 2003 increase, $138,650 is due to the Company's adoption of SFAS 150. As a result of this new accounting standard, the Company reclassified certain warrants from equity to a current liability and adjusted the amount of this liability to its fair value as of December 28, 2003. The remaining increase is due primarily to higher levels of accrued

performance bonuses as the result of the Company's improved financial performance in 2003 as well as accrued expenses related to the cessation of manufacturing operations at the Company's facility in Spain and the disposition of its remaining Wizards of the Coast and Gamekeeper retail stores. These increases were partially offset by lower accrued royalties as a result of decreased sales of licensed products.

Cash flows from investing activities were a net utilization of $64,879, $62,314 and $57,779 in 2003, 2002 and 2001, respectively. During 2003, the Company expended approximately $63,000 on additions to its property, plant and equipment while during 2002 and 2001 it expended approximately $59,000 and $50,000, respectively. Of these amounts, 66% in 2003, 64% in 2002 and 75% in 2001 were for purchases of tools, dies and molds related to the Company's products. While the terms of the Company's credit facility restrict the amount it can expend on additions to property, plant and equipment, the level of capital spending in 2003, 2002 and 2001 was below the level permitted under its outstanding credit facilities. In 2004, the Company expects capital expenditures to increase from these levels. During the three years ended December 28, 2003, depreciation and amortization of plant and equipment was $88,070, $89,262 and $104,247, respectively. The Company made no acquisitions of businesses in 2003, 2002 or 2001. In 2002, the Company made payments of $7,419 relating to the acquisition of Wizards of the Coast.

The Company commits to inventory production, advertising and marketing expenditures prior to the peak third and fourth quarter retail selling season. Accounts receivable increase during the third and fourth quarter as customers increase their purchases to meet expected consumer demand in the holiday season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until the fourth quarter or early in the first quarter of the subsequent year. This timing difference between expenses paid and revenues collected made it necessary for the Company to borrow varying amounts during the year. During 2003, 2002, and 2001, the Company primarily utilized cash from operations and borrowing under its secured amended and restated revolving credit agreement to meet its cash flow requirements.

In December 2003, as noted above, the Company entered into a three-year receivable securitization program. Under this program, the Company sells on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC ("HRF"). HRF is consolidated with the Company for financial reporting purposes. The securitization program then allows HRF to sell, on a revolving basis, an undivided interest of up to $250,000 in the eligible receivables it holds to certain bank conduits. The program provides the Company with a cost-effective source of working capital and short-term financing. Based on the amount of eligible accounts receivable as of December 28, 2003, the Company had availability under this program to sell $202,566, of which $193,713 was utilized.

Prior to November 2003, the Company had a committed revolving credit agreement of $380,000, maturing in March 2005. The agreement was secured by substantially all of the Company's domestic accounts receivable and inventory. The agreement did not require the Company to maintain compensating balances but did contain certain restrictive covenants. In November 2003, the parties amended this agreement. The amended and restated agreement provides the Company with an unsecured revolving credit facility of $350,000, maturing in March 2007. The credit facility reduces by $50,000 effective March 31, 2005, and by a further $50,000 effective November 30, 2005. If the Company fails to maintain certain financial ratios or if the credit rating of the Company drops below BB at Fitch Ratings or Standard & Poor's, or Ba3 at Moody's, borrowings under the amended and restated facility would be secured by substantially all domestic inventory as well as certain intangible assets. At March 1, 2004, the Company was rated BBB- by Fitch, BB by Standard & Poor's, and Baa3 by Moody's. The Company is not required to maintain compensating balances under the agreement. The amended and restated agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements,

and a number of other limitations, including with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments. The Company was in compliance with all restrictive covenants as of and for the fiscal year ended December 28, 2003. The Company had no borrowings outstanding under its committed revolving credit facility at December 28, 2003. The Company also has other uncommitted lines from various banks, of which approximately $23,400 was outstanding at December 28, 2003. Amounts available and unused under the committed line at December 28, 2003 were approximately $326,000.

Net cash utilized by financing activities was $373,307 in 2003. This was primarily the result of the Company's use of cash flows from operations to repurchase or repay $200,288 in principal amount of 7.95% Notes in March 2003. In addition, the Company repurchased $167,257 in principal amount of 8.50% Notes due 2006 in the fourth quarter of 2003 at a total cost of $188,991. Also in 2003, as the result of the increase in the Company's stock price during the year, the Company received $39,892 in proceeds from the exercise of employee stock options. The Company also paid $3,378 to repurchase shares issued upon the exercise of certain warrants as well as to terminate a warrant agreement.

Net cash utilized by financing activities was $159,337 in 2002. This was primarily the result of the Company's use of cash flows from operations to repurchase $124,585 and $2,385 in principal amount of 7.95% notes due in March 2003 and 5.60% notes due in 2005, respectively.

In November and December of 2001, the Company issued $250,000 in principal amount of senior convertible debentures due 2021. The proceeds from the sales along with cash on hand were used to repurchase $250,000 in original principal amount of existing long-term debt, specifically $225,000 of the 7.95% Notes due 2003, $4,000 of the 6.15% Notes due 2008, and $21,000 of the 6.60% Notes due 2028. The senior convertible debentures bear interest at 2.75%, which could be subject to an upward adjustment in the rate, not to exceed 11%, commencing in December 2005 should the price of the Company's stock trade at or below $9.72 per share for 20 of 30 trading days preceding the fifth day prior to an interest payment date. This contingent interest feature represents a derivative instrument which is recorded on the balance sheet at its fair value, with changes in fair value recognized in the statement of operations. If the closing price of the Company's stock exceeds certain levels for a specified period of time, or upon other specified events, the debentures will be convertible at an initial conversion price of $21.60. The holders of these debentures may put the notes back to Hasbro in December 2005, December 2011 and December 2016 at the original principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the Company's discretion. The Company's current intent is to settle in cash any puts exercised however there can be no guarantee that the Company will have the funds necessary to settle this obligation in cash.

Cash utilized by financing activities in 2001 was $202,661. This was principally the result of net repayments of short-term borrowings of $190,216 as the result of the Company's focus on reducing debt, a practice that was continued in 2002 and 2003.

The Company has remaining principal amounts of long-term debt, including current installments, at December 28, 2003 of approximately $677,353. As detailed below in Contractual Obligations and Commercial Commitments, this debt is due at varying times from 2004 through 2028. In addition, the Company is committed to guaranteed contractual royalty payments of approximately $203,500. Also, as detailed in Contractual Obligations and Commercial Commitments, the Company has certain warrants, currently recorded in accrued liabilities, that may be settleable for $100,000 in cash. The Company believes that cash from operations, including the securitization facility, and if necessary the committed line of credit, will allow the Company to meet these and other obligations listed. It is the Company's current strategy to reduce its long-term debt through repurchases when it is considered economically beneficial and permitted under the Company's amended and restated revolving credit agreement.

On December 6, 1999, the Board of Directors (the "Board") authorized a common stock repurchase program up to $500,000. At December 28, 2003, $204,500 remains available under the 1999 authorization. Shares acquired under the Board authorization are being used for corporate purposes including issuance upon the exercise of stock options and warrants. Under terms of the Company's amended and restated revolving credit agreement, payment of dividends cannot be in excess of $50,000 or 50% of prior year consolidated net income, which ever is greater. Also, repurchases of debt prior to maturity, common stock repurchases, investments and acquisitions may be restricted under certain circumstances.

Critical Accounting Policies and Significant Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, inventory valuation, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments and pensions.

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. Revenue from product sales is recognized upon passing of title to the customer, at the time of shipment. Revenue from product sales, less related sales allowances, is added to royalty revenue and reflected as net revenues in the consolidated statements of operations. The Company routinely commits to promotional sales allowance programs with customers. These allowances primarily relate to fixed programs, which the customer earns based on purchases of Company products during the year. Discounts are recorded as a reduction of related revenue at the time of sale. While many of the allowances are based on fixed amounts, certain of the allowances, such as the returns allowance, are based on market data, historical trends and information from customers and are therefore subject to estimation.

Inventory is valued at the lower of cost or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company underproducing popular items or overproducing less popular items. Management estimates are monitored on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or market standard.

Goodwill and other intangible assets deemed to have indefinite lives are tested for impairment at least annually. If an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim test at that time. The impairment test begins by allocating goodwill and intangible assets to applicable reporting units. Goodwill is then tested using a two step process that begins with an estimation of the fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows.

The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. Intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value which is also calculated using an income approach. The Company's annual impairment test was performed in the fourth quarter of 2003 and no impairment was indicated. At December 28,

2003, the Company has goodwill and intangible assets with indefinite lives of $539,418 recorded on the balance sheet.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of the value of these intangible assets is measured by a comparison of the assets' carrying value to the estimated future undiscounted cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment would be measured by the amount by which the carrying value of the asset exceeds its fair value based on estimated future discounted cash flows. The estimation of future cash flows requires significant judgments and estimates with respect to future revenues related to the respective asset and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in this assessment and result in an impairment charge. The estimation of discounted cash flows also requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge. Intangible assets covered under this policy were $634,901 at December 28, 2003. During 2003, there were no significant impairment charges related to these intangible assets.

The recoverability of royalty advances and contractual obligations with respect to minimum guaranteed royalties is assessed by comparing the remaining minimum guaranty to the estimated future sales forecasts and related cash flow projections to be derived from the related product. If sales forecasts and related cash flows from the particular product do not support the recoverability of the remaining minimum guaranty or, if the Company decides to discontinue a product line with royalty advances or commitments, a charge to royalty expense to write-off the remaining minimum guaranty is required. The preparation of revenue forecasts and related cash flows for these products requires judgments and estimates. Actual revenues and related cash flows or changes in the assessment of anticipated revenues and cash flows related to these products could result in a change to the assessment of recoverability of remaining minimum guaranteed royalties. At December 28, 2003, the Company had $177,039 of prepaid royalties, $28,717 of which are included in prepaid expenses and other current assets and $148,322 which are included in other assets.

The Company, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits using estimates for expected return on assets, expected compensation increases, and applicable discount rates. The Company estimates expected return on assets using a weighted average rate based on historical market data for the investment classes of assets held by the plan, the allocation of plan assets among those investment classes, and the current economic environment. Based on this information, the Company's estimate of expected return on plan assets in 2003 and 2002 was 8.75% and in 2001 was 9.00%. A decrease in the estimate used for expected return on plan assets would increase pension expense, while an increase in this estimate would decrease pension expense. A decrease of 1% in the estimate of expected return on plan assets would increase pension expense by approximately $1,600. Expected compensation increases are estimated using a combination of historical compensation increases with expected compensation increases in the Company's long-term business forecasts. Based on this analysis, the Company's estimate of expected long-term compensation increases was 4.0% in 2003 and 2002 and 4.5% in 2001. Increases in estimated compensation increases would increase pension expense while decreases would decrease pension expense. Discount rates are selected based upon rates of return on high quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The Company considers Moody's long-term Aa Corporate Bond yield at the measurement date as an appropriate guide in setting this rate. At September 30, 2003, the Company's measurement date for its pension assets and liabilities, the Moody's long-term Corporate Bond yield was 5.9%, and the Company selected a discount rate

of 6%. A decrease in the discount rate would result in greater pension expense while an increase in the discount rate would decrease pension expense. A decrease of 1% in the Company's discount rate would increase pension expense and the projected benefit obligation by approximately $3,700 and $33,000, respectively. In accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions", actual results that differ from the actuarial assumptions are accumulated and, if in excess of a certain corridor, amortized over future periods and, therefore generally affect recognized expense and the recorded obligation in future periods. Assets in the plan are valued on the basis of their fair market value on the measurement date. In 2003 and 2002, the Company recorded a minimum pension liability of $42,445 and $44,811, respectively. This amount represents the amount by which the accumulated benefit obligation exceeds the sum of the fair market value of plan assets and accrued amounts previously recorded.

Contractual Obligations and Commercial Commitments

In the normal course of its business, the Company enters into contracts related to obtaining rights to produce product under license, which may require the payment of minimum guarantees, as well as contracts related to the leasing of facilities and equipment. In addition, the Company has $677,353 of long-term debt outstanding at December 28, 2003, including current installments and excluding fair value adjustments. Future payments required under these and other obligations are as follows:

Payments due by Fiscal Year

Certain Contractual Obligations	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt, including current installments	**$ 1,333**	99,002	34,187	1,504	147,568	393,759	677,353
Operating lease commitments	**28,990**	21,337	15,367	12,288	11,260	36,722	125,964
Future minimum guaranteed contractual royalty payments	**58,300**	103,400	16,600	9,900	7,600	7,700	203,500
Purchase commitments	**24,555**	—	—	—	—	—	24,555
	$ 113,178	223,739	66,154	23,692	166,428	438,181	1,031,372

Included in the thereafter column above is $250,000 in principal amount of senior convertible debt due 2021. The holders of these debentures may put the notes back to the Company in December 2005, December 2011, and December 2016 at the principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two. The Company's current intent is to settle in cash any puts exercised. Certain of the future minimum guaranteed contractual royalty payments are contingent upon the theatrical release of the related entertainment property.

In addition to the above, the Company has certain warrants outstanding at December 28, 2003 that contain a put option that would require the Company to repurchase the warrants for a price to be paid, at the Company's election, of either $100,000 in cash or $110,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option. The Company's current intent is to settle this put option in cash if exercised. In accordance with SFAS 150, these warrants are recorded as an accrued liability at fair value at December 28, 2003. In addition, the Company expects to make contributions totaling approximately $10,000 to its pension plans in 2004. The Company also has letters of credit of approximately $24,300 at December 28, 2003.

Financial Risk Management

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates, for the most part as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty-five currencies. Results of operations may be affected primarily by changes in the value of the U.S. Dollar, Hong Kong Dollar, Euro, British Pound, Canadian Dollar, Mexican Peso and, to a lesser extent, other currencies, including those in Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its estimated foreign currency transactions using forward foreign exchange contracts and purchased foreign currency options. The Company estimates that a hypothetical immediate 10% unfavorable movement in the U.S. dollar could result in an approximate $11,900 decrease in the fair value of these instruments.

The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in currencies other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. From time to time, affiliates of the Company may make or receive intercompany loans in currencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts. The Company does not speculate in, and, other than as set forth above, the Company does not hedge foreign currency exposures. The Company reflects all derivatives at their fair value as an asset or liability on the balance sheet.

At December 28, 2003, the Company had fixed rate long-term debt, including current installments and excluding fair value adjustments, of $677,353. At December 28, 2003, the Company had fixed-for-floating interest rate swaps with notional amounts of $150,000. The interest rate swaps are designed to adjust the amount of the Company's debt subject to a fixed interest rate. The interest rate swaps are matched with specific long-term debt issues and are designated and effective as hedges of the change in the fair value of the associated debt. Changes in fair value of these contracts are wholly offset in earnings by changes in the fair value of long-term debt. At December 28, 2003, these contracts had a fair value of $10,851, which is recorded in other assets, with a corresponding fair value adjustment to increase long-term debt. Changes in interest rates affect the fair value of fixed rate debt not hedged by interest rate swap agreements while affecting the earnings and cash flows of the long-term debt hedged by the interest rate swaps. The Company estimates that a hypothetical one percentage point decrease or increase in interest rates would increase or decrease the fair value of this long-term debt by approximately $70,500 or $60,400, respectively. A hypothetical one percentage point change in interest rates would increase or decrease 2004 pretax earnings and cash flows by $1,275 and $763, respectively.

The Economy and Inflation

The Company continued to experience difficult economic environments in some parts of the world during 2003. The principal market for the Company's products is the retail sector. Revenues from the Company's top 5 customers, all retailers, accounted for approximately 52% of its consolidated net revenues in 2003 and 2002. In the past year certain customers in the retail sector have experienced economic difficulty. The Company monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The Company's revenue pattern continues to show the second half of the year, and within that half, the fourth quarter, to be more significant to its overall business for the full year. The Company expects this trend will continue. The concentration of sales in the second half of the year and, specifically, the fourth quarter increases the risk of (a) underproduction of popular items,

(b) overproduction of less popular items and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. The trend of retailers over the past few years has been to purchase a greater percentage of product within or close to the fourth quarter holiday consumer selling season, which includes Christmas. Quick response inventory management practices now being used by many retailers result in more orders being placed for immediate delivery and fewer orders being placed well in advance of shipment. To the extent that retailers do not sell as much of their year-end inventory purchases during this holiday selling season as they had anticipated, their demand for additional product earlier in the following fiscal year may be curtailed, thus negatively impacting the Company's revenues. In addition, the bankruptcy or other lack of success of one of the Company's significant retailers could negatively impact the Company's future revenues.

The effect of inflation on the Company's operations during 2003 was not significant and the Company will continue its policy of monitoring costs and adjusting prices, accordingly.

Other Information

Hasbro uses the intrinsic-value method of accounting for stock options granted to employees. As required by the Company's existing stock plans, stock options are granted at, or above, the fair market value of the Company's stock, and, accordingly, no compensation expense is recognized for these grants in the consolidated statement of operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. In April 2003, the Financial Accounting Standards Board ("FASB") announced that it would mandate the fair value method of accounting for all stock-based awards. The FASB is still drafting a preliminary statement, which is due out in the first quarter of 2004 and would be subject to a comment period. If enacted, the change in accounting is not expected to be effective for the Company until fiscal 2005. Until a formal statement is issued, the Company cannot estimate the effect that this change in accounting would have on its consolidated statements of operations.

The Company is not aware of any material amounts of potential exposure relating to environmental matters and does not believe its environmental compliance costs or liabilities to be material to its operating results or financial position.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

The information required by this item is included in Item 7 of Part II of this Report and is incorporated herein by reference.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 28, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 28, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 7 to the consolidated financial statements, effective June 30, 2003, the first day of the Company's third quarter of fiscal 2003, the Company adopted the provisions of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." As discussed in note 1 to the consolidated

financial statements, effective December 31, 2001, the first day of the Company's 2002 fiscal year, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles."

/s/ KPMG LLP

Providence, Rhode Island
February 4, 2004

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 28, 2003 and December 29, 2002
(Thousands of Dollars Except Share Data)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents	**$ 520,747**	495,372
Accounts receivable, less allowance for doubtful accounts of $39,200 in 2003 and $50,700 in 2002	**607,556**	555,144
Inventories	**168,979**	190,144
Prepaid expenses and other current assets	**211,981**	190,964
Total current assets	**1,509,263**	1,431,624
Property, plant and equipment, net	**199,854**	213,499
Other assets		
Goodwill	**463,680**	460,993
Other intangibles, net	**710,639**	715,736
Other	**279,940**	321,029
Total other assets	**1,454,259**	1,497,758
Total assets	**$ 3,163,376**	3,142,881
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	**$ 23,354**	21,051
Current installments of long-term debt	**1,333**	201,841
Accounts payable	**158,969**	166,316
Accrued liabilities	**746,399**	577,642
Total current liabilities	**930,055**	966,850
Long-term debt, excluding current installments	**686,871**	857,274
Deferred liabilities	**141,210**	127,391
Total liabilities	**1,758,136**	1,951,515
Shareholders' equity		
Preference stock of $2.50 par value. Authorized 5,000,000 shares; none issued	**—**	—
Common stock of $.50 par value. Authorized 600,000,000 shares; issued 209,694,630 shares in 2003 and 2002	**104,847**	104,847
Additional paid-in capital	**397,878**	458,130
Deferred compensation	**(679)**	(613)
Retained earnings	**1,567,693**	1,430,950
Accumulated other comprehensive earnings	**30,484**	(46,814)
Treasury stock, at cost, 34,195,301 shares in 2003 and 36,525,120 shares in 2002	**(694,983)**	(755,134)
Total shareholders' equity	**1,405,240**	1,191,366
Total liabilities and shareholders' equity	**$ 3,163,376**	3,142,881

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Fiscal Years Ended in December
(Thousands of Dollars Except Per Share Data)

	2003	2002	2001
Net revenues	**$ 3,138,657**	2,816,230	2,856,339
Cost of sales	**1,287,962**	1,099,162	1,223,483
Gross profit	**1,850,695**	1,717,068	1,632,856
Expenses			

Amortization	**76,053**	94,576	121,652
Royalties	**248,423**	296,152	209,725
Research and product development	**143,183**	153,775	125,633
Advertising	**363,876**	296,549	290,829
Selling, distribution and administration	**674,544**	656,725	673,687
Total expenses	**1,506,079**	1,497,777	1,421,526
Operating profit	**344,616**	219,291	211,330
Nonoperating (income) expense			
Interest expense	**52,462**	77,499	103,688
Other expense, net	**48,090**	37,704	11,443
Total nonoperating (income) expense	**100,552**	115,203	115,131
Earnings before income taxes and cumulative effect of accounting change	**244,064**	104,088	96,199
Income taxes	**69,049**	29,030	35,401
Net earnings before cumulative effect of accounting change	**175,015**	75,058	60,798
Cumulative effect of accounting change, net of tax	**(17,351)**	(245,732)	(1,066)
Net earnings (loss)	**$ 157,664**	(170,674)	59,732
Per common share			
Net earnings before cumulative effect of accounting change			
Basic	**$ 1.01**	.43	.35
Diluted	**$ .98**	.43	.35
Net earnings (loss)			
Basic	**$ .91**	(.99)	.35
Diluted	**$ .88**	(.98)	.35
Cash dividends declared	**$ .12**	.12	.12

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Fiscal Years Ended in December
(Thousands of Dollars)

	2003	2002	2001
Cash flows from operating activities			
Net earnings (loss)	**$ 157,664**	(170,674)	59,732
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax	**17,351**	245,732	1,066
Depreciation and amortization of plant and equipment	**88,070**	89,262	104,247
Other amortization	**76,053**	94,576	121,652
Loss on early extinguishment of debt	**20,342**	—	—
Loss on impairment of investment	**—**	42,902	—
Change in fair value of liabilities potentially settleable in common stock	**13,630**	—	—
Deferred income taxes	**22,774**	5,441	38,697
Compensation earned under restricted stock programs	**172**	1,770	2,532
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	**(13,202)**	33,653	99,474
Decrease in inventories	**34,846**	38,783	109,002
Decrease in prepaid expenses and other current assets	**7,845**	184,988	45,936
Increase (decrease) in accounts payable and accrued liabilities	**16,707**	22,863	(195,591)
Other, including long-term advances	**11,903**	(116,157)	(14,272)
Net cash provided by operating activities	**454,155**	473,139	372,475
Cash flows from investing activities			
Additions to property, plant and equipment	**(63,070)**	(58,661)	(50,045)
Investments and acquisitions, net of cash acquired	**—**	(7,419)	—
Other	**(1,809)**	3,766	(7,734)
Net cash utilized by investing activities	**(64,879)**	(62,314)	(57,779)
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	**—**	—	250,000
Repurchases and repayments of borrowings with original maturities of more than three months	**(389,279)**	(126,970)	(250,127)
Net proceeds (repayments) of other short-term borrowings	**309**	(14,695)	(190,216)
Purchase of common stock and other equity securities	**(3,378)**	—	—
Stock option transactions	**39,892**	3,100	8,391
Dividends paid	**(20,851)**	(20,772)	(20,709)

Net cash utilized by financing activities	**(373,307)**	(159,337)	(202,661)
Effect of exchange rate changes on cash	**9,406**	10,789	(6,055)
Increase in cash and cash equivalents	**25,375**	262,277	105,980
Cash and cash equivalents at beginning of year	**495,372**	233,095	127,115
Cash and cash equivalents at end of year	**$ 520,747**	495,372	233,095
Supplemental information			
Interest paid	**$ 64,189**	77,840	103,437
Income taxes paid (received)	**$ 28,354**	(41,378)	(34,813)

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2000	$ 104,847	464,084	(6,889)	1,583,394	(44,718)	(773,312)	1,327,406
Net earnings	—	—	—	59,732	—	—	59,732
Other comprehensive earnings	—	—	—	—	(23,680)	—	(23,680)
Comprehensive earnings							36,052
Stock option and warrant transactions	—	(6,004)	—	—	—	13,739	7,735
Restricted stock activity	—	(536)	3,893	—	—	(962)	2,395
Dividends declared	—	—	—	(20,724)	—	—	(20,724)
Balance, December 30, 2001	104,847	457,544	(2,996)	1,622,402	(68,398)	(760,535)	1,352,864
Net loss	—	—	—	(170,674)	—	—	(170,674)
Other comprehensive earnings	—	—	—	—	21,584	—	21,584
Comprehensive earnings							(149,090)
Stock option and warrant transactions	—	333	—	—	—	6,267	6,600
Restricted stock activity	—	253	2,383	—	—	(866)	1,770
Dividends declared	—	—	—	(20,778)	—	—	(20,778)
Balance, December 29, 2002	104,847	458,130	(613)	1,430,950	(46,814)	(755,134)	1,191,366
Net earnings	**—**	**—**	**—**	**157,664**	**—**	**—**	**157,664**
Other comprehensive earnings	**—**	**—**	**—**	**—**	**77,298**	**—**	**77,298**
Comprehensive earnings							**234,962**
Reclass of liabilities potentially settleable in common stock	**—**	**(107,669)**	**—**	**—**	**—**	**—**	**(107,669)**
Stock option and warrant transactions	**—**	**48,106**	**—**	**—**	**—**	**60,640**	**108,746**
Restricted stock activity	**—**	**(689)**	**(66)**	**—**	**—**	**(489)**	**(1,244)**
Dividends declared	**—**	**—**	**—**	**(20,921)**	**—**	**—**	**(20,921)**
Balance, December 28, 2003	**$ 104,847**	**397,878**	**(679)**	**1,567,693**	**30,484**	**(694,983)**	**1,405,240**

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Thousands of Dollars and Shares Except Per Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all majority-owned subsidiaries ("Hasbro" or the "Company"). Investments representing 20% to 50% ownership interest in other companies are accounted for using the equity method. The Company had no equity method investments at December 28, 2003 that were material to the consolidated financial statements. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2001 consolidated financial statements have been reclassified to conform to the 2003 presentation. Restructuring expense of $(1,795) has been reclassified and reported under selling, distribution and administrative expenses.

Fiscal Year

Hasbro's fiscal year ends on the last Sunday in December. Each of the fiscal years in the three-year period ended December 28, 2003 was a fifty-two week period.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments purchased with a maturity to the Company of three months or less.

Marketable Securities

Marketable securities are comprised of investments in publicly-traded securities, classified as available-for-sale, and are recorded at market value with unrealized gains or losses, net of tax, reported as a component of accumulated other comprehensive earnings within stockholders' equity until realized. Unrealized losses are evaluated to determine the nature of the losses. If the losses are determined to be other than temporary, the basis of the security is adjusted and the loss is recognized in earnings at that time. These securities are included in other long-term assets in the accompanying consolidated balance sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is granted to customers on an unsecured basis. Credit limits and payment terms are established based on extensive evaluations made on an ongoing basis throughout the fiscal year with regard to the financial performance, cash generation, financing availability and liquidity status of each customer. The majority of customers are reviewed at least annually; more frequent reviews

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are performed based on the customer's financial condition and the level of credit being extended. For customers on credit who are experiencing financial difficulties, management performs additional financial analyses before shipping. The Company uses a variety of financial transactions to increase the collectibility of certain of its accounts, including letters of credit, credit insurance, factoring with unrelated third parties, and requiring cash in advance of shipping.

The Company records an allowance for doubtful accounts at the time revenue is recognized based on management's assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging and customer disputes. When a significant event occurs, such as a bankruptcy filing of a specific customer, and on a quarterly basis, the allowance is reviewed for adequacy and the balance or accrual rate is adjusted to reflect current risk prospects.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value.

Impairment Testing of Long-Lived Assets

On December 31, 2001, the first day of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142") which eliminated the amortization of goodwill, as well as amortization of intangible assets deemed to have an indefinite life. Under this Statement, goodwill and intangible assets are allocated to applicable reporting units. Goodwill and intangible assets deemed to have indefinite lives are tested for impairment annually. Goodwill is tested using a two-step process that begins with an estimation of fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows. The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. Intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value, also calculated using the income approach.

The Company reviews other long-lived assets (property, plant and equipment and other intangibles) for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the asset. Assets to be disposed of are carried at the lower of the net book value or their fair value less disposal costs.

Goodwill and Other Intangibles

As of December 31, 2001, the first day of fiscal 2002, the Company eliminated the amortization of goodwill, in accordance with SFAS 142. Prior to 2002, goodwill was being amortized on the straight-line basis over lives ranging from ten to forty years.

Substantially all of the other intangibles consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers, but does not individually value, existing trademarks, copyrights, patents, license agreements and other product-related rights. As part of the adoption of SFAS 142 in 2002, the useful lives of these rights, which were valued at their acquisition date based on the anticipated future cash flows from the underlying product line, were assessed. As part of this assessment, the Company determined that certain of these intangible assets related to the Tonka and Milton Bradley acquisitions had an indefinite life and amortization of these assets was suspended until a remaining useful life can be determined.

No other adjustments of remaining useful lives were made as a result of this assessment. The remaining rights are being amortized over three to twenty-five years using the straight-line method. Approximately 18% of other intangibles relate to rights acquired in connection with major motion picture entertainment properties and are being amortized over the contract life, in proportion to projected sales of the licensed products during the same period.

Depreciation and Amortization

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using accelerated and straight-line methods to amortize the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment 3 to 12.

Tools, dies and molds are amortized over a three-year period or their useful lives, whichever is less, using an accelerated method.

Financial Instruments

Hasbro's financial instruments include cash and cash equivalents, accounts receivable, marketable equity securities, short- and long-term borrowings, accounts payable and accrued liabilities. At December 28, 2003, the carrying cost of these instruments approximated their fair value. Its financial instruments also include foreign currency forwards and options (see note 14) as well as interest rate swap agreements (see note 8). At December 28, 2003, the carrying value of these instruments approximated their fair value based on quoted or publicly available market information.

Securitization and Transfer of Financial Instruments

Hasbro has an agreement that allows the Company to sell, on an ongoing basis, an undivided interest in certain of its trade accounts receivable through a revolving securitization arrangement.

The Company retains servicing responsibilities for, as well as a subordinate interest in the transferred receivables. Hasbro accounts for the securitization of trade accounts receivable as a sale in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS 140"). As a result, the related receivables are removed from the consolidated balance sheet.

Revenue Recognition

Revenue from product sales is recognized upon the passing of title to the customer, at the time of shipment. Provisions for discounts, rebates and returns are made when the related revenues are recognized. The Company bases its estimates for discounts, rebates and returns on agreed customer terms and historical experience.

The Company enters into arrangements licensing its brand names on specifically approved products. The licensees pay the Company royalties as products are sold, in some cases subject to annual minimum guaranteed amounts. Royalty revenues are recognized as they are reported as earned and payment becomes assured, over the life of the agreement. Revenue from product sales less related provisions for discounts, rebates and returns, as well as royalty revenues are reflected in net revenues in the consolidated statements of operations.

Royalties

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. These agreements may call for payment in advance or future payment for minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense as revenue from the related products is recognized. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under license, the nonrecoverable portion of the guaranty is charged to expense at that time.

Advertising

Production costs of commercials and programming are charged to operations in the fiscal year during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the fiscal year incurred.

Shipping and Handling

Hasbro expenses costs related to the shipment and handling of goods to customers as incurred. For 2003, 2002, and 2001, these costs were $149,702, $134,096 and $141,885, respectively, and are included in selling, distribution and administration expenses.

Income Taxes

Hasbro uses the asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes have not been provided on undistributed earnings of international subsidiaries as substantially all of such earnings are indefinitely reinvested by the Company.

Foreign Currency Translation

Foreign currency assets and liabilities are translated into U.S. dollars at period-end rates, and revenues, costs and expenses are translated at weighted average rates during each reporting period. Earnings include gains or losses resulting from foreign currency transactions as well as translation gains and losses resulting from the use of the U.S. dollar as the functional currency in highly inflationary economies. Other gains and losses resulting from translation of financial statements are a component of other comprehensive earnings.

Pension Plans, Postretirement and Postemployment Benefits

Hasbro, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits. The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. In 2004, the Company expects to contribute approximately $10,000 to its pension plans. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of its United States defined benefit pension plans and meet certain age and length of service requirements. It also has several plans covering certain groups of employees, which may provide benefits to such employees following their period of employment but prior to their retirement. The Company measures the costs of these obligations based on actuarial computations.

Risk Management Contracts

Hasbro uses foreign currency forward and option contracts, generally purchased for terms of not more than eighteen months, to reduce the effect of adverse currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future purchases of inventory and other cross-border currency requirements not denominated in the functional currency of the unit, are primarily denominated in United States and Hong Kong dollars, Euros and United Kingdom pound sterling and are entered into with counterparties who are major financial institutions. The Company believes any risk related to default by a counterparty to be remote. Hasbro does not enter into derivative financial instruments for speculative purposes.

At the inception of the contracts, Hasbro designates its derivatives as either cash flow or fair value hedges. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking various hedge transactions. All hedges designated as cash flow hedges are linked to forecasted transactions and the Company assesses, both at the inception of the hedge and on an on-going basis, the effectiveness of the derivatives used in hedging transactions in offsetting changes in the cash flows of the hedged items. The ineffective portion of a hedging derivative is immediately recognized in the consolidated statements of operations.

The Company records all derivatives, such as foreign currency exchange contracts, on the balance sheet at fair value. Changes in the derivative fair values that are designated effective and qualify as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive earnings (AOCE) until the hedged transactions occur and are then recognized in the consolidated statements of operations. The Company's foreign currency contracts hedging anticipated cash flows are designated as cash flow hedges. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting prospectively. Any gain or loss deferred through that date remains in AOCE until the forecasted transaction occurs, at which time it is reclassified to the consolidated statements of operations. To the extent the transaction is no longer deemed probable of occurring, hedge accounting treatment is discontinued prospectively and amounts deferred would be reclassified to the consolidated statements of operations. In the event hedge accounting requirements are not met, gains and losses on such instruments are included currently in the statements of operations. The Company uses fair value derivatives to hedge intercompany loans and management fees denominated in foreign currencies. Due to the short-term nature of the contracts involved, the Company does not use hedge accounting for these contracts.

The Company also uses interest rate swap agreements to adjust the amount of long-term debt subject to fixed interest rates. The interest rate swaps are matched with specific long-term debt obligations and are designated and effective as fair value hedges of the change in fair value of those debt obligations. These agreements are recorded at their fair value as an asset or liability. Gains and losses on these contracts are included currently in the statement of operations and are wholly offset by changes in the fair value of the related long-term debt. These hedges are considered to be perfectly effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138 (collectively "SFAS 133") and, therefore, no net change in fair value is recognized in earnings. The interest rate swap contracts are with a number of major financial institutions in order to minimize counterparty credit risk. The Company believes that it is unlikely that any of its counterparties will be unable to perform under the terms of the contracts.

Accounting for Stock-Based Compensation

At December 28, 2003, the Company has various stock-based employee compensation plans and a plan for non-employee Board members, which are described more fully in note 11. As permitted by Statement of Financial Accounting Standards No. 123, as amended by No. 148, "Accounting for Stock-Based Compensation," (collectively "SFAS 123") Hasbro accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As required by the Company's existing stock plans, stock options are granted at or above the fair market value of the Company's stock and, accordingly, no compensation expense is recognized for these grants in the Consolidated Statements of Operations. The Company records compensation expense related to other stock-based awards, such as restricted stock grants, over the period the award vests, typically three years. Had compensation expense been recorded under the fair value method as set forth in the

provisions of SFAS 123 for stock options awarded, the impact on the Company's net earnings (loss) and earnings (loss) per share would have been:

	2003	2002	2001
Reported net earnings (loss)	$ **157,664**	(170,674)	59,732
Add:			
Stock-based employee compensation expense included in reported net earnings (loss), net of related tax effects	**126**	1,221	1,628
Deduct:			
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(12,948)**	(19,641)	(11,935)
Pro forma net earnings (loss)	$ **144,842**	(189,094)	49,425
Reported net earnings (loss) per share			
Basic	$ **0.91**	(0.99)	0.35
Diluted	$ **0.88**	(0.98)	0.35
Pro forma net earnings (loss) per share			
Basic	$ **0.83**	(1.09)	0.29
Diluted	$ **0.81**	(1.09)	0.29

Earnings Per Common Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted earnings per share is similar except that the weighted average number of shares outstanding is increased by dilutive securities. Dilutive securities include shares issuable upon exercise of stock options and warrants for which market price exceeds exercise price, less shares which could have been purchased by the Company with the related proceeds. Contingency features related to issuance of shares under convertible debt were not met and therefore related potentially dilutive securities were not included in the computation of diluted earnings per share. If the contingent conversion features are met, the impact of the conversion of the debentures will result in an additional 11,574 shares being included in the calculation of diluted earnings per share. Options and warrants totaling 3,451, 39,473 and 24,487 for 2003, 2002 and 2001, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

A reconciliation of earnings and average number of shares for the three fiscal years ended December 28, 2003 is as follows:

	2003		2002		2001	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings before cumulative effect of accounting change	$ **175,015**	**175,015**	75,058	75,058	60,798	60,798
Average shares outstanding	**173,748**	**173,748**	172,720	172,720	172,131	172,131
Effect of dilutive securities:						
Options and warrants	**—**	**4,736**	—	768	—	887
Equivalent shares	**173,748**	**178,484**	172,720	173,488	172,131	173,018
Net earnings per share before cumulative effect of accounting change	$ **1.01**	**.98**	.43	.43	.35	.35

As a result of the adoption of Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity" (note 7), certain warrants containing a put feature that may be settled in cash or common stock are now required to be accounted for as a liability at fair value. The Company is required to assess if these warrants, now classified as a liability, have a more dilutive impact on earnings per share when treated as an equity contract. As of December 28, 2003, the warrants had a more dilutive impact on earnings per share, assuming they were treated as a liability contract. Accordingly, the charge to earnings for the change in fair value of the contract in 2003 is not eliminated and no shares related to this warrant are included in dilutive securities. Prior to the adoption of SFAS 150, the dilutive effect of these warrants was included in the diluted earnings per share calculation.

(2) Other Comprehensive Earnings

The Company's other comprehensive earnings for the years 2003, 2002 and 2001 consist of the following:

	2003	2002	2001
Foreign currency translation adjustments	$ **76,126**	43,105	(12,646)
Changes in value of available-for-sale securities, net of tax	**3,963**	(19,377)	(13,014)
(Losses) gains on cash flow hedging activities, net of tax	**(13,777)**	(8,703)	4,144
Minimum pension liability adjustment, net of tax	**2,187**	(25,568)	—
Reclassifications to earnings, net of tax	**8,799**	32,127	(2,164)
	$ **77,298**	21,584	(23,680)

Reclassification adjustments from other comprehensive earnings to earnings in 2003, 2002 and 2001 were net of related income taxes of $378, $12,131 and $41, respectively. Reclassification adjustments for 2003 and 2001 represent net (gains) losses on cash flow hedging derivatives for

which the related transaction has impacted earnings and was reflected in cost of sales. Reclassification adjustments for 2002 consist primarily of an impairment charge relating to an other than temporary decrease in the value of the Company's available-for-sale securities. In accordance with Hasbro's investment policy, in 2002, as the result of the decline in the fair value of the Company's investment in Infogrames Entertainment SA common stock, the Company adjusted the basis of this investment and recorded a pretax charge to earnings in the amount of $42,902. Also in 2002, reclassification adjustments include net gains on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in costs of sales.

The related tax benefit (expense) of other comprehensive earnings items was $(2,199), $10,490, and $7,031 for the years 2003, 2002 and 2001, respectively.

Components of accumulated other comprehensive earnings at December 28, 2003 and December 29, 2002 are as follows:

	2003	2002
Foreign currency translation adjustments	**$ 60,694**	(15,432)
Changes in value of available-for-sale securities, net of tax	**2,945**	(1,018)
Losses on cash flow hedging activities, net of tax	**(9,774)**	(4,796)
Minimum pension liability adjustment, net of tax	**(23,381)**	(25,568)
	$ 30,484	(46,814)

(3) Inventories

	2003	2002
Finished products	**$ 155,180**	173,168
Work in process	**5,144**	6,131
Raw materials	**8,655**	10,845
	$ 168,979	190,144

(4) Property, Plant and Equipment

	2003	2002
Land and improvements	**$ 17,799**	15,422
Buildings and improvements	**205,882**	197,898
Machinery and equipment	**304,334**	311,162
	528,015	524,482
Less accumulated depreciation	**357,958**	337,562
	170,057	186,920
Tools, dies and molds, net of amortization	**29,797**	26,579
	$ 199,854	213,499

Expenditures for maintenance and repairs which do not materially extend the life of the assets are charged to operations.

(5) Goodwill and Intangibles

Effective at the beginning of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). As a result of adopting this statement, the Company's goodwill and certain intangible assets are no longer amortized. The Company also evaluated its existing intangible assets and goodwill acquired in prior purchase business combinations and reassessed the useful lives and residual values of those intangible assets other than goodwill. As a result of this assessment, the lives of product rights totaling approximately $75,700 obtained in the Company's acquisition of Milton Bradley in 1984 and Tonka in 1991 were adjusted to an indefinite life and tested for impairment in accordance with the provisions of SFAS 142. As a result, the accumulated amortization on these assets is excluded from the balance sheet disclosure of accumulated amortization of other intangibles. No other reclassifications or adjustments of remaining useful lives were made as a result of this assessment.

SFAS 142 required the Company, within six months of the date of adoption, to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. This initial assessment was completed during the second quarter of 2002. As part of this assessment, the Company allocated goodwill and other Corporate assets and liabilities to its various reporting units. It then compared the carrying values of its reporting units to the fair values of those reporting units. The fair values of the reporting units were calculated using an income approach, which looks to the present value of expected future cash flows. These values were compared in total with the fair value of the business based on market capitalization at the date of testing. Based on the result of this assessment, the Company recorded a one-time transitional charge of $245,732, net of tax, resulting from the impairment of goodwill relating to the U.S. Toys reporting unit, primarily as the result of the change in goodwill impairment criteria from an undiscounted to a discounted cash flow method. This transitional charge was recorded as a cumulative effect of an accounting change and, in accordance with the statement, recorded retroactively to the first quarter.

SFAS 142 requires the Company to perform an annual impairment test for goodwill and intangible assets with indefinite lives. The Company performs its annual impairment test in the fourth quarter of the fiscal year. In addition, if an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim impairment test at that time. For the years ended December 28, 2003 and December 29, 2002, no such events occurred. The Company completed its annual impairment tests in the fourth quarters of 2003 and 2002, which indicated that there was no impairment.

A portion of the Company's goodwill and other intangible assets reside in the Corporate segment of the business. For purposes of SFAS 142 testing, these assets are allocated to the reporting units within the Company's operating segments. Including this allocation, the changes in carrying amount of goodwill, by operating segment for the years ended December 28, 2003 and December 29, 2002 are as follows:

2003	U.S. Toys	Games	Int'l	Corporate	Total
Balance at Dec. 29, 2002	$ 13,234	261,767	185,992	—	460,993
Foreign exchange translation	—	—	2,762	—	2,762

Other	—	(75)	—	—	(75)
Balance at Dec. 28, 2003	$ 13,234	261,692	188,754	—	463,680

2002	U.S. Toys	Games	Int'l	Corporate	Total
Balance at Dec. 30, 2001	$ 105,773	158,321	19,893	477,588	761,575
Allocation of corporate	208,885	104,893	163,810	(477,588)	—
Impairment	(296,223)	—	—	—	(296,223)
Foreign exchange translation	—	—	2,289	—	2,289
Other	(5,201)	(1,447)	—	—	(6,648)
Balance at Dec. 29, 2002	$ 13,234	261,767	185,992	—	460,993

The other reduction in the carrying value of the U.S. Toys segment goodwill in 2002 relates primarily to the utilization of previously reserved deferred tax assets from an acquired company. The other reduction in the carrying value of the Games segment goodwill in 2002 results primarily from payments relating to the acquisition of Wizards of the Coast.

The following table provides a reconciliation of the reported net income for 2001 to adjusted net income had SFAS 142 been applied as of the beginning of that year:

	2001
Reported net earnings	$ 59,732
Add back amortization:	
Goodwill	43,850
Indefinite life intangible assets	9,805
Tax impact	(8,642)
Adjusted net earnings	$ 104,745
Basic and diluted net earnings per share	
Reported net earnings	$ .35
Add back amortization:	
Goodwill	.25
Indefinite life intangible assets	.06
Tax impact	(.05)
Adjusted net earnings	$ .61

A summary of the Company's other intangible assets at December 28, 2003 and December 29, 2002 are as follows:

	2003	2002
Acquired product rights	**$ 844,141**	860,591
Licensing rights of entertainment properties	**221,040**	149,310
Accumulated amortization	**(435,014)**	(373,493)
Amortizable intangible assets	**630,167**	636,408
Product rights with indefinite lives	**75,738**	75,738
Unrecognized pension prior service cost	**4,734**	3,590
	$ 710,639	715,736

The Company will continue to incur amortization expense related to the use of acquired and licensed rights to produce various products. The amortization of these product rights will fluctuate depending on related projected revenues during an annual period, as well as rights reaching the end of their useful lives. The Company currently estimates continuing amortization expense for the next five years to be approximately:

2004	$ 66,000
2005	98,000
2006	68,000
2007	64,000
2008	64,000

(6) Financing Arrangements

Short-Term Borrowings

At December 28, 2003, Hasbro had available an unsecured committed line and unsecured uncommitted lines of credit from various banks approximating $350,000 and $149,400, respectively. A significant portion of the short-term borrowings outstanding at the end of 2003 and 2002 represent borrowings made under, or supported by, these lines of credit and the weighted average interest rates of the outstanding borrowings were 3.9% and 4.9%, respectively. The Company had no borrowings outstanding under its committed line of credit at December 28, 2003. During 2003, Hasbro's working capital needs were fulfilled by cash generated from operations, borrowing under lines of credit and, to a lesser extent, the Company's accounts receivable securitization program entered into in December 2003. Borrowings under the lines of credit were on terms and at interest rates generally extended to companies of comparable creditworthiness.

The Company's committed revolving credit facility of $350,000 matures in March 2007. The credit facility reduces by $50,000 effective March 31, 2005, and by a further $50,000 effective November 30, 2005. The Company is not required to maintain compensating balances under the agreement. The Company pays a fee (currently .35%) based on the unused portion of the facility and interest equal to Libor or Prime plus a spread (currently 1.75% or .50%, respectively) on borrowings under the facility. The amount of the spread to Libor or Prime varies based on the Company's long-term debt ratings. If the Company fails to maintain certain financial ratios or if the credit rating of the Company drops below BB or Ba3, borrowings under the agreement would be secured by substantially all domestic inventory as well as certain intangible assets.

The agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions on capital expenditures, investments, acquisitions, share repurchases, incurrence of indebtedness, and dividend payments. The Company was in compliance with all covenants as of and for the year ended December 28, 2003.

Securitization

In December 2003, the Company entered into a three-year receivable securitization program. Under this program, the Company sells, on an ongoing basis, substantially all of its domestic trade receivables to a bankruptcy-remote, special purpose subsidiary, Hasbro Receivables Funding, LLC (HRF), which is wholly owned and consolidated by the Company. HRF will, subject to certain conditions, sell, from time to time on a revolving basis, an undivided fractional ownership interest in up to $250,000 of eligible domestic receivables to various multi-party commercial paper conduits supported by a committed liquidity facility. Under the terms of the agreement, new receivables are added to the pool as collections reduce previously held receivables. The Company expects to service, administer, and collect the receivables on behalf of HRF and the conduits. The net proceeds of sale will be less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs.

The receivables facility contains certain restrictions on the Company and HRF which are customary for facilities of this type. The commitments under the facility are subject to termination prior to their term upon the occurrence of certain events, including payment defaults, breach of

covenants, breach of representations or warranties, bankruptcy, and failure of the receivables to satisfy certain performance criteria.

As of December 28, 2003 the utilization of the receivables facility was $193,713, and an additional $8,853 was available but unutilized. The transaction has been accounted for as a sale under SFAS 140. During 2003, the loss on the sale of the receivables totaled $967, which is recorded in selling, distribution and administration expenses in the accompanying consolidated statements of operations. The discount on interests sold is approximately equal to the interest rate paid by the conduits to the holders of the commercial paper plus other fees. The discount rate as of December 28, 2003 was 1.48%.

Upon sale to the conduits, HRF will hold a subordinated retained interest in the receivables. The subordinated interest in receivables is recorded at fair value, which is determined based on the present value of future expected cash flows estimated using management's best estimates of credit losses and discount rates commensurate with the risks involved. Due to the short-term nature of trade receivables, the carrying amount, less allowances, approximates fair value. Variations in the credit and discount assumptions would not significantly impact fair value.

(7) Accrued Liabilities

	2003	2002
Liabilities potentially settleable in common stock	**$ 138,650**	—
Royalties	**110,210**	131,916
Advertising	**74,849**	66,290
Payroll and management incentives	**98,103**	68,306
Accrued income taxes	**66,080**	56,966
Other	**258,507**	254,164
	$ 746,399	577,642

In January 2003, the Company amended its license agreement with Lucas Licensing Ltd. ("Lucas") for the manufacture and distribution of STAR WARS toys and games. Under the amended agreement, the term was extended by ten years and is expected to run through 2018. In addition, the minimum guaranteed royalties due to Lucas were reduced by $85,000. In a separate agreement, the warrants previously granted to Lucas were also amended. The warrant amendment agreement provides the Company with a call option through October 13, 2016 to purchase all of these warrants from Lucas for a price to be paid at the Company's election of either $200,000 in cash or the equivalent of $220,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option. Also, the warrant amendment agreement provides Lucas with a put option through January 2008 to sell all of these warrants to the Company for a price to be paid at the Company's election of either $100,000 in cash or the equivalent of $110,000 in shares of the Company's common stock, such stock being valued at the time of the exercise of the option.

On June 30, 2003, the first day of the third quarter of fiscal 2003, the Company adopted Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity," ("SFAS 150"), which establishes standards for issuers' classification as liabilities in the consolidated balance sheet of certain financial instruments that have characteristics of both liabilities and equity.

In accordance with SFAS 150, due to the put feature of the warrants, the Company reclassified the historic value of the above warrants of $107,669 from equity to current liabilities, and recorded a charge for the cumulative effect of an accounting change of $17,351, or $0.10 per diluted share, to adjust the warrants to their fair value as of that date. Under SFAS 150, the Company is required to adjust the warrants to their fair value through earnings at the end of each reporting period. In accordance with the Statement, during the last half of 2003, the Company recorded a charge to earnings of $13,630 to adjust the warrants to their fair value. This charge is included in other expense, net in the consolidated statement of operations. There is no tax benefit associated with this cumulative effect charge and fair value adjustment.

Under this warrant amendment, the term of each of the warrants issued to Lucas was extended by ten years. The increase in value of the warrants as a result of the amendment was approximately $67,900, which was recorded in the first quarter of 2003 as an intangible asset, and is being amortized over the remaining life of the licensing contract.

Should either the put or call option be required to be settled, the Company believes that it will have adequate funds available to settle them in cash if necessary. Had this option been exercised at December 28, 2003 and the Company had elected to settle this option in the Company's stock, the Company would have been required to issue 5,274 shares. If the share price of the Company's common stock were higher as of December 28, 2003 the number of shares issuable would have decreased. If the share price were lower as of December 28, 2003, the number of shares issuable would have increased.

(8) Long-Term Debt

Components of long-term debt are as follows:

	2003	2002
5.60% Notes Due 2005	**$ 97,615**	97,615
8.50% Notes Due 2006	**32,743**	200,000
6.15% Notes Due 2008	**146,000**	146,000
2.75% Debentures Due 2021	**250,000**	250,000
6.60% Notes Due 2028	**129,000**	129,000
Other long-term debt	**20,662**	18,400
	676,020	841,015
Fair value adjustment for interest rate swaps	**10,851**	16,259

	$ 686,871	857,274

The schedule of maturities of long-term debt for the next five years and thereafter is as follows:

Current installments of long-term debt, due 2004	$ 1,333
2005	99,002
2006	34,187
2007	1,504
2008	147,568
Thereafter	393,759
	$ 677,353

During 2003, the Company repurchased or repaid $200,288 in principal amount of 7.95% notes due March 2003.

In November 2003, the Company initiated a tender offer, whereby $167,257 of aggregate principal amount of 8.50% notes due 2006 previously issued by the Company were repurchased. In connection with this tender offer, the Company recorded a loss on the extinguishment of debt in the amount of $20,342, which is included in other expense, net in the accompanying consolidated statement of operations.

In 2002, the Company entered into a series of interest rate swap agreements to adjust the amount of debt that is subject to fixed interest rates. The interest rate swaps are matched with specific long-term debt obligations and accounted for as fair value hedges of those debt obligations. At December 28, 2003, these interest rate swaps had a total notional amount of $150,000 with maturities between 2005 and 2008. In each of the contracts, the Company receives payments based upon a fixed interest rate that matches the interest rate of the debt being hedged and makes payments based upon a floating rate based on Libor. These contracts are designated and effective as hedges of the change in the fair value of the associated debt. At December 28, 2003, these contracts had a fair value of $10,851, which is recorded in other assets.

In November and December of 2001, the Company sold $250,000 of Senior Convertible Debentures due 2021. The proceeds of these sales were used to repurchase existing long-term debt, specifically portions of the 7.95% notes due 2003, the 6.15% notes due 2008, and the 6.60% notes due 2028. These debentures bear interest at 2.75%, which could be subject to an upward adjustment commencing in December 2005 depending on the price of the Company's stock. If the closing price of the Company's stock exceeds certain levels for a specified period of time, or upon other specified events, the debentures will be convertible at an initial conversion price of $21.60. The holders of these debentures may put the notes back to Hasbro in December 2005, December 2011 and December 2016. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the discretion of the Company. The Company's current intent is to settle in cash any puts exercised.

(9) Income Taxes

Income taxes attributable to earnings before income taxes and cumulative effect of accounting change are:

	2003	2002	2001
Current			
United States	**$ 21,198**	(2,774)	(19,157)
State and local	**3,229**	(1,390)	(120)
International	**21,848**	27,753	15,981
	46,275	23,589	(3,296)
Deferred			
United States	**27,909**	5,693	34,083
State and local	**2,392**	488	2,921
International	**(7,527)**	(740)	1,693
	22,774	5,441	38,697
	$ 69,049	29,030	35,401

Cumulative effects of accounting changes are shown net of tax on the statements of operations. The tax benefits related to these amounts for 2003, 2002 and 2001 were nil, $50,491 and $68, respectively.

Certain tax benefits are not reflected in income taxes in the statements of operations. Such benefits of $6,108 in 2003, $17,194 in 2002 and $7,552 in 2001, relate primarily to stock options in 2003, the Company's required additional minimum pension liability in 2002, and changes in the value of the Company's available-for-sale investments in 2001. In 2003, 2002 and 2001, the deferred tax portion of the total benefits was $(2,199), $11,478 and $7,031, respectively.

A reconciliation of the statutory United States federal income tax rate to Hasbro's effective income tax rate is as follows:

	2003	2002	2001
Statutory income tax rate	**35.0%**	35.0%	35.0%
State and local income taxes, net	**1.5**	(0.6)	1.9
Goodwill amortization	**—**	—	11.2
Tax on international earnings	**(13.8)**	(7.9)	(11.9)
Fair value adjustment of liabilities potentially settleable in common stock	**1.9**	—	—
Change in U.S. valuation allowance	**2.4**	—	—
Other, net	**1.3**	1.4	0.6
	28.3%	27.9%	36.8%

The components of earnings before income taxes and cumulative effect of accounting change, determined by tax jurisdiction, are as follows:

	2003	2002	2001
United States	**$ 101,135**	10,415	9,807
International	**142,929**	93,673	86,392
	$ 244,064	104,088	96,199

The components of deferred income tax expense arise from various temporary differences and relate to items included in the statements of operations.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 28, 2003 and December 29, 2002 are:

	2003	2002
Deferred tax assets:		
Accounts receivable	**$ 20,248**	19,706
Inventories	**13,877**	10,835
Losses and tax credit carryforwards	**30,626**	56,031
Operating expenses	**69,925**	61,804
Pension	**27,775**	24,836
Postretirement benefits	**12,252**	12,954
Other	**55,460**	62,303
Gross deferred tax assets	**230,163**	248,469
Valuation allowance	**(17,551)**	(12,972)
Net deferred tax assets	**212,612**	235,497
Deferred tax liabilities	**47,038**	46,036
Net deferred income taxes	**$ 165,574**	189,461

Hasbro has a valuation allowance for deferred tax assets at December 28, 2003 of $17,551, which is an increase of $4,579 from $12,972 at December 29, 2002. The valuation allowance pertains to United States and International operating loss carryforwards, some of which have no expiration and others that would expire beginning in 2004, as well as an other than temporary decrease in the value of the Company's available-for-sale securities. If the operating loss carryforwards are fully realized, $368 will reduce goodwill and the balance will reduce future income tax expense. Deferred tax liabilities relate primarily to tax deductible goodwill and property rights, arising from various acquisitions. Certain deferred tax asset balances have been reclassified from their prior year presentation to conform with the current year classification.

Based on Hasbro's history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, it believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance.

Deferred income taxes of $119,664 and $109,839 at the end of 2003 and 2002, respectively, are included as a component of prepaid expenses and other current assets, and $48,990 and $84,492, respectively, are included as a component of other assets. At the same dates, deferred

income taxes of $460 and $2,969, respectively, are included as a component of accrued liabilities, and $2,620 and $1,901, respectively, are included as a component of deferred liabilities.

The cumulative amount of undistributed earnings of Hasbro's international subsidiaries held for reinvestment is approximately $688,000 at December 28, 2003. In the event that all international undistributed earnings were remitted to the United States, the amount of incremental taxes would be approximately $149,000.

(10) Capital Stock

Preference Share Purchase Rights

Hasbro maintains a Preference Share Purchase Rights Plan (the Rights Plan). Under the terms of the Rights Plan, each share of common stock is accompanied by a Preference Share Purchase Right (Right). Each Right is only exercisable under certain circumstances and, until exercisable, the Rights are not transferable apart from Hasbro's common stock. When exercisable, each Right will entitle its holder to purchase until June 30, 2009, in certain merger or other business combination or recapitalization transactions, at the Right's then current exercise price, a number of the acquiring company's or Hasbro's, as the case may be, common shares having a market value at that time of twice the Right's exercise price. Under certain circumstances, the Company may substitute cash, other assets, equity securities or debt securities for the common stock. At the option of the Board of Directors of Hasbro (the Board), the rightholder may, under certain circumstances, receive shares of Hasbro's stock in exchange for Rights.

Prior to the acquisition by a person or group of beneficial ownership of a certain percentage of Hasbro's common stock, the Rights are redeemable for $.01 per Right. The Rights Plan contains certain exceptions with respect to the Hassenfeld family and related entities.

Common Stock

On December 6, 1999, the Board authorized a common share repurchase program up to $500,000. No repurchases were made under this program in 2003 or 2002. At December 28, 2003, $204,500 remained under this authorization. In 2003, the Company repurchased common stock pursuant to the exercise of outstanding warrants under the terms of that warrant agreement.

(11) Stock Options, Restricted Stock and Warrants

Hasbro has various stock plans for employees as well as a plan for non-employee members of the Board (collectively, the "plans") and has reserved 21,011 shares of its common stock for issuance upon exercise of options and the grant of other awards granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than fair market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant. Certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards.

The Company issued restricted stock and granted deferred restricted stock units to certain key employees of 35, 20 and 10 during 2003, 2002, and 2001, respectively. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. Upon granting of these awards, unearned compensation equivalent to the market value at the date of grant is

charged to shareholders' equity and subsequently amortized over the periods during which the restrictions lapse, generally 3 years. Amortization of deferred, unearned compensation relating to the restricted stock and deferred restricted stock units of $172, $1,770 and $2,561 was recorded in fiscal 2003, 2002 and 2001, respectively.

The weighted average fair value of options granted in 2003, 2002 and 2001 were $4.93, $7.34 and $5.56, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2003, 2002 and 2001, respectively: risk-free interest rates of 3.02%, 4.58% and 4.98%; expected dividend yields of 1.04%, 0.72% and 1.02% and expected volatility of approximately 43%, 43% and 49%, and expected lives of approximately 6 years. Pro forma information regarding net earnings (loss) as required by SFAS No. 123, "Accounting for Stock-Based Compensation" has been determined as if the Company had accounted for its employee stock options under the fair value method (note 1).

Additionally, the Company has reserved 17,450 shares of its common stock for issuance upon exercise of outstanding warrants.

Information with respect to options and warrants for the three years ended December 28, 2003 is as follows:

	2003	2002	2001
Number of shares:			
Outstanding at beginning of year	**39,619**	38,483	40,458
Granted	**3,387**	4,756	3,535
Exercised	**(3,765)**	(465)	(603)
Expired or canceled	**(2,530)**	(3,155)	(4,907)
Outstanding at end of year	**36,711**	39,619	38,483
Exercisable at end of year	**29,291**	28,617	27,393
Weighted average exercise price:			
Granted	**$ 12.02**	16.89	11.95
Exercised	**$ 14.56**	11.58	13.69
Expired or canceled	**$ 19.06**	20.44	21.22
Outstanding at end of year	**$ 18.95**	19.14	19.49
Exercisable at end of year	**$ 20.09**	20.35	20.49

Information with respect to the 36,711 options and warrants outstanding and the 29,291 exercisable at December 28, 2003, is as follows:

Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Outstanding			
$10.96-$14.06	5,225	7.9 years	$ 11.53
$14.14-$17.00	7,828	5.9 years	$ 15.78
$17.18-$23.27	14,244	5.3 years	$ 18.68
$23.33-$36.27	9,414	5.8 years	$ 26.13
Exercisable			
$10.96-$14.06	1,621		$ 12.02
$14.14-$17.00	5,594		$ 15.59
$17.18-$23.27	12,760		$ 18.76
$23.33-$36.27	9,316		$ 26.03

(12) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

Hasbro's pension and 401(k) matching contribution costs for 2003, 2002 and 2001 were approximately $25,300, $19,100 and $12,300, respectively.

United States Plans

Substantially all United States employees are covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans which principally cover non-union employees, are based primarily on salary and years of service. One of these major plans is funded. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. Of these remaining plans, the plan covering union employees is also funded. At December 28, 2003, the two funded plans have plan assets of $165,460 and accumulated benefit obligations of $210,021. The unfunded plans have accumulated benefit obligations of $24,826.

Hasbro also provides certain postretirement health care and life insurance benefits to eligible employees who retire and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of employees who retire after 1992 is shared, with the employee contributing an increasing percentage of the cost, resulting in an employee-paid plan after the year 2002. The plan is not funded.

	Pension		Postretirement	
	2003	2002	2003	2002
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	**$ 221,009**	203,397	**38,664**	25,512
Service cost	**8,263**	7,563	**528**	418
Interest cost	**14,026**	14,320	**2,286**	2,377
Actuarial loss	**21,005**	10,123	**480**	12,859
Benefits paid	**(12,393)**	(13,555)	**(2,452)**	(2,502)
Expenses paid	**(725)**	(839)	**—**	—

Projected benefit obligation at end of year	**$ 251,185**	221,009	**39,506**	38,664
Accumulated benefit obligation at end of year	**$ 234,847**	206,847	**39,506**	38,664

Change in plan assets				
Fair value of plan assets at beginning of year	**$ 146,628**	179,085	**—**	—
Actual return on plan assets	**30,224**	(19,634)	**—**	—
Employer contribution	**1,555**	1,571	**—**	—
Benefits paid	**(12,393)**	(13,555)	**—**	—
Expenses paid	**(554)**	(839)	**—**	—
Fair value of plan assets at end of year	**$ 165,460**	146,628	**—**	—
Funded status	**$ (85,724)**	(74,381)	**(39,506)**	(38,664)
Unrecognized net loss	**53,629**	54,534	**13,567**	13,734
Unrecognized prior service cost	**4,740**	4,048	**—**	—
Net amount recognized	**$ (27,355)**	(15,799)	**(25,939)**	(24,930)
Accrued benefit liability	**$ (69,800)**	(60,610)	**(25,939)**	(24,930)
Intangible asset	**4,734**	3,572	**—**	—
Accumulated other comprehensive earnings	**37,711**	41,239	**—**	—
Net amount recognized	**$ (27,355)**	(15,799)	**(25,939)**	(24,930)

The provisions of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, required the Company to record an additional minimum pension liability of $42,445 and $44,811 at December 28, 2003 and December 29, 2002, respectively. This liability represents the amount by which the accumulated benefit obligation exceeds the sum of the fair market value of plan assets and accrued amounts previously recorded. The additional minimum pension liability is offset by an intangible asset to the extent of previously unrecognized prior service cost. An intangible asset in the amount of $4,734 and $3,572 is included in other intangibles on the balance sheet as of December 28, 2003 and December 29, 2002, respectively. The remaining amounts of $37,711 and $41,239 are recorded as components of AOCE, net of deferred taxes of $14,330 and $15,671, at December 28, 2003 and December 29, 2002, respectively.

The assets of the funded plans are managed by investment advisors and consist of the following:

Asset Category	**2003**	**2002**
Large Cap Equity	**36%**	34%
Small Cap Equity	**15**	15
International Equity	**16**	15
Domestic Core Fixed Income	**20**	24
Domestic High Yield Fixed Income	**12**	11
Cash	**1**	1
	100%	100%

Hasbro's two major funded plans (the "Plans") are defined benefit pension plans intended to provide retirement benefits to participants in accordance with the benefit structure established by Hasbro, Inc. The Plans' investment managers, who exercise full investment discretion within guidelines outlined in the Plans' Investment Policy, are charged with managing the assets with the care, skill, prudence and diligence that a prudent investment professional in similar circumstance would exercise. Investment practices, at a minimum, must comply with the Employee Retirement Income Security Act (ERISA) and any other applicable laws and regulations.

The Plans' primary investment goal is maximum total return, consistent with prudent investment management. The Plans' asset allocation is structured to meet a long-term targeted total return consistent with the ongoing nature of the Plans' liabilities. The long-term total return goal, presently 8.75%, includes income plus realized and unrealized gains and/or losses on the Plans' assets. Utilizing generally accepted diversification techniques, the Plans' assets, in aggregate and at the individual portfolio level, are invested so that the total portfolio risk exposure and risk-adjusted returns best meet the Plans' long-term liabilities to employees. Plan asset allocations are reviewed at least quarterly and rebalanced to achieve target allocation among the asset categories when necessary.

The Plans' investment managers are provided specific guidelines under which they are to invest the assets assigned to them. In general, investment managers are expected to remain fully invested in their asset class with further limitations of risk as related to investments in a single security, portfolio turnover and credit quality.

The Plans' Investment Policy prohibits the use of derivatives associated with leverage and speculation or, investments in securities issued by Hasbro, Inc., except through index-related strategies (e.g. an S&P 500 Index Fund) and/or commingled funds. In addition, unless specifically approved by the Investment Committee (which is comprised of members of management, established by the Board to manage and control Pension Plan assets), certain securities, strategies, and investments are ineligible for inclusion within the Plans.

The Company measures its liabilities and related assets at September 30 ("the measurement date") to coincide with the upcoming year planning cycle. The discount rates used in the pension calculation were also used for the postretirement calculation.

	2003	**2002**	**2001**
Components of net periodic cost			
Pension			
Service cost	**$ 8,263**	7,563	7,217
Interest cost	**14,026**	14,320	13,844
Expected return on assets	**(12,350)**	(15,611)	(20,498)
Net amortization and deferrals	**3,060**	663	(3,292)

Net periodic benefit cost (benefit)	**$ 12,999**	6,935	(2,729)
Postretirement			
Service cost	**$ 528**	418	263
Interest cost	**2,286**	2,377	1,746
Net amortization and deferrals	**647**	661	(159)
Net periodic benefit cost	**$ 3,461**	3,456	1,850

Assumptions used to determine the year-end benefit obligation are as follows:

	2003	2002
Weighted average discount rate	**6.00%**	6.50%
Rate of future compensation increases	**4.00%**	4.00%
Long-term rate of return on plan assets	**8.75%**	8.75%

Assumptions used to determine net periodic benefit cost of the pension plans for year to date period are as follows:

	2003	2002	2001
Weighted average discount rate	**6.50%**	7.25%	8.00%
Rate of future compensation increases	**4.00%**	4.50%	4.50%
Long-term rate of return on plan assets	**8.75%**	9.00%	9.00%

Hasbro works with external benefit investment specialists to assist in the development of the long-term rate of return assumptions used to model and determine the overall asset allocation. Forecast returns are based on the combination of historical returns, current market conditions and a forecast for the capital markets for the next 5-7 years. Approximately 75% of the return assumption is based on the historical information and 25% is based on current or forward-looking information. All asset class assumptions are within certain bands around the long-term historical averages. Correlations are based primarily on historical return patterns.

Assumptions used to determine the net periodic benefit cost of the postretirement plans for the year to date period are as follows:

	2003	2002	2001
Health care cost trend rate assumed for next year	**11.00%**	12.00%	9.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	**5.00%**	5.50%	5.00%
Year that the rate reaches the ultimate trend rate	**2009**	2009	2009

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 28, 2003 and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 9% and 10%, respectively.

On December 8, 2003, Congress expanded Medicare to include, for the first time, coverage for prescription drugs. Hasbro sponsors retiree medical programs for certain of its locations and the Company expects that this legislation will eventually reduce the Company's costs for some of these programs. At present, no analysis of the potential reduction in the Company's costs or obligations has been performed. Under the Company's accounting policy, the financial effect of this legislation is to be reflected in 2004.

Hasbro has a retirement savings plan to which eligible employees may make contributions of up to 18% of their salary, as allowed under Section 401(k) of the Internal Revenue Code. The Company contributed approximately $8,400, $9,000, and $9,000 to the plan in 2003, 2002 and 2001, respectively.

International Plans

Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. These plans were neither significant individually nor in the aggregate.

Postemployment Benefits

Hasbro has several plans covering certain groups of employees, which may provide benefits to such employees following their period of active employment but prior to their retirement. These plans include certain severance plans which provide benefits to employees involuntarily terminated and certain plans which continue the Company's health and life insurance contributions for employees who have left Hasbro's employ under terms of its long-term disability plan.

(13) Leases

Hasbro occupies certain sales offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 2003, 2002 and 2001 amounted to $48,015, $59,601 and $58,811, respectively.

Minimum rentals, net of minimum sublease income, which is not material, under long-term operating leases for the five years subsequent to 2003 and in the aggregate are as follows:

2004	$ 28,990
2005	21,337
2006	15,367
2007	12,288
2008	11,260
Later years	36,722
	$ 125,964

All leases expire prior to 2014. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 2003.

In addition, Hasbro leases certain facilities which, as a result of restructurings, are no longer in use. Future costs relating to such facilities were accrued as a component of the original restructuring charge and are not included in the table above.

(14) Derivative Financial Instruments

Hasbro uses foreign currency forwards and options, generally purchased for terms of not more than eighteen months, to reduce the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions.

During 2003, 2002 and 2001, the Company reclassified net gain (losses) from other comprehensive income to earnings of $(8,799), $(1,929), and $2,164, respectively, which included gains (losses) of $(436), $566, and $(33), respectively, as the result of ineffectiveness. During 2001, the Company excluded changes in fair value relating to time value of options purchased from its assessment of hedge effectiveness. For fiscal 2001, these charges, which are included in the consolidated statement of operations in other expense, were $1,150. The Company had no such charges in 2002 or 2003.

The remaining balance in AOCE at December 28, 2003 of $(9,774) represents a net unrealized loss on foreign currency contracts relating to hedges of inventory purchased during the fourth quarter of 2003 or forecasted to be purchased during 2004 and intercompany royalty payments expected to be received during 2004. These amounts will be transferred to the consolidated statement of operations upon the sale of the related inventory and receipt of the related royalty payments. The Company expects substantially all of the balance in AOCE to be reclassified to the consolidated statement of operations within the next 12 months.

As a result of adopting SFAS 133 on January 1, 2001, and in accordance with the transition provisions, the Company recorded a one-time after tax charge of $1,066 or $(.01) per share in representing the cumulative effect of the adoption in its consolidated statements of operations and

an after tax unrealized loss of $753 to AOCE, which the Company subsequently reclassified to earnings during 2001.

The Company also enters into derivative instruments to offset changes in the fair value of intercompany loans due to the impact of foreign currency changes. The Company recorded a net loss on these instruments to other expense, net of $13,545, $17,982 and $1,434 in 2003, 2002 and 2001, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains from the change in fair value of intercompany loans to which the contracts relate included in other expense, net.

(15) Commitments and Contingencies

Hasbro had unused open letters of credit of approximately $24,300 and $38,000 at December 28, 2003 and December 29, 2002, respectively.

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. Under terms of currently existing agreements, Hasbro may, provided the other party meets their contractual commitment, be required to pay amounts as follows:

2004	$	58,300
2005		103,400
2006		16,600
2007		9,900
2008		7,600
2009 and thereafter		7,700
	$	203,500

In addition, the Company has $28,717 of prepaid royalties included as a component of prepaid expenses and other current assets in the balance sheet. The long-term portion of advances paid of $148,322 is included in other assets. Advanced royalties paid and guaranteed or minimum royalties to be paid relate to anticipated revenues in the years 2004 through 2018.

At December 28, 2003, the Company had approximately $24,600 in outstanding inventory purchase commitments.

In conjunction with the Company's 1999 acquisition of Wizards of the Coast, Inc. (Wizards), the Company may be liable for contingent payments relating to future operating objectives of Wizards, applicable to earnings through fiscal 2004. These objectives were not met in 2001, 2002, and 2003.

Hasbro is party to certain legal proceedings, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

(16) Segment Reporting

Segment and Geographic Information

Hasbro is a worldwide leader in children's and family leisure time entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. The Company's main reportable segments are U.S. Toys, Games and International. In addition, the Company has two other segments, Operations and Retail, which meet the quantitative thresholds for reportable segments.

In the United States, the U.S. Toys segment includes the design, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, preschool toys and infant products, creative play products, electronic interactive products, children's consumer electronics, electronic learning aids and toy-related specialty products. The Games segment includes the development, manufacturing, marketing and selling of traditional board games and puzzles, handheld electronic games, and trading card and role-playing games. Within the International segment, the Company develops, manufactures, markets and sells both toy and game products in non-U.S. markets. The Operations segment sources product for the majority of the Company's segments. The Retail segment operated retail shops that sold games products and offered an area for organized play of trading card and role-playing games. In December 2003, the Company announced plans to close all of the remaining retail stores. The Company also has other segments that primarily license out the Company's brand names on specifically approved products. These other segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level, prior to certain charges. In 2001, segment profitability was measured prior to a $(1,795) adjustment to the 2000 restructuring charge.

Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustment to actual foreign exchange rates included in Corporate and eliminations.

The accounting policies of the segments are the same as those described in note 1 to the consolidated financial statements.

Information by segment and a reconciliation to reported amounts are as follows:

	Revenue from External Customers	Affiliate Revenue	Operating Profit (Loss)	Depreciation and Amortization	Capital Additions	Total Assets
2003						
U.S. Toys(a)	$ 1,057,984	6,732	91,996	33,486	2,282	1,037,754
Games	804,547	29,843	175,295	34,676	7,675	1,471,286
International(b)	1,184,532	112,017	91,273	52,167	4,722	1,353,546
Operations(c)	1,929	771,341	10,438	35,694	38,622	591,674
Retail(d)	37,707	—	(34,604)	2,794	162	21,612
Other segments	51,958	—	21,522	81	164	84,564
Corporate and eliminations(a)	—	(919,933)	(11,304)	5,225	9,443	(1,397,060)
Consolidated Total	$ 3,138,657	—	344,616	164,123	63,070	3,163,376
2002						
U.S. Toys(a)	$ 996,496	11,266	75,664	58,396	3,063	896,051
Games	739,782	30,107	124,523	38,944	5,173	1,244,324
International(b)	970,825	108,180	5,177	51,002	7,008	1,181,834
Operations(c)	9,009	642,354	1,835	33,081	35,130	577,086
Retail	48,983	—	(19,877)	8,277	578	15,439
Other segments	51,135	9,912	25,787	173	343	66,549
Corporate and eliminations(a)	—	(801,819)	6,182	(6,035)	7,366	(838,402)
Consolidated Total	$ 2,816,230	—	219,291	183,838	58,661	3,142,881
2001						
U.S. Toys	$ 935,530	82,339	15,808	63,577	11,316	967,625
Games	801,467	45,850	156,089	53,036	3,825	1,053,615
International	996,266	88,418	28,658	49,865	6,385	1,166,978
Operations(c)	22,978	407,246	(4,327)	28,947	24,106	380,574
Retail(d)	51,019	—	(36,897)	24,339	1,551	31,582
Other segments	49,079	2,310	25,576	214	11	41,716
Corporate and eliminations	—	(626,163)	24,628	5,921	2,851	(273,111)
Segment Total	2,856,339	—	209,535	225,899	50,045	3,368,979
Consolidation program(b)	—	—	1,795	—	—	—
Consolidated Total	$ 2,856,339	—	211,330	225,899	50,045	3,368,979

(a) Certain intangible assets, primarily goodwill, which benefit operating segments are reflected as Corporate assets for segment reporting purposes. For application of SFAS 142, these amounts have been allocated to the reporting unit which benefits from their use. Therefore, a portion of the impairment of $296,223 of goodwill related to the U.S. Toys reporting unit as a result of the adoption of SFAS No. 142 in 2002 is reflected in the Corporate and eliminations amount above. In addition, allocations of certain expenses

related to these assets to the individual operating segments are done prior to the start of the year based on budgeted amounts. Any difference between actual and budgeted amounts are reflected in the Corporate segment.

(b) Operating profit of the International segment includes a cash charge associated with severance costs of approximately $18,400 relating to the cessation of manufacturing in the Company's facility in Spain. In addition, the Company wrote-down certain property, plant and equipment that will not be used in its ongoing operations in Spain. Operating profit of the International segment includes a charge of $7,566 and $236 in 2002 and 2001, respectively, relating to penalties assessed by the Office of Fair Trading in the United Kingdom. The impact of the consolidation program in 2001 totaling $(1,795) relates to the International Segment.

(c) The Operations segment derives substantially all of its revenues, and thus its operating results, from intersegment activities.

(d) Operating loss of the Retail segment includes a cash charge of approximately $14,040 in 2003 relating to costs incurred for leases and severance obligations relating to the announced closure of all of the Company's remaining retail stores. The operating loss in 2001 includes a charge related to impairment of long-lived assets of approximately $16,000.

The following table presents consolidated net revenues by classes of principal products for the three fiscal years ended December 28, 2003. Certain amounts have been reclassified from their prior year presentation to conform with current year classification.

	2003	2002	2001
Boys toys	$ **962,500**	871,400	657,300
Games and puzzles	**1,207,100**	1,121,200	1,259,600
Electronic toys	**266,500**	118,000	213,900
Preschool toys	**215,500**	225,400	222,000
Creative play	**198,100**	195,500	211,600
Girls toys	**104,000**	122,500	111,900
Other	**184,957**	162,230	180,039
Net revenues	$ **3,138,657**	2,816,230	2,856,339

Information as to Hasbro's operations in different geographical areas is presented below on the basis the Company uses to manage its business. Net revenues and the related pretax earnings are

categorized based on location of the customer, while long-lived assets (property, plant and equipment, goodwill and other intangibles) are categorized based on their location:

	2003	2002	2001
Net revenues			
United States	**$ 1,927,596**	1,823,799	1,825,745
International	**1,211,061**	992,431	1,030,594
	$ 3,138,657	2,816,230	2,856,339
Earnings before income taxes and cumulative effect of accounting change			
United States	**$ 160,147**	96,103	64,023
International	**83,917**	7,985	32,176
	$ 244,064	104,088	96,199
Long-lived assets			
United States	**$ 1,219,470**	1,225,828	1,636,012
International	**154,703**	164,400	165,950
	$ 1,374,173	1,390,228	1,801,962

Principal international markets include Western Europe, Canada, Mexico, Australia, and Hong Kong.

Other Information

Hasbro markets its products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness of its customers, adjusting credit policies and limits as deemed appropriate, a substantial portion of its customers' ability to discharge amounts owed is generally dependent upon the overall retail economic environment.

Sales to the Company's two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., amounted to 21% and 16%, respectively, of consolidated net revenues during 2003, 19% and 16%, respectively, during 2002, and 17% and 13%, respectively, during 2001.

Hasbro purchases certain components and accessories used in its manufacturing process and certain finished products from manufacturers in the Far East. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company were prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted while alternative sources of product were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by Hasbro from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly increase the cost of the Company's products imported into the United States or Europe.

(17) Quarterly Financial Data (Unaudited)

	Quarter				
	First	Second	Third	Fourth	Full Year
2003					
Net revenues	$ 461,768	581,469	971,071	1,124,349	3,138,657
Gross profit	289,531	350,662	551,202	659,300	1,850,695
Earnings before income taxes and cumulative effect of accounting change	1,629	15,640	118,124	108,671	244,064
Earnings before cumulative effect of accounting change	1,189	11,417	85,815	76,594	175,015
Net earnings	$ 1,189	11,417	68,464	76,594	157,664
Per common share					
Earnings before cumulative effect of accounting change					
Basic	$ .01	.07	.49	.44	1.01
Diluted	.01	.06	.48	.43	.98
Market price					
High	$ 14.60	18.05	19.37	22.63	22.63
Low	11.01	13.66	17.26	18.21	11.01
Cash dividends declared	$ .03	.03	.03	.03	.12
2002					
Net revenues	$ 452,267	545,990	820,532	997,441	2,816,230
Gross profit	285,853	349,825	477,614	603,776	1,717,068
Earnings (loss) before income taxes and cumulative effect of accounting change	(23,052)	(34,983)	75,470	86,653	104,088
Earnings (loss) before cumulative effect of accounting change	(17,058)	(25,888)	55,848	62,156	75,058
Net earnings (loss)	$ (262,790)	(25,888)	55,848	62,156	(170,674)
Per common share					
Earnings (loss) before cumulative effect of accounting change					
Basic & diluted	$ (.10)	(.15)	.32	.36	.43
Market price					
High	$ 17.30	16.98	13.92	13.48	17.30
Low	12.84	13.56	10.75	9.87	9.87
Cash dividends declared	$ .03	.03	.03	.03	.12

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 28, 2003. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended December 28, 2003, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. ***DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT***

Certain of the information required by this item is contained under the captions "Election of Directors," "Additional Information Regarding the Board of Directors and Shareholder Proposals" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item with respect to executive officers of the Company is included in this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

The Company has a Code of Conduct, which is applicable to all of the Company's employees, officers and directors, including the Company's Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Conduct is available on the Company's website under Corporate Information, Investor Information, Corporate Governance. The Company's website address is *http://www.hasbro.com*. Although the Company does not generally intend to provide waivers of or amendments to the Code of Conduct for its Chief Executive Officer, Chief Financial Officer, Controller, or other officers or employees, information concerning any waiver of or amendment to the Code of Conduct for the Chief Executive Officer, Chief Financial Officer, Controller, or any other executive officer or directors of the Company, will be promptly disclosed on the Company's website in the location where the Code of Conduct is posted.

The Company has also posted on its website, in the Corporate Governance location referred to above, copies of its Corporate Governance Principles and of the charters for its (i) Audit, (ii) Compensation and Stock Option, (iii) Nominating, Governance and Social Responsibility, and (iv) Executive Committees of its Board of Directors.

In addition to being accessible on the Company's website, copies of the Company's Code of Conduct, Corporate Governance Principles, and charters for the Company's four Board Committees, are all available free of charge upon request to the Company's Senior Vice President, General Counsel and Secretary, Barry Nagler, at 1027 Newport Avenue, P.O. Box 1059, Pawtucket, R.I. 02862-1059.

As of the date of the filing of this report, the Company's Chief Executive Officer is not aware of any violation by the Company of the New York Stock Exchange's corporate governance listing standards.

ITEM 11. ***EXECUTIVE COMPENSATION***

The information required by this item is contained under the captions "Compensation of Directors" and "Executive Compensation" in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

The information required by this item is contained under the captions "Voting Securities and Principal Holders Thereof," "Security Ownership of Management" and "Equity Compensation Plans" in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS***

The information required by this item is contained under the caption "Certain Relationships and Related Transactions" in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

The information required by this item is contained under the caption "Additional Information Regarding Independent Public Accountants" in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K***

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Included in PART II of this report:

Independent Auditors' Report

Consolidated Balance Sheets at December 28, 2003 and December 29, 2002

Consolidated Statements of Operations for the Three Fiscal Years Ended in December 2003, 2002 and 2001

Consolidated Statements of Shareholders' Equity for the Three Fiscal Years Ended in December 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 2003, 2002 and 2001

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Included in PART IV of this Report:

Report of Independent Certified Public Accountants on Financial Statement Schedule

For the Three Fiscal Years Ended in December 2003, 2002 and 2001:

Schedule II—Valuation and Qualifying Accounts and Reserves

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

(3) Exhibits

The Company will furnish to any shareholder, upon written request, any exhibit listed below upon payment by such shareholder to the Company of the Company's reasonable expenses in furnishing such exhibit.

Exhibit

3. Articles of Incorporation and Bylaws
   - (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (b) Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (c) Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
   - (d) Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
   - (e) Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
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   - (b) Lease between Hasbro Canada and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
   - (c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
   - (d) Letter agreement, dated December 13, 2000, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)
   - (e) Indenture and Agreement of Lease between Hasbro Canada and Central Toy, dated November 11, 2003.
   - (f) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   - (g) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
   - (h) Seventeenth Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)
   - (i) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

(j) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

(k) Second Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of January 30, 2003. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 2002, File No. 1-6682.)

(l) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

(m) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

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(p) Warrant Amendment Agreement dated January 30, 2003 by and among the Company, Lucasfilm Ltd., and Lucas Licensing Ltd. (Filed as Exhibit 1 to Amendment No. 1 to Statement on Schedule 13D filed with the SEC with respect to the securities of Hasbro, Inc. on February 10, 2003 and incorporated herein by reference.)

(q) Receivables Purchase Agreement dated as of December 10, 2003 among Hasbro Receivables Funding, LLC, as the Seller, CAFCO LLC and Starbird Funding Corporation, as Investors, Citibank, N.A. and BNP Paribas, as Banks, Citicorp North America, Inc., as Program Agent, Citicorp North America, Inc. and BNP Paribas, as Investor Agents, Hasbro, Inc., as Collection Agent and Originator, and Wizards of the Coast, Inc. and Oddzon, Inc., as Originators. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)

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(r) 1992 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)

(s) Form of Stock Option Agreement under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(t) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)

(u) First Amendment to the 1992 Stock Incentive Plan and the Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)

(v) Second Amendment to the Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2000 Annual Meeting of Shareholders, File No. 1-6682.)

(w) Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)

(x) First Amendment to the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)

(y) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan, and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

(z) Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 10(gg) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)

(aa) Form of Deferred Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10(hh) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, File No. 1-6682.)

(bb) Form of Employment Agreement between the Company and six Company executives. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(cc) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(bb) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)

(dd) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

(ee) First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(ff) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)

(gg) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors.(Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)

(hh) First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(ii) Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)

(jj) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

(kk) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)

(ll) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)

(mm) Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(nn) Hasbro, Inc. 2003 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix C to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(oo) Hasbro, Inc. 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix D to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(pp) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 4.1 to the

Company's Registration Statement on Form S-8 dated October 27, 2003, File No. 333-110002.)

(qq) Amended and Restated Employment Agreement, effective as of October 31, 2001, by and between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10(tt) to the Company's Annual Report on Form 10-K for fiscal year ended December 30, 2001, File No. 1-6682.)

(rr) Post-Employment Agreement, dated March 10, 2004, by and between the Company and Alfred J. Verrecchia.

11. Statement re computation of per share earnings
12. Statement re computation of ratios
21. Subsidiaries of the registrant
23. Consents of KPMG LLP
31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
32.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

The Company agrees to furnish the Securities and Exchange Commission, upon request, a copy of each agreement with respect to long-term debt of the Company, the authorized principal amount of which does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

(b) Reports on Form 8-K

A Current Report on Form 8-K, dated October 20, 2003, was filed to announce the Company's results for the quarter ended September 28, 2003. Consolidated statements of earnings (without notes) for the quarter ended September 28, 2003 and September 29, 2002 and consolidated condensed balance sheets (without notes) as of said dates were also filed.

A Current Report on Form 8-K, dated November 24, 2003, was filed to announce the commencement of a tender offer for all 8 1/2% Notes due March 15, 2006 issued by the Company.

A Current Report on Form 8-K, dated December 10, 2003, was filed to announce that $166,789,000 in aggregate principal amount of 8 1/2% Notes due 2006 had been tendered to the Company as of 5:00 p.m., New York City time on Monday, December 8, 2003, pursuant to the Company's Offer to Purchase dated November 24, 2003.

A Current Report on Form 8-K, dated December 23, 2003, was filed to announce that the Company's tender offer for all outstanding 8 1/2% Notes due in 2006 (the "Notes") expired at 12:00 midnight, New York City time, on Monday December 22, 2003, and that it has accepted for payment and will purchase all Notes validly tendered pursuant to the tender offer and not withdrawn. The aggregate principal amount of Notes validly tendered and not withdrawn was $167,257,000 and the aggregate cost to purchase the Notes tendered pursuant to the tender offer was approximately $188,991,050, plus approximately $3,870,141 of accrued but unpaid interest to, but not including, the date of payment for the Notes.

(c) Exhibits

See (a)(3) above

(d) Financial Statement Schedules

See (a)(2) above

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

Under date of February 4, 2004, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 28, 2003, which are included in the Form 10-K for the year ended December 28, 2003. Our report refers to a change in the method used to account for certain financial instruments with characteristics of liabilities and equity as well as a change in the method used to account for goodwill. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ KPMG LLP

Providence, Rhode Island
February 4, 2004

HASBRO, INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts and Reserves
Fiscal Years Ended in December
(Thousands of Dollars)

	Balance at Beginning of Year	Provision Charged to Costs and Expenses(a)	Other Additions	Write-Offs And Other (b)	Balance at End of Year
Valuation accounts deducted from assets to which they apply —for doubtful accounts receivable:					
2003	$ 50,700	(1,137)	—	(10,363)	$ 39,200
2002	$ 49,300	3,886	—	(2,486)	$ 50,700
2001	$ 55,000	8,487	—	(14,187)	$ 49,300

(a) Based on an assessment of accounts receivable, the Company made a $5.0 million adjustment to reduce its allowance for doubtful accounts in December 2003.

(b) Includes write-offs, recoveries of previous write-offs, and translation adjustments.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HASBRO, INC. (REGISTRANT)

By: /s/ ALFRED J. VERRECCHIA Date: March 12, 2004

Alfred J. Verrecchia
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ALAN G. HASSENFELD Alan G. Hassenfeld	Chairman of the Board	March 12, 2004
/s/ ALFRED J. VERRECCHIA Alfred J. Verrecchia	Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2004
/s/ DAVID D.R. HARGREAVES David D.R. Hargreaves	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 2004
/s/ BASIL L. ANDERSON Basil L. Anderson	Director	March 12, 2004
/s/ ALAN R. BATKIN Alan R. Batkin	Director	March 12, 2004
/s/ FRANK J. BIONDI, JR. Frank J. Biondi, Jr.	Director	March 12, 2004
John M. Connors, Jr.	Director	March 12, 2004

/s/ E. GORDON GEE E. Gordon Gee	Director	March 12, 2004
/s/ JACK M. GREENBERG Jack M. Greenberg	Director	March 12, 2004
/s/ CLAUDINE B. MALONE Claudine B. Malone	Director	March 12, 2004
/s/ EDWARD M. PHILIP Edward M. Philip	Director	March 12, 2004
/s/ E. JOHN ROSENWALD, JR. E. John Rosenwald, Jr.	Director	March 12, 2004
/s/ ELI J. SEGAL Eli J. Segal	Director	March 12, 2004
/s/ CARL SPIELVOGEL Carl Spielvogel	Director	March 12, 2004
/s/ PAULA STERN Paula Stern	Director	March 12, 2004

HASBRO, INC.
Annual Report on Form 10-K
for the Year Ended December 28, 2003

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws
- (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
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(aa) Form of Deferred Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10(hh) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2000, file No. 1-6682.)

(bb) Form of Employment Agreement between the Company and six Company executives. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(cc) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(bb) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, file No. 1-6682.)

(dd) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

(ee) First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(ff) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)

(gg) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors.(Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)

(hh) First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(ii) Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)

(jj) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

(kk) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)

(ll) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)

(mm) Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(nn) Hasbro, Inc. 2003 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix C to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(oo) Hasbro, Inc. 2003 Stock Incentive Performance Plan (Incorporated by reference to Appendix D to the Company's definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

(pp) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 dated October 27, 2003, File No. 333-110002.)

(qq) Amended and Restated Employment Agreement, effective as of October 31, 2001, by and between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10(tt) to the Company's Annual Report on Form 10-K for fiscal year ended December 30, 2001, File No. 1-6682.)

(rr) Post-Employment Agreement, dated March 10, 2004, by and between the Company and Alfred J. Verrecchia.

11. Statement re computation of per share earnings

12. Statement re computation of ratios

21. Subsidiaries of the registrant

23. Consents of KPMG LLP

31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

32.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

QuickLinks

Exhibit 4(d)

THIRD AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

DATED AS OF

NOVEMBER 14, 2003

AMONG

HASBRO, INC.,

HASBRO SA,

THE BANKS PARTY HERETO, AND

FLEET NATIONAL BANK,
AS AGENT

WITH

FLEET SECURITIES, INC.,
HAVING ACTED AS ARRANGER

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SCHEDULES AND EXHIBITS

THIRD AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

This THIRD AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT, is dated as of November 14, 2003, by and among HASBRO, INC. (the "Company"), a Rhode Island corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02861, HASBRO SA, a corporation organized under the laws of Switzerland and wholly owned subsidiary of the Company ("Hasbro SA"), and FLEET NATIONAL BANK and the other lending institutions listed on Schedule 1 (collectively, the "Banks") and FLEET NATIONAL BANK, as agent for the Banks (the "Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Second Amended and Restated Revolving Credit Agreement, dated as of March 19, 2002 (as amended and in effect from time to time, the "Existing Credit Agreement"), by and among the Company, Hasbro SA, the Banks, the Agent, and certain other parties thereto, the Banks have made available certain financing to the Company and Hasbro SA upon the terms and conditions contained therein; and

WHEREAS, the Company has requested, among other things, to amend and restate the Existing Credit Agreement and the Banks are willing to amend and restate the Existing Credit Agreement on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, the Company, the Banks and the Agent agree that as of the date hereof, the Existing Credit Agreement shall be amended and restated in its entirety as set forth herein:

1. DEFINITIONS AND RULES OF INTERPRETATION.

1.1. DEFINITIONS. The following terms shall have the meanings set forth in thissection 1.1 or elsewhere in the provisions of this Agreement referred to below:

Accounts. As defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts from time to time; and, with respect to the Company and its Domestic Subsidiaries, all such Accounts of such Persons, whether now existing or existing in the future, including, without limitation, (a) all accounts receivable of such Person, including, without limitation, all accounts created by or arising from all of such Person's sales of goods or rendition of services made under any of its trade names, or through any of its divisions, (b) all unpaid rights of such Person (including rescission, replevin, reclamation and stopping in transit) relating to the foregoing or arising therefrom, (c) all rights to any goods represented by any of the foregoing, including, without limitation, returned or repossessed goods, (d) all reserves and credit balances held by such Person with respect to any such accounts

receivable of any purchaser of goods or services or other Person obligated to make payment to the Company or any of its Subsidiaries (other than any Receivables Subsidiaries and the Foreign Subsidiaries) in respect of a purchase of such goods or services, (e) all letters of credit, guarantees or collateral for any of the foregoing and (f) all insurance policies or rights relating to any of the foregoing.

Affiliate. Any Person that would be considered to be an affiliate of the Company under Rule 144(a) of the Rules and Regulations of the Securities and Exchange Commission, as in effect on the date hereof, if the Company were issuing securities.

Affected Bank. See section 4.1(c).

Agent. Fleet, acting as agent for the Banks, and each other Person appointed as the successor Agent in accordance with section 16.11.

Agent's Fee. See section 7.2.

Agent's Fee Letter. The fee letter, dated as of the Effective Date, by and between the Company and the Agent, as the same may be amended and in effect from time to time.

Agent's Office. The Agent's office located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

Agent's Special Counsel. Bingham McCutchen LLP, or such other counsel as the Agent may approve.

Agreement. This Third Amended and Restated Revolving Credit Agreement, including the Exhibits and Schedules hereto, as originally executed, or if this Third Amended and Restated Revolving Credit Agreement is further amended, varied or supplemented from time to time, as so amended, varied or supplemented.

Applicable Pension Legislation. At any time, any pension or retirement benefits legislation (be it national, federal, provincial, territorial or otherwise) then applicable to the Company or any of its Subsidiaries.

Arranger. Fleet Securities, Inc.

Asset Sale. Any one or series of related transactions in which the Company or any of its Subsidiaries conveys, sells, leases, licenses or otherwise disposes of, directly or indirectly, any of its properties, businesses or assets whether owned on the Effective Date or thereafter acquired.

Assignee. A bank or other institution to which a Bank assigns all, or a proportionate part of all, of such Bank's rights and obligations under this Agreement and the Notes payable to such transferor Bank, pursuant to the terms of section 20.

Assignment and Acceptance. See section 20.1.

Atari. A societe anonyme organized under the laws of France, formerly known as Infogrames Entertainment S.A.

Attributable Debt. At any time, the amount of obligations outstanding at such time under the legal documents entered into as part of a Permitted Receivables Securitization Facility on any date of determination that would be characterized as principal if such Permitted Receivables Securitization Facility were structured as a secured lending transaction rather than as a purchase, less (i) any escrowed or pledged cash proceeds which effectively secure, or are required to be maintained as reserves by the applicable Receivables Subsidiary for, the Indebtedness of the Company and its Subsidiaries in respect of, or the obligations of the Company and its Subsidiaries under, such Permitted Receivables Securitization Facility, (ii) reasonable attorneys' fees, accountants' fees, brokerage consultant and other customary fees, underwriting commissions and other reasonable fees and expenses actually incurred in connection with such Permitted Receivables Securitization Facility and (iii) any taxes paid or reasonably estimated to be payable as a result thereof.

Authorized Financial Officers. The Chief Financial Officer of the Company, the Controller of the Company and any other officer of the Company designated by the Company from time to time as the chief financial officer or the chief accounting officer of the Company and qualified to certify as to financial information delivered on behalf of the Company and its Subsidiaries pursuant to section 9.5 hereof; and "Authorized Financial Officer" means any one of the Authorized Financial Officers.

Balance Sheet Date. June 29, 2003.

Bank Affiliate. (a) With respect to any Bank, (i) an affiliate of such Bank or (ii) any entity (whether a corporation, partnership, limited liability company, trust or legal entity) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by such Bank or an affiliate of such Bank and (b) with respect to any Bank that is a fund which invests in bank loans and similar extensions of credit, any other entity (whether a corporation, partnership, limited liability company, trust or other legal entity) that is a fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Bank or by an affiliate of such investment advisor.

Banks. As defined in the Preamble, and any bank or institution that becomes an Assignee pursuant to, and fulfills the conditions of, section 20.

Base Rate. With respect to Loans denominated in Dollars, (a) the rate (rounded to the nearest 1/100 of 1%) equal to the higher of (i) the variable annual rate of interest so designated from time to time by Fleet as its "prime rate", such rate being a reference rate and not necessarily representing the lowest or best rate being charged to any customer, and (ii) one-half of one percent (0.5%) above the Federal Funds Effective Rate. For the purposes of this definition, "Federal Funds Effective Rate" shall mean for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the

average of the quotations for such day on such transactions received by the Agent from three funds brokers of recognized standing selected by the Agent; and (b) with respect to Loans denominated in any Optional Currency, the daily rate (rounded to the nearest 1/100 of 1%) determined to be the average rate charged to borrowers of similar quality as the Borrower of Loans denominated in such Optional Currency as reasonably determined by the Agent.

Base Rate Loan(s). Loan(s) bearing interest calculated by reference to the Base Rate.

Borrowing. A borrowing hereunder by the Company and/or Hasbro SA consisting of a Loan to the Company and/or Hasbro SA by the Banks or the Swing Line Bank.

Business Day. Any day (a) on which banking institutions in Boston, Massachusetts and New York City, New York are open for the conduct of normal banking business, (b) if such day involves Eurocurrency Rate Loans denominated in Dollars, a day on which dealings in Dollars can be carried on in the relevant Eurocurrency Interbank Market and Dollar settlements of such dealings may be effected in New York City, and (c) if such day involves Loans denominated in any Optional Currency, a day on which dealings in the relevant Optional Currency and exchange can be carried on in the relevant Eurocurrency Interbank Market and in the principal financial center of the country in which such currency is legal tender.

Capital Expenditures. With respect to the Company and its Subsidiaries and for any period, the aggregate of all amounts included in "Additions to property, plant and equipment" as shown in the Company's statement of cash flows for such period, determined in accordance with GAAP.

Capitalized Leases. Leases under which the Company or any of its Subsidiaries is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

Capital Stock. Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

Casualty Event. With respect to any property (including any interest in property) of any Hasbro Company, any loss of, damage to, or condemnation or

other taking of, such property for which such Person receives insurance proceeds, proceeds of a condemnation award or other compensation.

CERCLA. See section 8.22.

Change of Control. An event or series of events by which any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act), directly or indirectly, of fifty-one percent (51%) or more of the outstanding shares of Capital Stock of the Company; or, during any period of twelve (12) consecutive calendar months, Continuing Directors shall cease to constitute a majority of the board of directors of the Company.

Code. The Internal Revenue Code of 1986, as amended.

Collateral. All of the property, rights and interests of the Company and the Restricted Subsidiaries that are or are intended to be subject to the security interests and mortgages created by the Security Documents.

Commitment. With respect to each Bank, the amount set forth on Schedule 1 hereto as the maximum amount of such Bank's commitment to make Syndicated Loans to, and to participate in the issuance, extension and renewal of Letters of Credit for the account of, the Company, as the same may be reduced from time to time; or if such Bank's commitment is terminated pursuant to the provisions hereof, zero. Each Bank's Commitment shall be deemed to be reduced, while any Competitive Bid Loans are outstanding, by an amount equal to such Bank's Commitment Percentage of such outstanding Competitive Bid Loans.

Commitment Fee. See section 2.2.

Commitment Fee Rate. At any time of determination, an annual percentage rate determined in accordance with the Pricing Grid.

Commitment Percentage. With respect to each Bank, the percentage set forth opposite such Bank's name on Schedule 1 hereto.

Company. See preamble.

Company Loans. The Loans other than the Hasbro SA Loans.

Company Security Agreement. The Security Agreement between the Company and the Agent, substantially in the form of Exhibit I hereto to be entered into to the extent required by section 6.2.

Competitive Bid Loan(s). A Borrowing hereunder consisting of one or more revolving credit loans made by any of the Banks whose offer to make a revolving credit loan as part of such Borrowing has been accepted by the Company and/or Hasbro SA under the auction bidding procedure described in section 2.5.

Competitive Bid Notes. See section 2.6.

Competitive Bid Note Record. A Record with respect to a Competitive Bid Note.

Competitive Bid Quote. An offer by a Bank to make a Competitive Bid Loan in accordance with section 2.5 hereof.

Competitive Bid Quote Request. See section 2.5.1(b).

Competitive Bid Rate. See section 2.5.1(d)(ii)(C).

Compliance Certificate. See section 9.5(c).

Consolidated or consolidated. With reference to any term defined herein, shall mean that term as applied to the accounts of the Company and all of its Subsidiaries, consolidated in accordance with GAAP.

Consolidated Cash. The consolidated cash and cash equivalents of the Company and its Subsidiaries, determined in accordance with GAAP.

Consolidated Net Earnings (or Loss). The consolidated net earnings (or loss) of the Company and its Subsidiaries, after deduction of all expenses, taxes, and other proper charges, determined in accordance with GAAP, after eliminating therefrom all extraordinary items of income.

Consolidated Operating Profit (or Loss). The consolidated operating profit (or loss) of the Company and its Subsidiaries identified as such on the Company's income statement for any period, determined in accordance with GAAP.

Consolidated Total Funded Debt. As at any date of determination, with respect to the Company and its Subsidiaries, the amount equal to, without duplication, (a) the aggregate amount of Indebtedness of the Company and its Subsidiaries, on a consolidated basis, relating to (i) the borrowing of money or the obtaining of credit, (ii) the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business), (iii) in respect of any Synthetic Leases or any Capitalized Leases and (iv) the face amount of all letters of credit outstanding plus (b) the aggregate amount of Indebtedness of the type referred to in clause (a) of another Person (other than the Company or a Subsidiary thereof) guaranteed by the Company or any of its Subsidiaries plus (c) the Attributable Debt. In determining under clause (a) of this definition the Indebtedness of the Company and its Subsidiaries under or in respect of any

Permitted Receivables Securitization Facility or under clause (c) of this definition the Attributable Debt in respect of any Permitted Receivables Securitization Facility, such Indebtedness or amount shall be reduced by any escrowed or pledged cash proceeds which effectively secure such Indebtedness or the obligations of the Company or any such Subsidiary under such Permitted Receivables Securitization Facility.

Consolidated Total Interest Expense. For any period, the aggregate amount of interest expense of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP for such period.

Continuing Directors. With respect to any period of twelve (12) consecutive calendar months, any member of the board of directors of the Company who (a) was a member of such board of directors on the first day of such period or (b) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.

Copyright Memorandum. The Memorandum of Grant of Security Interest in Copyrights by and among the Company, the Restricted Subsidiaries and the Agent, in substantially the form of Exhibit M hereto to be entered into to the extent required by section 6.2.

Credit Insurance Provider. A Person party to a Credit Insurance Provider Agreement.

Credit Insurance Provider Agreement. An agreement entered into by and among the Company, the Subsidiaries of the Company named therein and the Credit Insurance Provider, pursuant to which the Company and certain of its Subsidiaries agree to sell, assign, pledge and transfer to the Credit Insurance Provider certain accounts receivable under the terms and conditions of the Credit Insurance Provider Agreement.

Default. Any Event of Default and any event which, but for the giving of notice or the lapse of time, or both, would constitute an Event of Default.

Delinquent Bank. See section 16.8.3.

Distribution. Any of (a) the declaration or payment of any dividend on or in respect of any shares of any class of Capital Stock of the Company other than dividends payable solely in shares of common stock of the Company (or payable pursuant to the Rights Agreement, dated June 16, 1999, between the Company and Fleet National Bank (f/k/a BankBoston, N.A.) as amended); (b) the purchase, redemption, defeasance, retirement or other acquisition of any shares of any class of Capital Stock of the Company directly or indirectly through a Subsidiary of the Company or otherwise (including the setting apart of assets for a sinking or other analogous fund to be used for such purpose, and excluding any such acquisition by way of payment of any portion of the exercise price for any stock option in such shares, or in respect to any withholding taxes related to any such stock option exercise); or (c) the return of capital by the Company to its shareholders as such; or any other distribution on or in respect of any shares of any class of Capital Stock of the Company.

Dollar(s) and $. The lawful currency of the United States of America.

Dollar Equivalent. On any particular date, with respect to any amount denominated in Dollars, such amount in Dollars, and with respect to any amount denominated in currency other than Dollars, the amount (as reasonably ascertained by the Agent which determination shall be conclusive absent manifest error) of Dollars which could be purchased by the Agent (in accordance with its normal banking practices) in the London foreign currency deposit market with such amount of such currency at the Exchange Rate on such date.

Domestic Subsidiary. Any Subsidiary of the Company that is not a Foreign Subsidiary.

Drawdown Date. The date on which any Loan is made or is to be made, and the date on which any Loan is converted or continued in accordance with section 4.1(a).

EBITDA. With respect to any particular fiscal period, EBITDA shall mean the amount equal to (a) Consolidated Operating Profit (or Loss) for such period, plus (b) in each case without duplication, and to the extent deducted in calculating Consolidated Operating Profit (or Loss) for such period, (i) depreciation and amortization of the Company and its Subsidiaries, (ii) other non-cash charges of the Company and its Subsidiaries, and (iii) extraordinary

losses of the Company and its Subsidiaries, and minus (c) to the extent included in Consolidated Operating Profit (or Loss) for such period, extraordinary gains of the Company and its Subsidiaries for such period, all determined in accordance with GAAP.

Effective Date. The date on which all of the conditions set forth in section 12 have been satisfied, and all "Loans" under and as defined in the Existing Credit Agreement are converted into Loans hereunder.

Employee Benefit Plan. Any employee benefit plan within the meaning of section 3(3) of ERISA maintained or contributed to by the Company or any ERISA Affiliate, other than a Guaranteed Pension Plan or a Multiemployer Plan.

Environmental Laws. See section 8.22.

EPA. See section 8.22.

Equity Issuance. The sale or issuance by the Company or any of its Subsidiaries of any of its Capital Stock (other than to the Company or any of its Subsidiaries).

ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

ERISA Affiliate. Any Person which is treated as a single employer with the Company under section 414 of the Code.

ERISA Reportable Event. A reportable event with respect to a Guaranteed Pension Plan within the meaning of section 4043 of ERISA and the regulations promulgated thereunder.

Euro or EUR. The euro referred to in the Council Regulation (EC) No. 1103/97 dated 17 June 1997 passed by the Council of the European Union, or, if different, the then lawful currency of the member states of the European Union that participate in the third stage of the Economic and Monetary Union.

Eurocurrency Interbank Market. Any lawful recognized market in which deposits of Dollars or the relevant Optional Currencies, as applicable, are offered by international banking units of United States banking institutions and by foreign banking institutions to each other and in which foreign currency and exchange operations or eurocurrency funding operations are customarily conducted.

Eurocurrency Offered Rate. With respect to the Interest Period of any Eurocurrency Rate Loan denominated in Dollars, the annual rate of interest equal to the rate at which Dollar deposits for such Interest Period are offered based on information presented on Page 3750 of the Dow Jones Market Service (formerly known as the Telerate Service) as of 11:00 A.M. (London time) (or as soon thereafter as practicable) two (2) Business Days preceding the first day of such Interest Period.

Eurocurrency Rate. With respect to amounts denominated in any Optional Currency, the International Eurocurrency Rate. With respect to all Eurocurrency

Rate Loans denominated in Dollars for any Interest Period, the annual rate of interest, rounded to the nearest 1/100 of 1%, determined by the Agent for such Interest Period in accordance with the following formula:

$$\text{Eurocurrency Rate} = \frac{\text{Eurocurrency Offered Rate}}{1 - \text{Eurocurrency Reserve Rate}}$$

Eurocurrency Rate Loan(s). Loan(s) denominated in Dollars or in any Optional Currency bearing interest calculated by reference to the Eurocurrency Rate.

Eurocurrency Reserve Rate. The rate in effect from time to time, expressed as a decimal, at which the Banks would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulation relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding.

Event of Default. See section 14.1.

Exchange Rate. With respect to any Optional Currency, at any date of determination thereof, the spot rate of exchange in London that appears on the display page applicable to such Optional Currency on the Reuters System (or such other page as may replace such page on such service for the purpose of displaying the spot rate of exchange in London) for the conversion of such Optional Currency into Dollars at 4:00 P.M. (London time) on such date; provided, however, that if there shall at any time no longer exist such a page on such service, the Exchange Rate shall be determined by reference to another similar rate publishing service reasonably selected by the Agent.

Existing Credit Agreement. See Preamble.

Fee Letter. The fee letter, dated as of the Effective Date, by and between the Company and the Agent, as the same may be amended and in effect from time to time.

Fees. Collectively, the Commitment Fee, Competitive Bid fees, the Letter of Credit Fees, the Agent's Fee and the Closing Fees.

Final Maturity Date. March 18, 2007.

Fitch. FitchRatings, or its successors.

Fleet. Fleet National Bank, in its capacity as a Bank hereunder.

Foreign Subsidiary. Any Subsidiary that conducts substantially all its business (other than export sales) in countries other than the United States of America and that is organized under the laws of a jurisdiction other than the United States of America and the states thereof.

GAAP. (i) When used in section 11, whether directly or indirectly through reference to a capitalized term used therein, principles which are (A) consistent with the principles promulgated or adopted by the Financial

Accounting Standards Board and its predecessors, in effect for the fiscal period ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the Company reflected in its financial statements for the year ended on the Balance Sheet Date; and (ii) when used in general, other than as provided above, principles which are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors (or successor organizations), as in effect from time to time and (B) consistently applied with past financial statements of the Company adopting the same principles.

GBP. British Pounds Sterling.

Governmental Authority. Any foreign, federal, state, regional, local, municipal or other government, or any department, commission, board, bureau, agency, public authority or instrumentality thereof, or any court or arbitrator.

Guaranteed Pension Plan. Any employee pension benefit plan within the meaning of section 3(2) of ERISA maintained or contributed to by the Company or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

Guaranty. The Third Amended and Restated Guaranty, dated as of the Effective Date, as the same may be amended and in effect from time to time, made by each Restricted Subsidiary in favor of the Banks and the Agent pursuant to which each Restricted Subsidiary guarantees to the Banks and the Agent the payment and performance of the Secured Obligations and in form and substance reasonably satisfactory to the Agent.

Hasbro Companies. Collectively, the Company, the Restricted Subsidiaries and the Significant Subsidiaries.

Hasbro SA. See preamble.

Hasbro SA Loans. Any Loans made or to be made by the Banks to Hasbro SA.

Hasbro SA Obligations. All Obligations of Hasbro SA with respect to the Hasbro SA Loans.

Hazardous Substances. See section 8.22.

Hedging Agreement. Any foreign exchange contract, currency swap agreement, currency or commodity agreement or other similar agreement or arrangement designed to protect against the fluctuation in currency values.

Identified Brands. Collectively, the brand names Action Man, Monopoly, Mr. Potato Head, Tonka, Lincoln Logs, Playskool, Yahtzee, Clue and GI Joe.

Indebtedness. As to any Person and whether recourse is secured by or is otherwise available against all or only a portion of the assets of such Person and whether or not contingent, but without duplication:

(a) every obligation of such Person to repay money borrowed,

(b) every obligation of such Person for principal evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses,

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person,

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding (i) trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, (ii) earnout obligations in respect of assets or businesses acquired prior to the Effective Date and (iii) obligations to repurchase any Lucas Warrant under the Warrant Amendment Agreement,

(e) every obligation of such Person under any Capitalized Lease,

(f) every obligation of such Person under any Synthetic Lease,

(g) all sales with recourse by such Person of (i) accounts or general intangibles for money due or to become due, (ii) chattel paper, instruments or documents creating or evidencing a right to payment of money or (iii) other receivables (collectively "receivables"), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of such Person relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith (for the avoidance of doubt, it being understood that sales pursuant to Section 10.5.2(j) or (k) are not "Indebtedness" under this clause (g) or otherwise),

(h) Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such

Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law,

(i) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (h) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any such obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the

payment of such primary obligation, (ii) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

The "amount" or "principal amount" of any Indebtedness at any time of determination represented by (w) any Indebtedness, issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with GAAP, (x) any Capitalized Lease shall be the discounted aggregate rental obligations under such Capitalized Lease required to be capitalized on the balance sheet of the lessee in accordance with GAAP, (y) any sale of receivables shall be the amount of unrecovered capital or principal investment of the purchaser (other than the Company or any of its wholly-owned Subsidiaries) thereof, excluding amounts representative of yield or interest earned on such investment, and (z) any Synthetic Lease shall be the stipulated loss value, termination value or other equivalent amount.

Installment Amount. See section 2.8.

Intercompany Indebtedness. The aggregate amount of all Indebtedness of any of the Company or any Operating Subsidiary of the Company to any other of the Company and its Operating Subsidiaries.

International Eurocurrency Rate. For any Interest Period with respect to a Eurocurrency Rate Loan denominated in any Optional Currency, the rate of interest equal to (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in the applicable Optional Currency appearing on Reuters Screen FRBD or the applicable Reuters Screen for such Optional Currency as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period in the approximate amount of the relevant Eurocurrency Rate Loan, and having a maturity equal to such Interest Period, provided, however, (i) if Reuters Screen FRBD or the applicable Reuters Screen for such Optional Currency is not available to the Agent, as the case may be, for any reason, the applicable International Eurocurrency Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in the applicable Optional Currency as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) 2 (two) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available, the applicable International Eurocurrency Rate for the relevant Interest Period shall be the rate at which the Agent offers to place deposits in the applicable Optional Currency with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of the relevant Eurocurrency Rate Loan and having a maturity equal to such Interest Period, divided by (b) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

Interest Hedging Agreement. Any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate futures contract, interest rate option agreement or other agreement or arrangement (including without limitation any securities repurchase or borrowing arrangement) to which

the Company or any of its Subsidiaries is a party and intended to protect any of the Company and its Subsidiaries against fluctuations in interest rates.

Interest Period. (a) With respect to each Base Rate Loan comprising the same Borrowing, the period (i) commencing on the Drawdown Date of such Borrowing, and (ii) ending thirty (30) days thereafter as determined in accordance with the provisions of this Agreement;

(b) With respect to each Eurocurrency Rate Loan comprising the same Borrowing, the period (i) commencing on the Drawdown Date of such Borrowing, and (ii) ending one (1), two (2), three (3) or six (6) months thereafter as determined in accordance with the provisions of this Agreement; and

(c) With respect to each Competitive Bid Loan comprising the same Borrowing, the period (i) commencing on the date of such Borrowing and (ii) ending from seven (7) through one hundred eighty (180) days thereafter as determined in accordance with the provisions of this Agreement.

Inventory. With respect to the Company or any of the Restricted Subsidiaries, finished goods, work in progress and raw materials and component parts inventory and all "Inventory" as such term is defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts owned by such Person; provided that, proceeds of Inventory shall not include any Receivables sold, transferred, contributed or pledged to or financed by a Receivables Subsidiary.

Investment Grade Rating. A Rating that is at least "BBB-", "Baa3" or "BBB-" by Fitch, Moody's or S&P, respectively.

Investment Grade Rating Event. The Company's receipt of a Rating that is at least one level higher than the lowest Investment Grade Rating from at least two Rating Agencies.

Investment Grade Rating Non-Event. The Company's receipt of a Rating that is the lowest Investment Grade Rating or lower from at least two Rating Agencies.

Investments. As to any Person, all expenditures made for the acquisition of stock or Indebtedness of, or for loans, advances or capital contributions to, any other Person, in each case to the extent the same would be recorded as an investment on the balance sheet of the first Person under GAAP. In determining the aggregate amount of Investments outstanding at any particular time: (a) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (b) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise; and (c) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

Invitation for Competitive Bid Quotes. See section 2.5.1(c).

LC Exposure. At any time, the sum of (a) the aggregate Maximum Drawing Amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all Unpaid Reimbursement Obligations at such time. The LC Exposure of any Bank at any time shall be its Commitment Percentage of the total LC Exposure at such time.

Letter of Credit. See section 5.1.1.

Letter of Credit Application. See section 5.1.1.

Letter of Credit Fee. See section 5.6.

Letter of Credit Participation. See section 5.1.4.

Lien. Any mortgage, deed of trust, security interest, pledge, hypothecation, security assignment, attachment, deposit arrangement, lien (statutory, judgment or otherwise), or other security agreement or similar encumbrance or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any Capitalized Lease, any Synthetic Lease, any financing lease involving substantially the same economic effect as any of the foregoing and the filing of any financing statement evidencing any of the foregoing under the Uniform Commercial Code or comparable law of any jurisdiction).

Loan Documents. Collectively, this Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Security Documents (if and as applicable), the Subordination Agreements, the Agent's Fee Letter and the Fee Letter.

Loans. Collectively, the Syndicated Loans, the Competitive Bid Loans and the Swing Line Loans.

Lucas Warrants. Collectively, (a) the Warrant to Purchase Shares of Common Stock, dated October 30, 1998, issued to Lucas Licensing Ltd. for the purchase of 3,600,000 shares of the common stock of the Company at the exercise price of $23.33 per share, (b) the Warrant to Purchase Shares of Common Stock, dated October 30, 1998, issued to Lucasfilm Ltd. for the purchase of 2,400,000 shares of the common stock of the Company at the exercise price of $23.33 per share, (c) the Warrant to Purchase Shares of Common Stock, dated October 14, 1997, issued to Lucas Licensing Ltd. for the purchase of 5,850,000 shares of the common stock of the Company at the exercise price of $18.67 per share and (d) the Warrant to Purchase Shares of Common Stock, dated October 14, 1997, issued to Lucasfilm Ltd. for the purchase of 3,900,000 shares of the common stock of the Company at the exercise price of $18.67 per share.

Majority Banks. As of any date, the Banks whose aggregate Commitments constitute more than fifty percent (50%) of the Total Commitment, provided, that if at the time Majority Banks is being determined, the Total Commitment has been terminated, the Majority Banks shall be the Banks holding more than fifty percent (50%) of the aggregate outstanding principal amount of the Loans on such date.

Margin. At any time of determination, an annual percentage rate determined in accordance with the Pricing Grid.

Material Adverse Effect. With respect to any event or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding):

(a) a material adverse effect on the business, properties, condition, assets, operations or results of operations of the Hasbro Companies, taken as a whole;

(b) a material adverse effect on the ability of the Company individually or the Hasbro Companies taken as a whole, to perform its or their respective Obligations (as the case may be) under the Loan Documents;

or

(c) any material impairment of (i) the validity, binding effect or enforceability of this Agreement or any of the other Loan Documents, (ii) the rights, remedies or benefits available to the Agent or any Bank under the Loan Documents or (iii) the attachment, perfection or priority of any Lien of the Agent on a material portion of the Collateral under the Security Documents (if such Security Documents shall have been entered into and remain in full force and effect pursuant to section 6.2).

Material Asset Sale. Any Asset Sale not in the ordinary course of business producing Net Cash Sale Proceeds in excess of $35,000,000, but excluding any Asset Sale permitted under sections 10.5.2(j) or (k) hereof and any Specified Sale.

Maximum Drawing Amount. The maximum aggregate amount that the beneficiaries may at any time draw under outstanding Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

Moody's. Moody's Investors Service, or its successors.

Multiemployer Plan. Any multiemployer plan within the meaning of section 3(37) of ERISA maintained or contributed to by the Company or any ERISA Affiliate.

Net Cash Sale Proceeds. The net cash proceeds received by a Person in respect of any Asset Sale, less the sum of (a) all reasonable out-of-pocket fees, commissions and other expenses actually incurred in connection with such Asset Sale, (b) the amount of any transfer, documentary, income or other taxes required to be paid by the Company or any of its Subsidiaries in connection with such Asset Sale, (c) the aggregate amount of any Indebtedness (other than under the Loan Documents) of the Company or any of its Subsidiaries permitted by this Agreement that was secured by a Permitted Lien with respect to the assets transferred and is required to be repaid in whole or in part (which repayment, in the case of any other revolving credit arrangement or multiple advance arrangement, reduces the commitment thereunder) in connection with such Asset Sale, (d) the amount of such proceeds attributable to (and payable to) minority interests, (e) the amount of any reserve reasonably maintained by the Company or any of its Subsidiaries with respect to indemnification obligations owing pursuant to the definitive documentation pursuant to which such Asset Sale is

consummated (with any unused portion of such reserve to constitute Net Cash Sale Proceeds on the date upon which the indemnification obligations terminate or such reserve is reduced other than in connection with a payment), and (f) appropriate amounts to be provided by the Company or any of its Subsidiaries to be applied to satisfy any reasonable expenses and liabilities associated with any such property or assets and retained by the Company or any such Subsidiary after such Asset Sale.

Net Cash Equity Issuance Proceeds. With respect to any Equity Issuance, the excess of the gross cash proceeds received by such Person for such Equity Issuance after deduction of all reasonable transaction expenses (including, without limitation, underwriting discounts and commissions) actually incurred in connection with such Equity Issuance.

New Loans. See section 4.1(e).

Note(s). Singly, any of, and collectively, all of the Syndicated Notes, the Competitive Bid Notes and the Swing Line Note.

Notice of Competitive Bid Borrowing. See section 2.4.1(f).

Obligations. All indebtedness, obligations and liabilities to the Banks and the Agent, individually or collectively, arising or incurred under this Agreement or any of the other Loan Documents, or in respect of Loans made and any Notes or other instruments at any time evidencing any thereof, whether such indebtedness, obligations, and liabilities exist on the date of this Agreement or arise thereafter, or are direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, of the Company and/or Hasbro SA, as the case may be, including, without limitation, the Hasbro SA Obligations.

Operating Subsidiary. As at any particular date, any Subsidiary (other than a Subsidiary engaged solely in the business of incurring Indebtedness or a Receivables Subsidiary or other Subsidiary formed in connection with any Permitted Receivables Securitization Facility) of the Company actively engaged in the conduct of business.

Optional Currency. Each of the following types of currency: Euros and GBP.

Outstanding. With respect to the Loans, the unpaid principal thereof as of any date of determination.

Participant. See section 20.5.

Patent Agreements. Collectively, (a) the Patent Security Agreement (Registrations) by and among the Company, the Restricted Subsidiaries and the Agent, in substantially the form of Exhibit L hereto, pertaining to U.S. patent registrations, to be entered into to the extent required by section 6.2, and (b) the Patent Security Agreement (Applications), by and among the Company, the Restricted Subsidiaries and the Agent, in substantially the form of Exhibit L hereto, pertaining to U.S. patent applications, to be entered into to the extent required by section 6.2.

PBGC. The Pension Benefit Guaranty Corporation created by section 4002 of ERISA and any successor entity or entities having similar responsibilities.

Permitted Acquisition. Any acquisition permitted by section 10.5.1(b).

Permitted Liens. Liens permitted by section 10.2.

Permitted Receivables Securitization Facility. Any transaction or series of related transactions providing for the financing of any Receivables; provided that any such transaction shall be consummated on terms that include terms substantially as described on Schedule 2 or as the Majority Banks may otherwise consent, such consent not to be unreasonably withheld.

Person. Any individual, corporation, partnership, trust, unincorporated association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

Pricing Grid. As set forth in the table below:

-	RATING (AT LEAST TWO OF STANDARD & POOR'S)	MARGIN FOR EUROCURRENCY RATE LOANS	MARGIN FOR BASE RATE LOANS	COMMITMENT FEE RATE -
I	BB-/Ba3/BB- or lower	2.00%	0.75%	0.40% -
II	BB/Ba2/BB	1.75%	0.50%	0.35% -
III	BB+/Ba1/BB+	1.50%	0.25%	0.30% -
IV	BBB-/Baa3/BBB-	1.25%	0.00%	0.25% -
V	BBB/Baa2/BBB	1.00%	0.00%	0.20% -

------- VI
BBB+/Baa1/BBB+
or 0.00%
0.75% 0.15%
higher - ----

For purposes of the foregoing table:

(i) during any period in which the Obligations are secured by the Liens described in section 6.2, so long as no Event of Default has occurred or is continuing, the applicable Margin for Base Rate Loans in Levels I, II and III above and the applicable Margin for Eurocurrency Rate Loans in Levels I through VI above shall be 0.25% lower than the applicable rates set forth above but not less than zero.

(ii) if the rating system of any Rating Agency shall change, or if any Rating Agency shall cease to be in the business of rating corporate debt obligations, the Company and the Agent shall negotiate in good faith to amend the foregoing table (which amendment shall require the consent of the Majority Banks) to reflect such changed rating system or the unavailability of ratings from such Rating Agency and, pending the effectiveness of any such amendment, the Margin and the

Commitment Fee Rate shall be determined by reference to, and shall be based on, the higher of, each Rating of each Rating Agency to which neither this clause (ii) nor clause (iv) below then applies;

(iii) if the Ratings established by the Rating Agencies shall fall within different Levels, the Margin and the Commitment Fee Rate shall be based on the lower of the two highest Ratings;

(iv) if any Rating Agency shall not have a Rating in effect (other than by reason of the circumstances referred to in clause (ii) above), then the Margin and the Commitment Fee Rate shall be determined by reference to, and shall be based on, the higher of, each Rating of each Rating Agency to which neither clause (ii) above nor this clause (iv) then applies; and

(v) if any Rating Agency shall change its Rating (other than by reason of the circumstances referred to in clause (ii) above), such change shall be effective as of the date on which it is first announced by such Rating Agency.

Each change in the Margin and the Commitment Fee Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change.

Rating. The rating issued from time to time (whether on a preliminary basis or otherwise) by any Rating Agency or such other rating service or services as the Company may designate from time to time with the consent of the Majority Banks with respect to the Company's senior unsecured debt.

Rating Agencies. Collectively, Fitch, Moody's and S&P.

RCRA. See section 8.22.

Record. The grid attached to a Note, or the continuation of such grid, or any other similar record, including computer records, maintained by any Bank with respect to any Loan referred to in such Note.

Receivables. All Accounts and accounts receivable of the Company or any of its Subsidiaries, including, without limitation, any Accounts and accounts receivable constituting or evidenced by chattel paper, instruments or general intangibles, and all proceeds thereof and rights (contractual and other) and collateral for such Accounts and accounts receivable. Notwithstanding the foregoing, Receivables shall not include any rights or interests in intellectual property of the Company or any of its Subsidiaries.

Receivables Subsidiary. Any special purpose, bankruptcy-remote corporation, limited liability company, trust or other entity established and majority owned by the Company that purchases, receives contributions of, or receives financing secured by, Receivables generated by the Company or any of its Subsidiaries.

Real Estate. All real property owned or leased (as lessee or sublessee) by any of the Hasbro Companies.

Reemployment Period. See section 2.8.

Reemployment Rate. See section 2.8.

Reference Banks. Fleet, Bank of America, N.A., Citicorp USA, Inc., Mellon Bank, N.A. and Commerzbank AG, New York Branch.

Reference Period. As of the end of any fiscal quarter, the period of four (4) consecutive fiscal quarters of the Company and its Subsidiaries ending on such date, or if any date of determination is not a fiscal quarter end date, the period of four (4) consecutive fiscal quarters most recently ended (in each case treated as a single accounting period).

Refinancing Indebtedness. With respect to the Company and its Subsidiaries, Indebtedness which (a) refinances, refunds, replaces, renews, repays, restates, substitutes or extends other Indebtedness of the Company or any of its Subsidiaries, (b) has a maturity after the Final Maturity Date, and (c) is not prohibited by section 10.1 hereof.

Reimbursement Obligation. The Company's obligation to reimburse the Agent and the Banks on account of any drawing under any Letter of Credit as provided in section 5.2.

Replacement Bank. See section 4.1(f).

Replacement Date. See section 4.1(f).

Restricted Payment. In relation to the Company and its Subsidiaries, any (a) Distribution, (b) payment or prepayment by the Company or its Subsidiaries to the Company's or any Subsidiary's shareholders (or other equity holders) in their capacity as such, in each case other than (i) to the Company or any Subsidiary (or any payment or prepayment excluded from the definition of the term "Distribution") and (ii) the acquisition of the Capital Stock of any Subsidiary of the Company existing on the Effective Date from any then existing minority holder thereof, (c) optional repayment, redemption or repurchase of long term unsecured Indebtedness of the Company existing on the Effective Date, or (d) derivatives or other transactions with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating the Company or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any Capital Stock of the Company or such Subsidiary.

Restricted Subsidiaries. Collectively, (a) Wizards of the Coast, Inc., a Washington corporation, (b) OddzOn, Inc., a Delaware corporation, and (c) material Domestic Subsidiaries (other than any Receivables Subsidiary) (i) created or acquired by the Company following the Effective Date and (ii) designated as Restricted Subsidiaries by the Company or the Agent in a written notice (it being understood that any Restricted Subsidiary which merges with and into the Company such that the Company is the survivor shall no longer constitute a Restricted Subsidiary following such merger).

SARA. See section 8.22.

Secured Obligations. Collectively, (a) the Obligations, (b) other Indebtedness of the Company consisting of guaranties of Indebtedness of Foreign Subsidiaries owing to any Bank or Bank Affiliate, and (c) obligations of the Company or its Subsidiaries to the Banks or any Bank Affiliate and the Agent (individually or collectively) arising under Interest Hedging Agreements and Hedging Agreements, but in each case, only to the extent that, and for so long as, the provisions of section 6.2 require the Company and its Subsidiaries to grant security interests in the assets described in section 6.2.

Security Agreements. Collectively, the Company Security Agreement and the Subsidiary Security Agreement.

Security Documents. The Guaranty, the Security Agreements, the Trademark Agreement, the Patent Agreements, the Copyright Memorandum and all other instruments and documents, including without limitation Uniform Commercial Code financing statements, required to be executed or delivered pursuant to any Security Document.

Significant Subsidiary. (a) Any Subsidiary of the Company (other than any Receivables Subsidiary), organized under the laws of the United States or any State of the United States or the District of Columbia, which, either alone or together with the Subsidiaries of such Subsidiary, meets either of the following conditions:

(i) the investments of the Company and its Subsidiaries in, or their proportionate share (based on their equity interests) of the book value of the total assets (after intercompany eliminations) of, the Subsidiary in question exceed 10% of the book value of the total assets of the Company and its Subsidiaries on a consolidated basis, or

(ii) the equity of the Company and its Subsidiaries in the revenues of the Subsidiary in question exceeds 10% of the revenues from continuing operations of the Company and its Subsidiaries on a consolidated basis for the Company's most recent fiscal year; or

(b) Any other Subsidiary of the Company designated as a "Significant Subsidiary" by the Company in a written notice to the Agent.

Specified Sale. Any disposition of Capital Stock of Atari by the Company acquired in connection with the sale of the Company's interactive and on-line businesses to Atari.

Standard & Poor's. Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., or its successors.

Subordinated Debt. Unsecured Indebtedness of any Operating Subsidiary that

is expressly subordinated and made junior to the payment and performance in full of the Obligations (other than pursuant to the Subordination Agreements), and

evidenced as such by a written instrument containing subordination provisions in form and substance reasonably satisfactory to the Majority Banks.

Subordination Agreement. The Third Amended and Restated Subordination Agreement, dated as of the Effective Date, among the Company, the Significant Subsidiaries and the Agent, substantially in the form of Exhibit F hereto; and "Subordination Agreements" means the Subordination Agreement and any additional subordination agreements executed and delivered to the Agent for the benefit of the Banks pursuant to section 9.14 hereof, in each case as amended and in effect from time to time.

Subsidiary. Any corporation, limited liability company, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority (by number of votes) of the outstanding Voting Stock.

Subsidiary Security Agreement. The Security Agreement among the Restricted Subsidiaries and the Agent, in substantially the form of Exhibit J hereto, to be entered into to the extent required by section 6.2.

Swing Line Bank. Fleet.

Swing Line Loan. Any loan made by the Swing Line Bank pursuant to section 3.1 hereof.

Swing Line Loan Maturity Date. See section 3.2.

Swing Line Loan Request. See section 3.2.

Swing Line Note. See section 3.5.

Swing Line Note Record. A Record with respect to a Swing Line Note.

Syndicated Loan(s). Singly, any of, and collectively, all of, the revolving credit loans made by the Banks in accordance with their respective Commitment Percentages to the Company and Hasbro SA as contemplated by section 2.1 hereof.

Syndicated Note(s). See section 2.6.

Syndicated Note Record. A Record with respect to a Syndicated Note.

Synthetic Lease. Any lease of goods or other property, whether real or personal, which is treated as an operating lease under GAAP and as a loan or financing for U.S. income tax purposes.

Total Commitment. The sum of the Commitments of the Banks, as in effect from time to time, which as of the Effective Date shall be equal to the aggregate principal amount of $350,000,000.

Trademark Agreement. The Trademark Security Agreement among the Company, the Restricted Subsidiaries and the Agent, in substantially the form of Exhibit K hereto, to be entered into to the extent required by section 6.2.

Type. As to any Syndicated Loan, its nature as a Base Rate Loan or a Eurocurrency Rate Loan.

Unpaid Reimbursement Obligation. Any Reimbursement Obligation for which the Company does not reimburse the Agent and the Banks on the date specified in, and in accordance with, section 5.2.

Utilization. An amount equal to the Dollar Equivalent of the sum of (i) the outstanding amount of all Loans (after giving effect to all amounts requested), (ii) the Maximum Drawing Amount and (iii) all Unpaid Reimbursement Obligations.

Voting Stock. Stock or similar interests, of any class or classes (however designated), the holders of which are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the corporation, association, trust or other business entity involved, whether or not the right so to vote exists by reason of the happening of a contingency (unless the happening of any such contingency is not within the control of the Company).

Warrant Amendment Agreement. The Warrant Amendment Agreement, dated January 30, 2003 by and among the Company, Lucas Licensing Ltd. and Lucasfilm Ltd.

Wholly Owned Subsidiary. Any Subsidiary of the Company for which all its outstanding Voting Stock (other than any directors' qualifying shares and shares required to be held by foreign nationals under applicable law) is held by the Company or one or more Wholly Owned Subsidiaries.

1.2. RULES OF INTERPRETATION.

(a) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms and the terms of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) A reference to any law includes any amendment or modification to such

law.

(d) A reference to any Person includes its permitted successors and permitted assigns.

(e) Accounting terms not otherwise defined herein have the meanings assigned to them by GAAP applied on a consistent basis by the accounting entity to which they refer.

(f) The words "include", "includes" and "including" are not limiting.

(g) Reference to a particular "section " refers to that section of this Agreement unless otherwise indicated.

(h) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

(i) Unless otherwise expressly indicated, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including," the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including."

(j) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are, however, cumulative and are to be performed in accordance with the terms thereof.

(k) This Agreement and the other Loan Documents are the result of negotiation among, and have been reviewed by counsel to, among others, the Agent and the Company and are the product of discussions and negotiations among all parties. Accordingly, this Agreement and the other Loan Documents are not intended to be construed against the Agent or any of the Banks merely on account of the Agent's or any Bank's involvement in the preparation of such documents.

2. THE SYNDICATED AND COMPETITIVE BID LOAN FACILITY.

2.1. COMMITMENT TO LEND SYNDICATED LOANS. (a) Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Company and/or Hasbro SA, and the Company and/or Hasbro SA may borrow, repay, and reborrow from time to time between the Effective Date and the Final Maturity Date upon notice by the Company and/or Hasbro SA, as the case may be, to the Agent given in accordance with section 2.4 hereof, such sums in Dollars and/or, at the Company's and/or Hasbro SA's option from time to time, subject to section 2.12 hereof, in an Optional Currency as are requested by such Person ("Syndicated Loans") up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Commitment (as such Commitment has been deemed to be reduced by such Bank's Commitment Percentage of outstanding Competitive Bid Loans) minus such Bank's Commitment Percentage of the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations, provided that the Utilization shall not at any time exceed the Total Commitment. The Syndicated Loans shall be made pro rata in accordance with each Bank's Commitment Percentage. Each request for Syndicated Loans hereunder shall constitute a representation by the Company or Hasbro SA, as the case may be, that the applicable conditions set forth in sections 12 and 13, in the case of the initial Syndicated Loans to be converted into Syndicated Loans hereunder on the Effective Date, and section 13, in the case of all other Syndicated Loans, have been satisfied on the date of such request. Each Base Rate Loan and Eurocurrency Rate Loan shall mature and become due and payable on the last day of the Interest Period relating thereto and shall be payable in the currency in which such Loan was made.

(b) After any prepayment and at maturity of the Syndicated Loans pursuant to section 2.1(a) above, the Company and/or Hasbro SA, as applicable, shall be entitled to reborrow any or all of the principal amount of such Syndicated Loan, subject to all of the applicable conditions precedent set forth in section 13. Each Bank's Commitment shall terminate, all Syndicated Loans shall become finally due and payable and the Company promises to pay or, solely in the case of Hasbro SA Loans, Hasbro SA promises to pay, on the Final Maturity Date all Syndicated Loans outstanding on the Final Maturity Date.

(c) The respective amount of each Bank's Commitment and its Commitment Percentage shall be as set forth on Schedule 1 hereto, subject to reduction in accordance with section 2.3 and section 2.11.

(d) Each Bank represents and warrants that it will use its best efforts to ensure that the funding of its Loans is not made directly out of the assets of any "employee benefit plan" or of any "separate account" in which any "employee benefit plan" has any interest other than a "government plan" (each such term being used herein as defined in Section 3 of ERISA).

2.2. COMMITMENT FEE. The Company agrees to pay to the Agent for the pro rata accounts of the Banks in accordance with their respective Commitment Percentages a commitment fee (the "Commitment Fee"), calculated at the applicable annual percentage rate determined in accordance with the Pricing Grid, on the average daily amount during each calendar quarter or portion thereof from the Effective Date to the Final Maturity Date by which (a) (i) the Total Commitment minus (ii) the sum of (A) the Maximum Drawing Amount and (B) all Unpaid Reimbursement Obligations exceeds (b) the outstanding amount of Syndicated Loans during such calendar quarter. The Commitment Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on the first such date

following the Effective Date, with a final payment on the Final Maturity Date or any earlier date on which the Commitments shall terminate.

2.3. REDUCTION OF TOTAL COMMITMENT. The Company shall have the right at any time and from time to time upon five (5) Business Days written notice to the Agent to reduce by $10,000,000 or an integral multiple thereof or terminate entirely the unborrowed portion of the Total Commitment, whereupon the Commitments of the Banks shall be reduced pro rata in accordance with their respective Commitment Percentages of the amount specified in such notice or, as the case may be, terminated. Promptly after receiving any notice of the Company delivered pursuant to this section 2.3, the Agent will notify the Banks of the substance thereof. Upon the effective date of any such reduction or termination, the Company shall pay to the Agent for the respective accounts of the Banks the full amount of the Commitment Fee then accrued on the amount of the reduction. No reduction of the Commitments of the Banks may be reinstated unless otherwise agreed to by the Company and each of the Banks. Nothing contained in this section 2.3 shall obligate any Bank in any way whatsoever to reinstate all or any part of its Commitment after a reduction of such Commitment hereunder. If at any time the outstanding amount of the Loans exceeds the Total Commitment as a result of any reduction of the Total Commitment pursuant to this section 2.3,

then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks for application to the Loans. Each payment of Loans shall be allocated among the Banks, in proportion, as nearly as practicable to the respective unpaid principal amount of each Bank's Syndicated Note or Competitive Bid Note, as applicable, with adjustments to the extent practicable to equalize any prior payments or repayments not exactly in proportion. In addition, the Total Commitment shall be reduced (i) automatically, pursuant to this section 2.3, effective March 31, 2005, in the amount of $50,000,000, (ii) automatically, pursuant to this section 2.3, effective November 30, 2005, in the additional amount of $50,000,000, and (iii) in accordance with section 2.11.

2.4. REQUESTS FOR SYNDICATED LOANS. (a) The Company and/or Hasbro SA, as the case may be, shall give to the Agent written notice in the form of Exhibit A-2 hereto (or telephonic notice confirmed in a writing in the form of Exhibit A-2 hereto) of each Syndicated Loan requested hereunder (a "Loan Request") not later than (i) with respect to Base Rate Loans, 12 noon (Boston time) on the proposed Drawdown Date (except in the case of Hasbro SA Loans, which written notice shall be by 8:00 A.M. (Boston time) on the proposed Drawdown Date) of such Base Rate Loan and (ii) with respect to Eurocurrency Rate Loans, 1:00 P.M. (Boston time) on the third Business Day prior to the proposed Drawdown Date of such Eurocurrency Rate Loan, provided, that any notice requesting a Syndicated Loan be made in an Optional Currency must comply with the requirements of section 2.12. The Agent shall promptly notify the Banks of the contents of each such notice at the address or addresses for each Bank set forth on Schedule 1 hereof.

(b) Each such notice delivered by the Company and/or Hasbro SA, as the case may be, shall specify (i) the aggregate principal amount of Syndicated Loans requested, stated in Dollars, or subject to section 2.12, an Optional Currency, (ii) the Type of Syndicated Loan requested, (iii) the proposed Drawdown Date and duration of the proposed Interest Period(s) applicable to any Base Rate Loans, or Eurocurrency Rate Loans and (iv) the Company's and/or Hasbro SA's, as the case may be, account to which payment of the proceeds of such Syndicated Loan is to be made. Each such notice (which shall be irrevocable) shall obligate the Company and/or Hasbro SA to accept the Syndicated Loans requested from the Banks on the proposed Drawdown Date therefor.

(c) Each request for Types of Syndicated Loans made hereunder shall be in a minimum aggregate amount of $5,000,000 or a greater integral multiple of $1,000,000 (other than requests in Optional Currencies, which shall be in the amounts prescribed in section 2.12).

(d) Any Syndicated Loans requested by the Company and/or Hasbro SA pursuant to this section 2.4 shall be made available to such Person in accordance with the provisions of section 2.9 hereof.

2.5. COMPETITIVE BID LOANS.

2.5.1. COMPETITIVE BID BORROWINGS.

(a) The Competitive Bid Option. In addition to the Syndicated Loans permitted to be made hereunder pursuant to section 2.1 hereof, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may, pursuant to the terms of this section 2.5, cause the Agent to request the Banks to make offers to fund Competitive Bid Loans to the Company

or, solely in the case of Hasbro SA Loans, Hasbro SA from time to time prior to the Final Maturity Date. The Banks may, but shall have no obligation to, make such offers and the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may, but shall have no obligation to, accept such offers in the manner set forth in this section 2.5. Notwithstanding any other provision herein to the contrary, at no time shall the Utilization exceed the Total Commitment.

(b) Competitive Bid Quote Request. When the Company or, solely in the case of Hasbro SA Loans, Hasbro SA wishes to request offers to make Competitive Bid Loans under this section 2.5, it shall transmit to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA) a Competitive Bid Quote Request substantially in

the form of Exhibit B-2 hereto (a "Competitive Bid Quote Request") so as to be received no later than 11:00 a.m. (Boston time) on the first Business Day (except in the case of Hasbro SA Loans, which request shall be received not later than the second Business Day) prior to the requested Drawdown Date, specifying (i) the requested Drawdown Date (which must be a Business Day) and the amount of such Competitive Bid Loan (which must be a minimum of $5,000,000 or any greater integral multiple of $1,000,000 and may not exceed the Total Commitment, and (ii) the Interest Period of such Competitive Bid Loan, subject to the provisions of the definition of Interest Period, and be accompanied by a Competitive Bid fee of $750 payable to the Agent with respect to each Competitive Bid Quote Request. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA may request offers to make Competitive Bid Loans for no more than one (1) amount and three (3) Interest Periods in a single Competitive Bid Quote Request. No new Competitive Bid Quote Request shall be given until the Company or, solely in the case of Hasbro SA Loans, Hasbro SA has notified the Agent of its acceptance or non-acceptance of the Competitive Bid Quotes relating to any outstanding Competitive Bid Quote Request.

(c) Invitation for Competitive Bid Quotes. Subsequent to timely receipt of a Competitive Bid Quote Request, the Agent shall send to the Banks by facsimile an Invitation for Competitive Bid Quotes as promptly as possible but not later than 3:00 p.m. (Boston time) on the first Business Day prior to the requested Drawdown Date, substantially in the form of Exhibit B-3 hereto (an "Invitation for Competitive Bid Quotes"), which shall constitute an invitation by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to each Bank to submit Competitive Bid Quotes offering to make Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this section 2.5. If, after receipt by the Agent of a Competitive Bid Quote Request from the Company or, solely in the case of Hasbro SA Loans, Hasbro SA in accordance with subsection (b) of this section 2.5.1, the Agent or any Bank shall be unable to complete any procedure of the auction process described in subsections (d) through (f) (inclusive) of this section 2.5.1 due to the inability of such Person to transmit or receive communications through the means specified

therein, such Person may rely on telephonic notice for the transmission or receipt of such communications. In any case where such Person shall rely on telephone transmission or receipt, any communication made by telephone shall, as soon as possible thereafter, be followed by written confirmation thereof.

(d) Submission and Contents of Competitive Bid Quotes.

(i) Each Bank may, but shall be under no obligation to, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this subsection (d) and must be submitted to the Agent by facsimile not later than 10:00 a.m. (Boston time) on the requested Drawdown Date (except in the case of Hasbro SA Loans, which Competitive Bid Quote must be submitted not later than the day prior to the Drawdown Date), provided, that Competitive Bid Quotes may be made by the Agent in its capacity as a Bank only if it notifies the Company or, solely in the case of Hasbro SA Loans, Hasbro SA of the terms of its Competitive Bid Quote no later than 9:45 a.m. (Boston time) on the requested Drawdown Date (except in the case of Hasbro SA Loans, which notice shall be made not later than the day prior to the requested Drawdown Date). Subject to the provisions of sections 12 and 13 hereof, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA.

(ii) Each Competitive Bid Quote shall be in substantially the form of Exhibit B-4 hereto and shall in any case specify:

(A) the requested Drawdown Date and Interest Periods;

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (w) may be greater than the Commitment of the quoting Bank but may not exceed the Total Commitment, (x) must be $5,000,000 or a larger multiple of $1,000,000, (y) may not exceed the aggregate principal amount of Competitive Bid Loans for which offers were requested, and (z) may be subject to an aggregate limitation as to the principal amount of Competitive Bid Loans for which offers being made by such quoting Bank may be accepted;

(C) the rate of interest per annum (rounded to the nearest 1/1000th of 1%) (the "Competitive Bid Rate") offered for each such Competitive Bid Loan, and

(D) the identity of the quoting Bank.

A Competitive Bid Quote may include up to five (5) separate offers by the quoting Bank with respect to each Interest Period

specified in the related Invitation for Competitive Bid Quotes.

(iii) Any Competitive Bid Quote shall be disregarded if it:

(A) is not substantially in the form of Exhibit B-4 hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language (except that it may, in the case of a quote relating to more than one Interest Period, contain the condition described in subsection (d)(ii)(B));

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Company or Hasbro SA. Not later than 10:15 a.m. (Boston time) on the requested Drawdown Date (except in the case of Hasbro SA Loans, which notice shall be on the day prior to the requested Drawdown Date), the Agent shall notify the Company or, solely in the case of Hasbro SA Loans, Hasbro SA of the terms of (i) all Competitive Bid Quotes submitted by the Banks in accordance with the preceding subsection (d) and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Agent's notice to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request, (B) the respective principal amounts and Competitive Bid Rates so offered, and the identity of the respective Banks submitting such offers, and (C) if applicable, limitations on the aggregate principal amount of Competitive Bid Loans for which offers in any single Competitive Bid Quote may be accepted.

(f) Acceptance and Notice by Company or Hasbro SA and Agent. Not later than 10:45 a.m. (Boston time) on the requested Drawdown Date (except in the case of Hasbro SA Loans, which notice shall be on the day prior to the requested Drawdown Date), the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall notify the Agent of the Company's or, solely in the case of Hasbro SA Loans, Hasbro SA's acceptance or non-acceptance of the offers of which it was notified pursuant to the preceding subsection (e) in

a notice, transmitted to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA), in substantially the form of Exhibit B-5 hereto (a "Notice of Competitive Bid Borrowing"). Such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA may accept any Competitive Bid Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Competitive Bid Loan may not exceed the applicable amount set forth in the related Competitive Bid Quote Request,

(ii) the aggregate principal amount of each Competitive Bid Loan must be $5,000,000 or a larger multiple of $1,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Competitive Bid Rates, and

(iv) no offer may be accepted that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

The Agent shall promptly notify each Bank which submitted a Competitive Bid Quote of the acceptance or non-acceptance thereof. The Agent will promptly notify each Bank which submitted a Competitive Bid Quote and each other Bank which so requests the following information from the Agent of (a) the aggregate principal amount of, and (b) the range of Competitive Bid Rates of the accepted Competitive Bid Loans for each requested Interest Period.

(g) Allocation by Agent. If offers are made by two (2) or more Banks with the same Competitive Bid Rates, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in such multiples, not less than $100,000 as the Agent may deem appropriate) in proportion to

the aggregate principal amounts of such offers. If any such Bank has indicated a minimum acceptable Competitive Bid Loan in its Competitive Bid Request, and under the procedures of this subsection (g), the Agent would have allocated to it an amount less than such minimum, such Competitive Bid Quote will instead be deemed to have been withdrawn. Determination by the Agent of the amounts of Competitive Bid Loans and the allocation thereof shall be conclusive in the absence of manifest error.

(h) Funding of Competitive Bid Loans. If, on or prior to the Drawdown Date of any Competitive Bid Loan, the Total Commitment has not terminated in full and if, on such Drawdown Date, the applicable conditions of sections 12 and 13 hereof are satisfied, the Bank or Banks whose offers the Company or, solely in the case

of Hasbro SA Loans, Hasbro SA has accepted will fund each Competitive Bid Loan so accepted. Such Bank or Banks will make such Competitive Bid Loans, by crediting the Agent for further credit to the Company's or, solely in the case of Hasbro SA Loans, Hasbro SA's, specified account, in immediately available funds not later than 1:00 p.m. (Boston time) on such Drawdown Date.

2.5.2. REPAYMENT OF COMPETITIVE BID LOANS. The principal of each Competitive Bid Loan shall become absolutely due and payable by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA on the last day of the Interest Period relating thereto, and the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereby absolutely and unconditionally promises to pay to the Agent for the account of the relevant Banks on the last day of the Interest Period relating thereto the principal amount of all such Competitive Bid Loans, plus interest thereon at the applicable Competitive Bid Rate. The Competitive Bid Loans shall bear interest at the rate per annum specified in the applicable Competitive Bid Quotes. Interest on each Competitive Bid Loan shall be payable (a) on the last day of the applicable Interest Period, and if any such Interest Period is longer than ninety (90) days, also on the last day of each ninety (90) day period following the commencement of such Interest Period, and (b) on the Final Maturity Date for each Competitive Bid Loan. Subject to the terms of this Agreement, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may make Competitive Bid Quote Requests with respect to new Borrowings of any amounts so repaid prior to the Final Maturity Date. Except after an acceleration pursuant to section 14.1 hereof, no principal amount with respect to any Competitive Bid Loan may be repaid other than on the last day of the Interest Period relating thereto unless otherwise agreed to in writing by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA and the funding Bank. Notwithstanding the foregoing, Hasbro SA shall have no liability to repay any Competitive Bid Loans requested by the Company.

2.6. THE NOTES. (a) The Syndicated Loans shall be evidenced by separate promissory notes of the Company and Hasbro SA in substantially the form of Exhibit A-1 hereto (the "Syndicated Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to section 20) with appropriate insertions; one Syndicated Note being payable to the order of each Bank in a principal amount equal to (i) in the case of the Company, such Bank's Commitment representing the obligation of the Company to pay to such Bank such amount and (ii) in the case of Hasbro SA, such Bank's Commitment representing the obligation of Hasbro SA to pay to such Bank such amount, or in each case, if less, the aggregate unpaid principal amount of all Syndicated Loans made by such Bank to such Person hereunder, plus interest accrued thereon as set forth below. Each of the Company and Hasbro SA hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Syndicated Loan to such Person made by such Bank, an appropriate notation on such Bank's Syndicated Note Record reflecting the unpaid principal amount of all Syndicated Loans made by such Bank to such Person, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Syndicated Note of such Bank, an appropriate notation on such Syndicated Note Record reflecting such payment. The aggregate unpaid amount of Syndicated Loans made by such Bank

to the Company and Hasbro SA set forth on such Bank's Syndicated Note Records shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Syndicated Note Records shall not limit or otherwise affect the obligations of the Company or Hasbro SA hereunder or under the Syndicated Note of such Person to make payments of principal of or interest on such Syndicated Note when due.

(b) Competitive Bid Notes. The Competitive Bid Loans shall be evidenced by separate promissory notes of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA in substantially the form of Exhibit B-1 hereto (the "Competitive Bid Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to section 20 hereof) with appropriate insertions; one Competitive Bid Note being payable to the order of each Bank in a principal amount equal to the Total Commitment and representing the obligation of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to pay to such Bank the aggregate unpaid principal amount of all Competitive Bid Loans made by such Bank hereunder, as set forth in section 2.5 hereof, plus interest accrued thereon as set forth below. Each of the Company and Hasbro SA hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Competitive Bid Loan to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA made by such Bank, an appropriate notation on the

Competitive Bid Note Record of such Bank reflecting the unpaid principal amount of all Competitive Bid Loans made by such Bank, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Competitive Bid Note of such Bank, an appropriate notation on the Competitive Bid Note Record reflecting such payment. The aggregate unpaid amount of Competitive Bid Loans made by such Bank set forth on the Competitive Bid Note Record shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Competitive Bid Note Record shall not limit or otherwise affect the obligations of the Company or Hasbro SA hereunder or under the Competitive Bid Note to make payments of principal of or interest on the Competitive Bid Note when due.

2.7. INTEREST ON LOANS.

(a) Except as provided in section 4.3 hereof, Base Rate Loans outstanding from time to time shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Base Rate in effect from time to time and (ii) the applicable Margin in effect during such Interest Period. Interest on Base Rate Loans shall be payable in Dollars or in the applicable Optional Currency in which the underlying Loan was made, as the case may be, and in accordance with section 4.1(a) hereof.

(b) Except as provided in section 4.3 hereof, Eurocurrency Rate Loans outstanding from time to time shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Eurocurrency Rate and (ii) the applicable Margin in effect during such Interest Period. Interest on the Eurocurrency Rate Loans shall be payable in Dollars or in the applicable Optional Currency in which the underlying Loan was made, as the case may be, and in accordance with section 4.1(a) hereof.

(c) Except as provided in section 4.3 hereof, each Competitive Bid Loan outstanding from time to time shall bear interest at the rate per annum

specified in the applicable Competitive Bid Quote with respect to such Competitive Bid Loan. Interest on Competitive Bid Loans shall be payable in Dollars and in accordance with section 4.1(a) hereof.

2.8. PREPAYMENTS. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall repay Base Rate Loans or Eurocurrency Rate Loans made to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder on the last day of the Interest Period relating thereto. As provided in section 2.5.2, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall repay Competitive Bid Loans made to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder on the last day of the Interest Period relating thereto. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall also have the right at any time to prepay Syndicated Loans consisting of Base Rate Loans, as a whole or in part, without premium or penalty; provided that the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall provide written, telegraphic or telephonic notice to the Agent not later than 11:00 a.m. (Boston time) on the proposed date of prepayment stating the aggregate principal amount of such prepayment. Each partial prepayment of any Syndicated Loan pursuant to this section 2.8 shall be in a minimum aggregate principal amount of $5,000,000 or some greater integral multiple of $1,000,000 (or the Dollar Equivalent thereof in an Optional Currency), or, if less, the aggregate outstanding principal amount of the Syndicated Loans. Subject to the conditions of section 2.1 hereof, amounts so prepaid may be reborrowed. In addition, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may, upon three (3) Business Days' written, telegraphic or telephonic notice to the Agent stating the proposed date and the aggregate principal amount of such prepayments, prepay all, but not less than all, of the Syndicated Loans constituting Eurocurrency Rate Loans subject to a particular Interest Period on a date other than the last day of the Interest Period relating thereto; provided, that upon any such prepayment, and except as set forth in section 4.1(f) hereof, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall pay to the Agent, for the respective accounts of the Banks on a pro rata basis, a sum which shall be determined by the Agent (to the extent that the Agent is able to make such determination), which determination shall be conclusive in the absence of manifest error, in the following manner after each such payment:

(a) First, the Agent shall determine the amount (if any) (the "Installment Amount") by which (i) the total amount of interest which would have otherwise accrued hereunder on each installment of principal so prepaid during the period beginning on the date of such payment and ending on the last day of the Interest Period relating thereto (the "Reemployment Period") exceeds (ii) the total amount of interest which would accrue, during the Reemployment Period, at the annual rate of interest determined by the Agent (the "Reemployment Rate") as being the prevailing rate per annum bid at or about the time of such payment for the purchase of deposits of Dollars or the relevant Optional Currency, as applicable, from prime banks in the Eurocurrency Interbank Market selected by the Agent in its sole discretion (such Reemployment Rate to be the rate payable on an amount equal (as nearly as may be) to the Eurocurrency Rate Loans so prepaid and to have a maturity (as nearly as may be) equal to the Reemployment Period);

(b) Second, each Installment Amount shall be treated as payable on the last day of the Interest Period relating to the Eurocurrency Rate Loans prepaid; and

(c) Third, the amount to be paid shall be the present value of the Installment Amount determined by discounting the amount thereof from the date on which the Installment Amount is to be treated as payable, at the

same annual interest rate as the Reemployment Rate designated as aforesaid by the Agent.

Each prepayment made pursuant to this section 2.8 shall be accompanied by the payment of accrued interest on the principal prepaid to the date of prepayment.

2.9. FUNDS FOR LOANS. (a) Each Bank will, upon receiving notice from the Agent of any request by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA for Syndicated Loans pursuant to section 2.4, become and be obligated to make available to the Agent, on the proposed Drawdown Date of each Syndicated Loan, not later than (a) 2:30 P.M. (Boston time) for Base Rate Loans with respect to which the Agent sent notice to the Banks pursuant to section 2.4 hereof no earlier than the proposed Drawdown Date of such Loan, and (b) 11:00 A.M. (Boston time) with respect to Eurocurrency Rate Loans and all other Base Rate Loans, in funds immediately available for credit to the Company's or, solely in the case of Hasbro SA Loans, Hasbro SA's account, an aggregate amount, equal to such Bank's Commitment Percentage of the Syndicated Loan requested at the place specified in the notice delivered by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA pursuant to section 2.4. Upon satisfaction of the conditions set forth in sections 12 and 13, as applicable, the Agent will cause the aggregate amount of such funds actually received by the Agent from the Banks to be credited to the Company's or, solely in the case of Hasbro SA Loans, Hasbro SA's account as soon as practicable on the date of such receipt. The failure or refusal of any Bank to make available to the Agent at the aforesaid time on any Drawdown Date the amount of the Syndicated Loan to be made by such Bank thereon shall not relieve the other Banks from their several obligations hereunder to make their respective Commitment Percentages of any requested Syndicated Loans.

(b) The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Syndicated Loans (or in the case of Competitive Bid Loans, the amount of such Bank's accepted offers of Competitive Bid Loans, if any) to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period (or, as to Loans denominated in an Optional Currency, the rate of interest per annum at which overnight deposits in the applicable Optional Currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by the Agent to major banks in the London interbank market), times (ii) the amount of such Bank's Commitment Percentage of such Loans (or accepted offers of Competitive Bid Loans, as applicable), times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to

the date on which the amount of such Bank's Loans shall become immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If the amount of such Bank's Loans is not made available to the Agent by such Bank within three (3) Business Days following such Drawdown Date, the Agent shall be entitled to recover such amount from the Company or, solely in the case of Hasbro SA Loans, Hasbro SA on demand, with interest thereon at the rate per annum applicable to the Loans made on such Drawdown Date.

2.10. MANDATORY REPAYMENTS. (a) In no event later than (i) seven (7) days after receipt or (ii) in the case of net cash proceeds received from Casualty Events not committed or reinvested as provided in clause (D) below or Net Cash Sale Proceeds from Material Asset Sales permitted to be applied as provided in clause (II) below and not so applied, the 181st day following receipt, by any of the Hasbro Companies of:

(A) Net Cash Sale Proceeds from Material Asset Sales;

(B) if an Event of Default has occurred and is continuing, Net Cash Equity Issuance Proceeds from Equity Issuances by any of the Restricted Subsidiaries and Significant Subsidiaries;

(C) net cash proceeds received by (A) the Company in connection with its issuance of any long term unsecured Indebtedness having a maturity after the Final Maturity Date (other than purchase money Indebtedness and Refinancing Indebtedness) or (B) any Operating Subsidiary of the Company in connection with its issuance of any Indebtedness permitted by section 10.1(c); and

(D) if an Event of Default has occurred and is continuing, net cash proceeds received from Casualty Events by any of the Hasbro Companies which have not been committed (as evidenced by a binding written contract) by such Person prior to or within one hundred eighty (180) days of receipt of such proceeds to the repair or replacement of the property so damaged, destroyed or taken, or, if so committed, such repair or replacement of the property so damaged, destroyed or taken shall have not commenced prior to or within one hundred eighty (180) days of receipt of such proceeds pursuant to such binding written contract,

the Company shall pay or (solely in the case of Hasbro SA Loans) shall cause Hasbro SA to pay to the Agent for the respective accounts of the Banks an amount equal to (x) (1) fifty percent (50%) of such Net Cash Sale Proceeds from Material Asset Sales, plus any additional portion of such Net Cash Sale Proceeds to the extent and when required by clause (II) of the next sentence, and (2) one

hundred percent (100%) of such net cash proceeds from Equity Issuances, issuances of Indebtedness or Casualty Events, or (y) if less, (1) the then outstanding principal amount of the Loans and the Unpaid Reimbursement Obligations and (2) if an Event of Default has occurred and is continuing, the Maximum Drawing Amount of Letters of Credit then outstanding to be held by the Agent as cash collateral to secure all Reimbursement Obligations, to be applied in the manner set forth in section 2.11. Notwithstanding the foregoing,

(I) no such payment shall be required unless, until and only to the extent that such Material Asset Sales, Equity Issuances, issuances of Indebtedness or Casualty Events result in net cash proceeds that otherwise

would be required to be so applied equal to (x) $5,000,000 or more in any period of thirty (30) consecutive days or (y) $15,000,000 in any fiscal year of the Company, and

(II) all or any portion of the fifty percent (50%) of the Net Cash Sale Proceeds from any Material Asset Sale remaining after the initial application of such Net Cash Sale Proceeds in accordance with the preceding sentence of this section 2.10(a) may be applied to repay, redeem or repurchase any other Indebtedness within one hundred eighty (180) days of receipt of such proceeds, and if any portion of such remaining amount of such Net Cash Sale Proceeds is not so applied, an amount equal to such portion shall be required to be applied to make payment under this section 2.10 on the 181st day following receipt of such Net Cash Sale Proceeds.

(b) If at any time the Utilization exceeds the Total Commitment (as reduced pursuant to section 2.3), then the Company shall immediately pay or (solely in the case of Hasbro SA Loans) shall cause Hasbro SA to pay the amount of such excess to the Agent for the respective account of the Banks to be applied in the manner set forth in section 2.11.

(c) Hasbro SA shall have no liability to prepay any Loans to the Company pursuant to this section 2.10.

2.11. APPLICATION OF PAYMENTS; COMMITMENT REDUCTION. All payments made pursuant to section 2.10 shall be applied to reduce the outstanding principal amount of the Loans and Unpaid Reimbursement Obligations by such amount pro rata based on the then outstanding principal amount of the Loans and Unpaid Reimbursement Obligations. Such mandatory repayments shall be allocated among the Banks in proportion, as nearly as practicable, to the respective outstanding amounts of each Bank's Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion.

Amounts repaid pursuant to section 2.10(a)(A) or section 2.10(a)(C) may not be reborrowed. The Total Commitment shall be reduced by an amount equal to the amount so repaid pursuant to section 2.10(a)(A) or section 2.10(a)(C). No reduction of the Total Commitment made pursuant to this section 2.11 may be reinstated.

2.12. OPTIONAL CURRENCY.

2.12.1. REQUEST FOR OPTIONAL CURRENCY. Subject to the limitations set forth in section 2.1, the Company and/or Hasbro SA may, not later than 10:00 A.M. (Boston time) three (3) Business Days' prior to the proposed Drawdown Date thereof, give notice to the Agent (an "OC Notice") requesting that one or more Syndicated Loans be made as Eurocurrency Rate Loans in an Optional Currency, provided that any Syndicated Loan proposed to be made under this section 2.12 shall be in an amount not less than EUR5,000,000 or GBP3,000,000, or a greater amount which is a multiple of the Optional Currency equivalent of $1,000,000 in excess thereof in the requested Optional Currency. Each OC Notice requesting a Syndicated Loan in an

Optional Currency shall be by telephone, telex, telecopy or cable (in each case confirmed in writing by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA,), specifying (a) the amount of the Syndicated Loan to be made, (b) the requested date of the proposed borrowing, (c) the requested Optional Currency in which the Syndicated Loan is to be made, (d) the initial Interest Period for the Syndicated Loan to be borrowed, and (e) the Company's or, solely in the case of Hasbro SA Loans, Hasbro SA's account with the Agent to which payment of the proceeds of such Syndicated Loan is to be made. Promptly upon receipt of any such notice, the Agent shall notify each of the Banks thereof. If any Bank on or prior to the second Business Day preceding the first day of any Interest Period for which an OC Notice has been delivered requesting a Syndicated Loan in an Optional Currency or on any funding date, reasonably determines (which determination shall be conclusive absent manifest error) that the Optional Currency is not freely transferable and convertible into Dollars or that it will be impractical for such Bank to fund the Syndicated Loan in such Optional Currency, then such Bank shall so notify the Agent, which notification shall be given immediately by the Agent to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, and such Bank's portion of the requested Syndicated Loan shall, in each case, notwithstanding any contrary election by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, or any other provisions hereof, be denominated in Dollars as a Eurocurrency Rate Loan with the same Interest Period as selected by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA for such Revolving Credit Loan. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA may repay such portion of a Syndicated Loan denominated in Dollars as a Eurocurrency Rate Loan at any time without premium or penalty, subject to any other indemnity under section 4.7, provided that, any Bank that has failed to provide the relevant Optional Currency shall not be

entitled to such indemnity in connection with such Loan. In the event that such repayment results in Syndicated Loans outstanding that are not pro rata in accordance with the Commitment Percentages, then all subsequent principal repayments denominated in the Optional Currency which the applicable Bank did not advance shall be made by the Company, or solely in the case of Hasbro SA Loans, Hasbro SA to the Agent for the respective accounts of such Banks other than such Bank on a pro rata basis until such time as the Syndicated Loans are outstanding on a pro rata basis. Subject to the foregoing and to the satisfaction of the terms and conditions of sections 12 and 13, each Syndicated Loan requested to be made in an Optional Currency will be made on the date specified therefor in the OC Notice, in the currency requested in the OC Notice and, upon being so made, will have the Interest Period requested in the OC Notice.

2.12.2. FUNDING. Each Bank may make any Eurocurrency Rate Loan denominated in an Optional Currency by causing any of its domestic or foreign branches or foreign affiliates to make such Eurocurrency Rate Loan (whether or not such branch or affiliate is named as a lending office on the signature pages hereof); provided that in such event the obligation of the Company, or solely in the case of Hasbro SA Loans, Hasbro SA to repay such Eurocurrency Rate Loan shall nevertheless be to such Bank and shall, for all purposes of this Credit Agreement (including without limitation for purposes of the definition of the term "Majority Banks") be deemed made by such Bank, to the extent of such Eurocurrency Rate Loan.

3. THE SWING LINE.

3.1. THE SWING LINE LOANS. Subject to the terms and conditions hereinafter set forth, upon notice by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA made to the Swing Line Bank in accordance with section 3.2 hereof, the Swing Line Bank agrees to lend to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA Swing Line Loans on any Business Day prior to the Final Maturity Date in an aggregate principal amount not to exceed $25,000,000 (the "Maximum Swing Line Loan Amount"). Each Swing Line Loan shall be in a minimum amount equal to $1,000,000 or an integral multiple thereof. Notwithstanding any other provisions of this Agreement and in addition to the limit set forth above, at no time shall the Utilization exceed the Total Commitment; provided, however, subject to the limitations set forth in this section 3.1 from time to time the sum of the aggregate outstanding Swing Line Loans plus all outstanding Syndicated Loans made by the Swing Line Bank may exceed the Swing Line Bank's Commitment Percentage of the Total Commitment then in effect.

3.2. NOTICE OF BORROWING. When the Company or, solely in the case of Hasbro SA Loans, Hasbro SA desires the Swing Line Bank to make a Swing Line Loan, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall send to the Agent and the Swing Line Bank written notice in the form of Exhibit C hereto (or telephonic notice confirmed in a writing in the form of Exhibit C hereto) of each Swing Line Loan requested hereunder (a "Swing Line Loan Request") not later than 1:00 p.m. (Boston time) on the proposed Drawdown Date (except in the case of Hasbro SA Loans, which written notice shall be by 8:00 A.M. (Boston time) on the proposed Drawdown Date) of any Swing Line Loan. Each such Swing Line Loan Request shall set forth the principal amount of the proposed Swing Line Loan and the date on which the proposed Swing Line Loan would mature (the "Swing Line Loan Maturity Date") which shall in no event be later than the Final Maturity Date. Each Swing Line Loan Request shall be irrevocable and binding on the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, and shall obligate the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to borrow the Swing Line Loan from the Swing Line Bank on the proposed Drawdown Date thereof. Upon satisfaction of the applicable conditions set forth in this Agreement, on the proposed Drawdown Date the Swing Line Bank shall make the Swing Line Loan available to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA no later than 3:00 p.m. (Boston time) on the proposed Drawdown Date by crediting the amount of the Swing Line Loan to the account(s) of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA specified in the Swing Line Loan Request; provided that the Swing Line Bank shall not advance any Swing Line Loans after it has received notice from any Bank that a Default or Event of Default has occurred and stating that no new Swing Line Loans are to be made until such Default or Event of Default has been cured or waived in accordance with the provisions of this Agreement. The Swing Line Bank shall not be obligated to make any Swing Line Loans at any time when any Bank is a Delinquent Bank unless the Swing Line Bank has entered into arrangements reasonably satisfactory to it to eliminate the Swing Line Bank's risk with respect to such Delinquent Bank, which may include cash collateralizing such Delinquent Bank's Commitment Percentage of the outstanding Swing Line Loans and any such additional Swing Line Loans to be made.

3.3. INTEREST ON SWING LINE LOANS. Each Swing Line Loan shall be a Base Rate Loan and, except as otherwise provided in section 4.3 hereof, shall bear interest from the Drawdown Date thereof until repaid in full at the rate per annum equal to the Base Rate plus the Margin with respect to Base Rate Loans, which shall be paid on each Interest Payment Date for Base Rate Loans.

3.4. REPAYMENT OF SWING LINE LOANS. The Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall repay each outstanding Swing Line Loan on or prior to the Swing Line Loan Maturity Date. Upon notice by the Swing Line Bank on any Business Day, each of the Banks hereby agrees to make Syndicated Loans constituting Base Rate Loans to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA having outstanding Swing Line Loans, on the next succeeding Business Day following such notice, in an amount equal to such Bank's Commitment Percentage of the aggregate amount of all Swing Line Loans outstanding to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA. The proceeds thereof shall be applied directly to the Swing Line Bank to repay the Swing Line

Bank for such outstanding Swing Line Loans. Each Bank hereby absolutely, unconditionally and irrevocably agrees to make such Syndicated Loans upon one (1) Business Day's notice as set forth above, notwithstanding (a) that the amount of such Syndicated Loan may not comply with the applicable minimums set forth herein, (b) the failure of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to meet the conditions set forth in sections 12 or 13 hereof, (c) the occurrence or continuance of a Default or an Event of Default hereunder, (d) the date of such Syndicated Loan, and (e) the Total Commitment in effect at such time. In the event that it is impracticable for such Syndicated Loan to be made for any reason on the date otherwise required above, then each Bank hereby agrees that it shall forthwith purchase (as of the date such Syndicated Loan would have been made, but adjusted for any payments received from the Company or, solely in the case of Hasbro SA Loans, Hasbro SA on or after such date and prior to such purchase) from the Swing Line Bank, and the Swing Line Bank shall sell to each Bank, such participations in the Swing Line Loans (including all accrued and unpaid interest thereon) outstanding as shall be necessary to cause the Bank to share in such Swing Line Loans pro rata based on their respective Commitment Percentages (without regard to any termination of the Total Commitment hereunder) by making available to the Swing Line Bank an amount equal to such Bank's participation in the Swing Line Loans; provided that (x) all interest payable on the Swing Line Loans shall be for the account of the Swing Line Bank as a funding and administrative fee until the date as of which the respective participation is purchased, and (y) at the time any purchase of such participation is actually made, the purchasing Bank shall be required to pay the Swing Line Bank interest on the principal amount of the participation so purchased for each day from and including the date such Syndicated Loan would otherwise have been made until the date of payment for such participation at the rate of interest in effect applicable to Base Rate Loans during such period. Notwithstanding the foregoing, Hasbro SA shall have no liability to repay any Swing Line Loans requested by the Company.

3.5. THE SWING LINE NOTE. The obligation of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to repay the Swing Line Loans made pursuant to this Agreement and to pay interest thereon as set forth in this Agreement shall be evidenced by separate promissory notes of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA with appropriate insertions substantially in the form of Exhibit D attached hereto (the "Swing Line Notes"), dated the Effective Date and payable to the order of the Swing Line Bank in a principal amount stated to be the lesser of (a) the Maximum Swing Line Loan Amount, or (b) the aggregate principal amount of Swing Line Loans at any time advanced by the Swing Line Bank and outstanding thereunder. Each of the Company and Hasbro SA irrevocably authorizes the Swing Line Bank to make or cause to be made, at or about the time of the Drawdown Date of any Swing Line Loan or at the time of

receipt of any payment of principal on the Swing Line Notes, an appropriate notation on the Swing Line Note Record reflecting the making of such Swing Line Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Swing Line Loans set forth on such Swing Line Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to the Swing Line Bank, but the failure to record, or any error in so recording, any such amount on such Swing Line Note Record shall not limit or otherwise affect the actual amount of the obligations of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder or under the Swing Line Notes to make payments of principal of or interest on the Swing Line Notes when due.

4. INTEREST; PAYMENTS AND COMPUTATIONS.

4.1. INTEREST; COSTS AND EXPENSES.

(a) Elections. At the option of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, so long as no Default or Event of Default has occurred and is then continuing, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may elect from time to time to have a portion of the principal amount of the Syndicated Loans to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA outstanding from time to time bear interest during any particular Interest Period calculated by reference to the Base Rate or the Eurocurrency Rate, provided that any portion of the Syndicated Loans selected to bear interest by reference to the Base Rate or the Eurocurrency Rate shall be in an amount not less than $5,000,000 or some greater integral multiple of $1,000,000 with respect to any single Interest Period. Any election by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to have interest calculated by reference to the Base Rate or the Eurocurrency Rate shall be made by notice (which shall be irrevocable) to the Agent as provided in section 2.4. If in any such notice, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA does not specify whether any Eurocurrency Rate Loans are requested, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall be deemed to have elected that the requested Syndicated Loans bear interest at the Base Rate. Any election of a Eurocurrency Rate shall lapse at the end of the expiring Interest Period unless extended by a further election notice as provided in section 2.4 hereof. If, on or prior to the last day of any Interest Period for Base Rate Loans or Eurocurrency Rate Loans, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA (x) fails to deliver a further election notice with respect to such Loans pursuant to section 2.4 hereof and this section 4.1(a), and (y) fails to repay all or any part of such Loans as provided in section 4.4 hereof, then such Syndicated Loans shall be deemed to be Base Rate Loans in accordance with the terms set forth in section 4.4(b) hereof. Each Base Rate Loan or Eurocurrency Rate Loan shall bear interest during each Interest Period relating thereto at the rate set forth in section 2.7 or section 4.3 hereof, as the case may be. Interest on each Base Rate Loan or Eurocurrency Rate Loan shall be payable (i) on the last day of the Interest Period relating thereto or (ii) if the Interest Period is longer than ninety (90) days, on the last day of each 90-day period following the commencement of such Interest Period and on the last day of such Interest Period.

(b) Notices, etc. as to Eurocurrency Rate. Promptly after the commencement

of any Interest Period for any Syndicated Loan, the Agent shall notify the Company or, solely in the case of Hasbro SA Loans, Hasbro SA and each of the Banks of (A) the applicable interest rate determined by the Agent hereunder with respect to any Eurocurrency Rate Loan, (B) each date on which interest is payable hereunder, and (C) the date on which the Interest Period with respect to

such Syndicated Loan shall end; provided, however, that the obligations of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to pay to each Bank principal and interest as herein provided shall not be subject to or in any way conditional upon the giving of any such notice by the Agent. Each such notice shall, absent manifest error, be binding upon each Bank and the Company or, solely in the case of Hasbro SA Loans, Hasbro SA.

(c) Substitution of Base Rate. Notwithstanding any other provision of this Agreement, if (i) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Bank (the "Affected Bank") shall make it unlawful, or any central bank or other Governmental Authority having jurisdiction thereof shall assert that it is unlawful, or in the reasonable judgment of such Bank, impracticable, for such Bank to perform its obligations in respect of any Loans bearing interest based on the Eurocurrency Rate or (ii) if any Affected Bank shall reasonably determine with respect to Loans bearing interest based on the Eurocurrency Rate that (A) by reason of circumstances affecting any Eurocurrency Interbank Market, adequate and reasonable methods do not exist for ascertaining the Eurocurrency Rate which would otherwise be applicable during any Interest Period, or (B) deposits of Dollars or the relevant Optional Currency in the relevant amount for the relevant Interest Period are not available to such Bank in any Eurocurrency Interbank Market, or (C) the Eurocurrency Rate does not or will not accurately reflect the cost to such Bank of obtaining or maintaining the applicable Loans bearing interest based on the Eurocurrency Rate during any Interest Period, then any such Affected Bank shall promptly give telephonic, telex or cable notice of such determination to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA (which notice shall be conclusive and binding upon the Company or, solely in the case of Hasbro SA Loans, Hasbro SA absent manifest error), the Agent and the other Banks. Upon such notification by any Affected Bank, (x) the obligation of such Affected Bank to make Loans bearing interest based on the Eurocurrency Rate shall be suspended until such circumstances no longer exist, (y) any new Loans made by such Affected Bank on or after the date of such notification, which Loans would otherwise bear interest at the suspended rate shall be deemed to be Loans bearing interest by reference to the Base Rate, as necessary, until such suspension is no longer in effect, and (z) so long as it is not unlawful for the Affected Bank to continue carrying Outstanding Loans bearing interest at the suspended rate, Outstanding Loans of such Affected Bank bearing interest based on the Eurocurrency Rate shall continue to bear interest at the applicable rate based on the Eurocurrency Rate until the end of the applicable Interest Period. If it is unlawful for any Affected Bank to continue carrying any Outstanding Loans bearing interest at the suspended rate, such Affected Bank shall so notify the Company or, solely in the case of Hasbro SA Loans, Hasbro SA and the Agent and any such Outstanding Loans shall be automatically converted to Base Rate Loans at the end of the Interest Period which is current when such notice is given. Notwithstanding any provision of this section 4.1(c) to the contrary, during any period in which a suspension is in effect pursuant to this section 4.1(c), the Company or, solely in the case of Hasbro SA Loans, Hasbro SA may notify the Agent and any Affected Bank to which such suspension applies that (I) the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall repay, in accordance with the provisions of section 4.1(f) hereof, any and all Loans made by such Affected Bank to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, and (II) with respect to any new Loans to be made by the Banks hereunder, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall not borrow from such Affected Bank and the Commitment of such Affected Bank shall be terminated.

(d) Additional Costs and Expenses; Reserve Requirements. Anything herein to the contrary notwithstanding, if any present or future applicable law (which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other Governmental Authority, whether or not having the force of law) shall

(i) subject such Bank to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature not now in effect, with respect to the Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or the Bank's Loans bearing interest based on the Eurocurrency Rate; provided that this section 4.1(d)(i) shall apply only with respect to such Loans, or commitments to make such Loans, as the case may be, made to Hasbro SA; or

(ii) materially change the basis of taxation of payments to such Bank on the principal of, interest on or any other amounts payable in respect of the Loans bearing interest based on the Eurocurrency Rate as such (excluding changes in taxes measured by or imposed on the net income, or on the capital or net worth of such Bank; provided that this section 4.1(d)(ii) shall apply only with respect to Loans made to Hasbro SA; provided further that nothing in this parenthetical shall be deemed to limit the rights of the Banks or the obligations of the Company and/or Hasbro SA pursuant to 4.1(e)); or

(iii) impose or increase or render applicable any liquidity, capital, special deposit or reserve or similar requirements (whether or not having

the force of law) not now in effect, against assets held by, or deposits in or for the account of, or loans by an office of such Bank with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate; or

(iv) impose on such Bank any other condition or requirement not now in effect, with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate or any class of loans of which the Loans bearing interest based on the Eurocurrency Rate forms a part (other than in respect of taxes, which shall be governed solely by sections 4.11, 4.12 and 4.13; provided that the foregoing exclusion shall not apply with respect to such Loans made by any Bank to Hasbro SA), and the result of any of the foregoing is (x) to increase the cost to such Bank attributable to the making, funding or maintaining of Loans bearing interest based on the Eurocurrency Rate or its commitment therefor, (y) to reduce the amount of principal, interest, commitment fees or other amounts payable in respect of Loans bearing interest based on the Eurocurrency Rate to such Bank hereunder or its commitment therefor, or (z) to require such Bank to make any payment or to forego any interest or other sum payable in respect of

Loans bearing interest based on the Eurocurrency Rate hereunder or its commitment therefor, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Company and/or Hasbro SA hereunder;

then, and in each such case, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA will, upon demand by such Bank made by written notice to the Company and/or Hasbro SA from time to time as often as the occasion therefor may arise, pay to such Bank, within ten (10) days after receipt of notice of such demand, such additional amounts as will be sufficient, in the good faith opinion of such Bank, to compensate the Bank for such additional costs, reduction, payment or foregone interest or other sum in respect of Loans bearing interest based on the Eurocurrency Rate; provided, however, that the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall be required to pay only such additional costs or other amounts which are incurred by such Bank (A) from and after the date of such notice, with respect to Loans outstanding during Interest Periods commencing after the date on which the Company or, solely in the case of Hasbro SA Loans, Hasbro SA receives such notice, (B) with respect to Loans outstanding on the date of such notice provided that (x) not less than 90 days remain in the applicable Interest Period for such Loans and (y) such costs are assessed only for the period commencing on the date of such notice to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA, and (iii) from and after the date of such notice to the extent that the incurrence of such additional costs or amounts is unrelated to Outstanding Loans and is not otherwise covered by clauses (A) or (B) of this paragraph. Subject to the provisions of the preceding sentence, a claim by any Bank for all or any part of any additional amount required to be paid by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA pursuant to this section 4.1(d) may be made before and/or after the end of the Interest Period to which such claim relates or during the Interest Period in which such claim has arisen and before and/or after any repayment or prepayment of any Eurocurrency Rate Loans owed hereunder to which such claim relates. A certificate signed by an officer of such Bank, setting forth the amount of such loss, expense or liability required to be paid by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to such Bank, and the computations made by such Bank to determine such additional amount, shall be submitted by the Bank to the Company or, solely in the case of Hasbro SA Loans, Hasbro SA in connection with each demand made at any time by such Bank upon the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder, and shall, save for manifest or other obvious error, constitute conclusive evidence of the additional amount required to be paid by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA to such Bank upon each such demand.

(e) Increased Capital Requirements. If any present or future, or any change in any present or future, law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation or administration thereof by a Governmental Authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by any of the Banks or any corporation controlling any of the Banks and such Bank determines that any of the foregoing imposes or increases a requirement by such Bank to allocate capital resources to such Bank's credit facility established hereunder or any loans made pursuant hereto, which would have the effect of reducing the return on such Bank's capital to a level below that which such Bank could have achieved (assuming full utilization of the Bank's capital) but for such increased capital requirements, then such Bank may

notify the Company and Hasbro SA (with a copy to the Agent) of such fact. To the extent that the costs of such increased capital requirements are not reflected in the Base Rate, the Eurocurrency Rate or the Competitive Bid Rate, the Company, Hasbro SA and such Bank shall thereafter attempt to negotiate in good faith an adjustment to the compensation payable hereunder with respect to such Bank's Commitment and, in the case of any Loans made by such Bank after the date of the Company's and Hasbro SA's receipt of such notice ("New Loans"), all such New Loans, which adjustment will adequately compensate the Bank in light of these circumstances. If the Company, Hasbro SA and such Bank are unable to agree to such adjustment within thirty (30) days of the day on which the Company and Hasbro SA receive such notice, then effective from the date on which the Company and Hasbro SA have received such notice (but not earlier than the effective day of such requirement or retroactive to any date prior to the date on which the

Company and Hasbro SA have received such notice), the fees payable hereunder with respect to any New Loans made by, or the Commitment of, such Bank shall increase by an amount which will, in such Bank's reasonable determination, provide adequate compensation. Such Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

(f) Replacement of Banks. Notwithstanding any other provision of this Agreement, in the event that (i) the obligation of any Bank to make Eurocurrency Rate Loans is suspended pursuant to section 4.1(c) hereof, or (ii) any Bank makes demand upon the Company and/or Hasbro SA pursuant to section 4.1(d) hereof (or upon the Company pursuant to section 4.11) for the payment of additional costs or other amounts, or (iii) any Bank makes demand upon the Company and/or Hasbro SA pursuant to section 4.1(e) hereof for an adjustment to the compensation payable to such Bank by the Company and/or Hasbro SA hereunder, or (iv) any Bank is unable to fund a Loan in an Optional Currency, then, in each such case, the Company and/or Hasbro SA in its discretion may (A) send written notice to such Bank and the Agent advising such Bank that, subject to the provisions of this section 4.1(f), its Commitment hereunder shall be terminated on a date determined by the Company and/or Hasbro SA (the "Replacement Date"), which Replacement Date shall be no earlier than the date on which such Bank and the Agent have received such notice from the Company and/or Hasbro SA, and commencing on the Replacement Date, the Commitment of such Bank hereunder shall be terminated and no Commitment Fee shall be payable by the Company and/or Hasbro SA to such Bank with respect to such Commitment, and (B) replace such Bank with another Bank or other commercial banking institution (the "Replacement Bank") which has been selected by the Company and/or Hasbro SA and approved by the Majority Banks, which approval shall not be unreasonably withheld, provided that the Company and/or Hasbro SA, the Banks and the Agent agree that (w) on or prior to the Replacement Date, the Company and/or Hasbro SA shall have paid all principal, interest, fees and other amounts owing by the Company and/or Hasbro SA hereunder, accruing up to and including the Replacement Date, to the Bank being replaced on such Replacement Date, (x) as of the Replacement Date, the Replacement Bank will take over the entire Commitment of the Bank being replaced, (y) on or prior to the Drawdown Date first following the Replacement Date, the Company and/or Hasbro SA, the Agent, the Banks (other than the Bank being replaced) and the Replacement Bank shall make such arrangements by way of new Syndicated Loans, purchases or refundings of existing Syndicated Loans or otherwise as will result thereafter in the outstanding and unpaid Syndicated

Loans of each Bank being equal, as near as may practically be, to such Bank's Commitment Percentage of all of the outstanding and unpaid Syndicated Loans made to the Company, and (z) the Agent shall be entitled to receive prior to the Replacement Date from the Company and/or Hasbro SA and the Replacement Bank such supplemental agreements, documents, certificates and legal opinions in connection with the replacement of such Bank as the Agent and the other Banks may reasonably request to give effect to the foregoing provisions of this section 4.1(f).

(g) Change of Lending Office. If a Bank changes its applicable lending office (other than pursuant to paragraph (h) below) and the effect of the change, as of the date of the change, would be to cause the Company and/or Hasbro SA to become obligated to pay any additional amount under this section 4.1 or under section 4.7 (or to cause the Company to become obligated to pay any additional amounts under section 4.11), the Company and/or Hasbro SA shall not be obligated to pay such additional amount.

(h) Mitigation. If a condition or an event occurs which would, or would upon the passage of time or giving of notice, result in the payment of any additional amount to any Bank by the Company and/or Hasbro SA pursuant to this section 4.1 or under section 4.7 (or by the Company pursuant to section 4.11), such Bank shall take such steps as may reasonably be available to it and acceptable to the Company and/or Hasbro SA to mitigate the effects of such condition or event (which may include efforts to rebook the Loans held by such Bank at another lending office, or through another branch or an affiliate, of such Bank); provided that such Bank shall not be required to take any step that, in its reasonable judgment, would be disadvantageous to its business or operations or would require it to incur any additional cost or expense unless the Company agrees to reimburse such Bank for such cost or expense.

4.2. CONCERNING INTEREST PERIODS. No Interest Period for Loans may be selected by the Company and/or Hasbro SA if such Interest Period ends after the Final Maturity Date. If any Interest Period would otherwise end on a day which is not a Business Day for Base Rate, Eurocurrency Rate or Competitive Bid Rate purposes, as applicable, that Interest Period, shall end on the Business Day next preceding or next succeeding such day determined by the Agent in accordance with section 4.4(c). Any Interest Period relating to any Eurocurrency Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

4.3. INTEREST ON OVERDUE AMOUNTS. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder shall bear interest payable on demand at a rate per annum equal to two percent (2%) above the rate otherwise in effect with respect to Base Rate Loans, whether or not any Eurocurrency Rate or Competitive Bid Rate would otherwise have been applicable thereto, until such amount shall be paid in full (whether before or after judgment).

4.4. PAYMENTS. (a) All payments of principal of and interest on Loans made by the Company or Hasbro SA, any Fees and any other amounts due hereunder shall be made by the Company or Hasbro SA to the Agent, at or prior to 11:00 A.M., Boston time, on any payment date, in Dollars or the applicable Optional Currency and in immediately available funds at the Agent's Office without setoff, counterclaim or deduction of any kind. The Agent shall be entitled to debit any account of the Company or, solely in the case of Hasbro SA Loans, Hasbro SA with

the Agent in the amount of each such payment when due in order to effect timely payment thereof. Upon receipt by the Agent of any such payment, the Agent shall promptly send by wire transfer, in immediately available like funds, to each Bank, to an individual or an account designated by such Bank, such Bank's pro rata share of such payment.

(b) If any Bank makes a Syndicated Loan to the Company or Hasbro SA on a day on which such Person is to repay all or any part of any Outstanding Syndicated Loan made to such Person, such Bank shall, to the extent necessary, apply the proceeds of the requested Syndicated Loan to make such repayment, and only an amount equal to (i) the excess, if any, of the amount being repaid over the amount being borrowed shall be remitted by such Person to the Agent for the account of such Bank as provided in section 2.8 and (ii) the excess, if any, of the amount being borrowed over the amount being repaid shall be remitted by such Bank to the Agent for the account of such Person. If the Company and/or Hasbro SA fails to repay all or any part of any Outstanding Syndicated Loan denominated in Dollars on the last day of the applicable Interest Period therefor, and if the Company and/or Hasbro SA fails to deliver an election notice with respect to such unpaid portion of the Outstanding Syndicated Loan in accordance with the provisions of sections 2.4 and 4.1(a) hereof, then, subject to satisfaction of the conditions precedent set forth in section 13 hereof, the Company and/or Hasbro SA shall be deemed to have requested that the unpaid portion of the Outstanding Syndicated Loan constitute a new Borrowing as a Base Rate Loan. Nothing contained in this section 4.4(b) shall obligate the Banks in any way to make any Loans to the Company and/or Hasbro SA at any time from and after the Final Maturity Date.

(c) Whenever a payment hereunder or under the Notes becomes due on a day which is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension (and shall not be considered overdue during such extension), provided, however, that if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

4.5. COMPUTATIONS. All computations of interest on the Loans shall be based on (a) with respect to Eurocurrency Rate Loans and Competitive Bid Loans (other than Eurocurrency Rate Loans and Competitive Bid Loans denominated in GBP), a 360-day year, and (b) with respect to Eurocurrency Rate Loans and Competitive Bid Loans denominated in GBP, or Base Rate Loans, a 365-day year, and paid for the actual number of days elapsed.

4.6. INTEREST LIMITATION. Notwithstanding any other term of this Agreement or any Note or any other document referred to herein or therein, the maximum amount of interest, together with any other amounts or charges which may constitute interest under applicable law, which may be charged to or collected from any Person liable hereunder or under any Note by the Banks shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended), so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any Person liable therefor such lawful maximum, and any term of this Agreement or any Note or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

4.7. INDEMNIFICATION. In the event that the Company and/or Hasbro SA shall at any time (a) repay or prepay (other than in accordance with the provisions of sections 2.8 or 2.12 hereof) any principal of any Eurocurrency Rate Loans or

Competitive Bid Loans on a date other than the last day of the Interest Period with respect thereto, whether by reason of acceleration following an Event of Default or otherwise, or (b) for any reason fail to borrow any Loan with respect to which the Company and/or Hasbro SA gave a notice of borrowing pursuant to section 2.4 or section 4.1(a) hereof at an interest rate based on the Eurocurrency Rate or a Notice of Competitive Bid Borrowing pursuant to section 2.5.1(f) or prepay a Loan as to which notice of prepayment has been given, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall indemnify the Banks against all losses, costs or expenses incurred by the Banks in respect of the Company's payment, prepayment or failure to borrow, on the date of such payment or failure to borrow. Such losses, costs or expenses shall include, but not be limited to (i) any costs incurred by the Banks in carrying funds which were to have been borrowed by the Company and/or Hasbro SA or in carrying funds to cover the amount of any overdue principal of or overdue interest on any Loan, (ii) any interest payable by the Banks to Banks of the funds borrowed by the Banks in order to carry the funds referred to in the immediately preceding sub-clause (i), and (iii) any losses (including losses of anticipated interest which would otherwise have been required to be paid hereunder through the end of such then existing or, as the case may be, commencing Interest Period) incurred by the Banks in liquidating or re-employing funds acquired from third parties to effect or maintain all or any part of the Loans, provided that to the extent that the reemployment formula set forth in section 2.8 hereof is capable of being employed to compute such losses, the Agent shall employ such reemployment formula to compute such losses. Any losses, costs or expenses payable by the Company to the Banks pursuant to this section 4.7 shall be without duplication of any amounts paid by the Company and/or Hasbro SA pursuant to section 2.8, section 4.1 or section 4.3 hereof.

4.8. BANKS' OBLIGATIONS SEVERAL. The Banks' obligations hereunder shall be several and not joint, and no Bank's obligations to lend shall be affected by

any other Bank's failure to make any Loan hereunder.

4.9. CURRENCY MATTERS.

4.9.1. CURRENCY OF ACCOUNT. Dollars are the currency of account and payment for each and every sum at any time due from the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder in each case except as expressly provided in this Credit Agreement; provided that:

(a) each repayment of a Loan, Unpaid Reimbursement Obligation or a part thereof shall be made in the currency in which such Loan or Unpaid Reimbursement Obligation is denominated at the time of that repayment;

(b) each payment of interest shall be made in the currency in which such principal or other sum in respect of which such interest is payable, is denominated;

(c) each payment of Fees shall be in Dollars;

(d) each payment in respect of costs, expenses and indemnities shall be made in the currency in which the same were incurred; and

(e) any amount expressed to be payable in a currency other than Dollars shall be paid in that other currency.

No payment to the Agent or any Bank (whether under any judgment or court order or otherwise) shall discharge the obligation or liability in respect of which it was made unless and until the Agent, or such Bank shall have received payment in full in the currency in which such obligation or liability was incurred as provided in this section 4.9.1, and to the extent that the amount of any such payment shall, on actual conversion into such currency, fall short of such obligation or liability, actual or contingent, expressed in that currency, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA agrees to indemnify and hold harmless the Agent or such Bank, as the case may be, with respect to the amount of the shortfall.

4.9.2. CURRENCY FLUCTUATIONS. (a) Not later than 1:00 P.M. (Boston time) on the last Business Day of each month with respect to Letters of Credit and on the last day of each Interest Period with respect to Loans (in each case, the "Calculation Date"), the Agent shall determine the Dollar Equivalent as of such date of the LC Exposure or, as the case may be, such Loan. Notwithstanding the foregoing, the Agent may determine such Dollar Equivalent more frequently than on the Calculation Date, upon notice made by the Agent to the Company and, solely in the case of Hasbro SA Loans, Hasbro SA. The Dollar Equivalent so determined shall become effective on the third Business Day immediately following such determination (a "Reset Date") and shall remain effective until the next succeeding Reset Date relating to LC Exposure or, as the case may be, such Loan.

(b) If, on any Reset Date, the Dollar Equivalent of the sum of the Outstanding Loans and the LC Exposure exceeds the Total Commitment, then the Company or, solely in the case of Hasbro SA Loans, Hasbro SA shall repay or prepay the Loans in accordance with this Credit Agreement in an aggregate principal amount such that, after giving effect thereto, the sum of the Outstanding Loans and the LC Exposure (expressed in Dollars) no longer exceeds the Total Commitment (expressed in Dollars).

4.9.3. EXCHANGE RATE. For purposes of this Credit Agreement, the amount in one currency which shall be equivalent on any particular date to a specified amount in another currency shall be determined by reference to the Exchange Rate.

4.9.4. DENOMINATIONS. In the event that any portion of the funds available under the terms of this Credit Agreement is denominated in an Optional Currency, the Dollar Equivalent of such portion of the funds shall be calculated pursuant to section 4.9.3 above. The amount so determined shall then be added to the outstanding amount denominated in Dollars for the purpose of determining the remaining availability of funds under sections 2.1, 2.5, 3 and 5 and any required repayments under section 4.9.2.

4.10. NEW CURRENCY. If, after the making of any Loan or the issuance, renewal or extension of any Letter of Credit in any Optional Currency, currency control or exchange regulations are imposed in the country which issues such

Optional Currency, as application, with the result that different types of such Optional Currency (the "New Currency") are introduced and the type of currency in which the Loan or Letter of Credit was made (the "Original Currency") no longer exists or the Company or, solely in the case of Hasbro SA Loans, Hasbro SA is not able to make payment to the Agent for the account of the Banks or the Agent in such Original Currency, then all payments to be made by the Company or, solely in the case of Hasbro SA Loans, Hasbro SA hereunder in such currency shall be made to the Agent in such amount and such type of the New Currency as shall be equivalent to the amount of such payment otherwise due hereunder in the Original Currency. In addition, notwithstanding the foregoing provisions of this section 4.10, if, after the making of any Loan or the issuance, renewal or extension of any Letter of Credit in any Optional Currency, the Company or, solely in the case of Hasbro SA Loans, Hasbro SA are not able to make payment to the Agent for the account of the Banks or the Agent in the type of currency in

which such Loan was made or, as the case may be, such Letter of Credit was issued, extended or renewed because of the imposition of any such currency control or exchange regulation, then such Loan or, as the case may be, Reimbursement Obligation in respect of such Letter of Credit shall instead be repaid when due in Dollars in a principal amount equal to the Dollar Equivalent (as of the date of repayment) of such Loan or, as the case may be, Reimbursement Obligation in respect of such Letter of Credit.

4.11. NO OFFSET, ETC. All payments after November 14, 2003 by the Company hereunder and under any of the other Loan Documents shall be made without recoupment, setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein, excluding any taxes that would not have been imposed but for a connection between any Bank or the Agent and the jurisdiction or any political subdivision thereof imposing such tax (other than a connection arising solely as a result of entering into any Loan Document or performing any obligations, receiving any payments or enforcing any rights thereunder) unless the Company is compelled by law to make such deduction or withholding. If any such obligation is imposed upon the Company with respect to any amount payable by it after November 14, 2003 hereunder or under any of the other Loan Documents, the Company will pay to the Agent, for the account of the Banks or (as the case may be) the Agent, on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars as shall be necessary to enable the Banks or the Agent to receive the same net amount which the Banks or the Agent would have received on such due date had no such obligation been imposed upon the Company; provided, however, the Company shall not be required to pay any such additional amount to any Bank or Agent that fails to comply with section 4.12. The Company will deliver promptly to the Agent receipts for all taxes or other charges deducted from or paid with respect to payments made by the Company hereunder or under such other Loan Document.

4.12. FORMS. Each Bank and Agent that is not a U.S. Person as defined in Section 7701(a)(30) of the Code for federal income tax purposes (a "Non-U.S. Lender") hereby agrees that it shall, prior to the date of the first payment by the Company hereunder to be made to such Bank or the Agent or for such Bank's or the Agent's account, deliver to the Company and the Agent, as applicable, such certificates, documents or other evidence, as and when required by the Code or

Treasury Regulations issued pursuant thereto, including (a) in the case of a Non-U.S. Bank that is a "bank" for purposes of Section 881(c)(3)(A) of the Code, two (2) duly completed copies of Internal Revenue Service Form W-8BEN or Form W-8ECI and any other certificate or statement of exemption required by Treasury Regulations, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Bank or the Agent establishing that with respect to payments of principal, interest or fees hereunder it is (i) not subject to United States federal withholding tax under the Code because such payment is effectively connected with the conduct by such Bank or Agent of a trade or business in the United States or (ii) totally exempt from United States federal withholding tax under a provision of an applicable tax treaty and (b) in the case of a Non-U.S. Bank that is not a "bank" for purposes of Section 881(c)(3)(A) of the Code, a certificate in form and substance reasonably satisfactory to the Agent and the Company and to the effect that (i) such Non-U.S. Bank is not a "bank" for purposes of Section 881(c)(3)(A) of the Code, is not subject to regulatory or other legal requirements as a bank in any jurisdiction, and has not been treated as a bank for purposes of any tax, securities law or other filing or submission made to any governmental authority, any application made to a rating agency or qualification for any exemption from any tax, securities law or other legal requirements, (ii) is not a ten (10) percent shareholder for purposes of Section 881(c)(3)(B) of the Code and (iii) is not a controlled foreign corporation receiving interest from a related person for purposes of Section 881(c)(3)(C) of the Code, together with a properly completed Internal Revenue Service Form W-8 or W-9, as applicable (or successor forms). Each Bank or the Agent agrees that it shall, promptly upon a change of its lending office or the selection of any additional lending office, to the extent the forms previously delivered by it pursuant to this section are no longer effective, and promptly upon the Company's and the Agent's reasonable request after the occurrence of any other event (including the passage of time) requiring the delivery of a Form W-8BEN, Form W-8ECI, Form W-8 or W-9 in addition to or in replacement of the forms previously delivered, deliver to the Company and the Agent a properly completed and executed Form W-8BEN, Form W-8ECI, Form W-8 or W-9, as applicable (or any successor forms thereto). Each assignee, participant or other transferee pursuant to section 20 shall, upon the effectiveness of the related transfer, be required to provide all of the forms, documentation or certifications required pursuant to this subsection, provided that in the case of a participant such participant shall furnish all such required forms, documentation or certifications to the Bank from which the related participation shall have been purchased, and such Bank shall in turn furnish all such required forms (including without limitation Internal Revenue Service Form W-8IMY), documentation and certifications to the Company and the Agent, together with such other forms, documentation or certifications as may be necessary to establish a total exemption from deduction or withholding of U.S. federal income taxes on payments hereunder or under any of the other Loan Documents. In addition, each Bank and the Agent that is not a U.S. Person shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Bank or the Agent unless any change in treaty, law or regulation has occurred both after November 14, 2003 and after the date on which such Bank or the Agent becomes a party to this Agreement which renders all such forms inapplicable or which would prevent such Bank or the Agent from duly completing and delivering any such form with respect to it and such Bank or the Agent so advises the Company.

4.13. REIMBURSEMENT OF REFUND. If the Agent or a Bank determines, in its

reasonable discretion, that it has received a refund of any tax with respect to which the Company has paid additional amounts pursuant to section 4.11, it shall

pay over such refund to the Company, net of all reasonable out-of-pocket expenses of the Agent or a Bank and without interest (other than any interest paid by the relevant jurisdiction or a political subdivision thereof); provided that the Company, upon the request of the Agent or a Bank, agrees to repay the amount paid over to the Company by the Agent or such Bank in the event the Agent or such Bank is required to repay such refund to such jurisdiction or political subdivision thereof.

5. LETTERS OF CREDIT.

5.1. LETTER OF CREDIT COMMITMENTS.

5.1.1. COMMITMENT TO ISSUE LETTERS OF CREDIT. Subject to the terms and conditions hereof and the execution and delivery by the Company of a letter of credit application on the Agent's customary form (a "Letter of Credit Application"), the Agent on behalf of the Banks and in reliance upon the agreement of the Banks set forth in section 5.1.4 and upon the representations and warranties of the Company contained herein, agrees, in its individual capacity, to issue, extend and renew for the account of the Company one or more standby or documentary letters of credit (individually, a "Letter of Credit"), denominated in Dollars or an Optional Currency in such form as may be requested from time to time by the Company and agreed to by the Agent; provided, however, that, after giving effect to such request, (a) the sum of the Dollar Equivalent of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed $15,000,000 at any one time (or such other amount as may be agreed from time to time by the Company and the Agent and notified to the Banks) and (b) Utilization shall not exceed the Total Commitment. Notwithstanding the foregoing, the Agent shall have no obligation to issue any Letter of Credit to support or secure any Indebtedness of the Company or any of its Subsidiaries to the extent that such Indebtedness was incurred prior to the proposed issuance date of such Letter of Credit, unless in any such case the Company demonstrates to the reasonable satisfaction of the Agent that (x) such prior incurred Indebtedness was then fully secured by a prior perfected and unavoidable security interest in collateral provided by the Company or such Subsidiary to the proposed beneficiary of such Letter of Credit or (y) such prior incurred Indebtedness was then secured or supported by a letter of credit issued for the account of the Company or such Subsidiary.

5.1.2. LETTER OF CREDIT APPLICATIONS. Each Letter of Credit Application shall be completed to the reasonable satisfaction of the Agent. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Agreement, then the provisions of this Agreement shall, to the extent of any such inconsistency, govern.

5.1.3. TERMS OF LETTERS OF CREDIT. Each Letter of Credit issued, extended or renewed hereunder shall, among other things, (a) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein, and (b) have an expiry date no later than the date which is fourteen (14) days (or, if the Letter of Credit is confirmed by a confirmer or otherwise provides for one or more nominated persons, forty-five (45) days) prior to the Final Maturity Date. Each Letter of

Credit so issued, extended or renewed shall be subject (to the extent consistent with this Agreement) to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 or any successor version thereto adopted by the Agent in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit (the "Uniform Customs") or, if agreed to by the Company, the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590, or any successor code of standby letter of credit practices among banks adopted by the Agent in the ordinary course of its business as a standby letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

5.1.4. REIMBURSEMENT OBLIGATIONS OF BANKS. Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage, to reimburse the Agent on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Company pursuant to section 5.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank).

5.1.5. PARTICIPATIONS OF BANKS. Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Company's Reimbursement Obligation under section 5.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to section 5.2.

5.2. REIMBURSEMENT OBLIGATION OF THE COMPANY. In order to induce the Agent to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Company hereby agrees to reimburse or pay to the Agent, for the account of the Agent or (as the case may be) the Banks, with respect to each Letter of Credit issued, extended or renewed by the Agent hereunder,

(a) except as otherwise expressly provided in section 5.2(b) and (c), on each date that any draft presented under such Letter of Credit is honored by the Agent after the Agent determines that the documents (including any draft) delivered in connection with such presentment are in conformity with such Letter of Credit, or the Agent otherwise makes a payment with respect thereto, (i) the amount paid by the Agent under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever reasonably incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, such Letter of Credit, other than as a result of the Agent's or any such Bank's gross negligence or willful misconduct,

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the Maximum Drawing Amount, an amount equal to such difference, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations, and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in

accordance with section 14, an amount equal to the then Maximum Drawing Amount on all outstanding Letters of Credit, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations.

Each such payment shall be made to the Agent at the Agent's Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Company under this section 5.2 at any time from the date such amounts become due and payable (whether as stated in this section 5.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent on demand at the rate specified in section 4.3 for overdue principal on the Syndicated Loans.

5.3. LETTER OF CREDIT PAYMENTS. If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Company of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Company fails to reimburse the Agent as provided in section 5.2 on or before the date that such draft is paid or other payment is made by the Agent, the Agent may at any time thereafter notify the Banks of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Office, in immediately available funds, such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period (or, as to Letters of Credit denominated in an Optional Currency, the rate of interest per annum at which overnight deposits in the applicable Optional Currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by the Agent to major banks in the London interbank market), times (b) the amount equal to such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that elapse from and including the date the Agent paid the draft presented for honor or otherwise made payment to the date on which such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation shall become immediately available to the Agent, and the denominator of which is 360. The responsibility of the Agent in respect of a presentment of any Letter of Credit to the Company and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity with such Letter of Credit, provided that this section 5.3 shall not relieve the Agent of any liability resulting from the gross negligence or willful misconduct of the Agent, or otherwise affect any defense or other right the Company may have as a result of any such gross negligence or willful misconduct.

5.4. OBLIGATIONS ABSOLUTE. The Company's obligations under this section 5 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Company may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. The Company further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the

Company's Reimbursement Obligations under section 5.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Company, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Company against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Company agrees that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Company and shall not result in any liability on the part of the Agent or any Bank to the Company. Notwithstanding the foregoing, nothing in this section 5.4

shall relieve the Agent or any Bank of any liability resulting from the gross negligence or willful misconduct of the Agent or such Bank, or otherwise affect any defense or other right that the Company may have as a result of any such gross negligence or willful misconduct.

5.5. RELIANCE BY ISSUER. To the extent not inconsistent with section 5.4, the Agent shall be entitled to rely, and shall be fully protected in relying, upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telecopy, telex or facsimile message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Syndicated Notes or of Letter of Credit Participations. Notwithstanding the foregoing, nothing in this section 5.5 shall relieve the Agent of any liability resulting from the gross negligence or willful misconduct of the Agent, or otherwise affect any defense or other right that the Company or Hasbro SA may have as a result of any such gross negligence or willful misconduct.

5.6. LETTER OF CREDIT FEE. The Company shall pay to the Agent, for the accounts of the Banks in accordance with their respective Commitment Percentages, a letter of credit fee (a "Letter of Credit Fee") with respect to each Letter of Credit, computed for the period from and including the date of issuance, extension or renewal of such Letter of Credit to the expiry date of such Letter of Credit, at a rate per annum equal to (a) in respect of any standby Letter of Credit, the applicable Margin per annum with respect to Eurocurrency Rate Loans on the aggregate face amount of standby Letters of Credit outstanding and (b) in respect of any documentary Letter of Credit, fifty percent (50%) of the applicable Margin per annum with respect to Eurocurrency Rate Loans on the aggregate face amount of documentary Letters of Credit outstanding. Such Letter of Credit Fee shall be payable (i) in respect of standby Letters of Credit, periodically in arrears on the last Business Day of

each March, June, September and December occurring after the date of issuance, extension or renewal of each such standby Letter of Credit and on the Final Maturity Date, and (ii) in respect of documentary Letters of Credit, periodically in arrears on the last Business Day of each March, June, September and December occurring after the date of issuance, extension or renewal of each such documentary Letter of Credit and on the Final Maturity Date. In addition, the Company shall, on the date of issuance, extension or renewal of any Letter of Credit, pay to the Agent a fronting fee for the account of the Agent equal to one-tenth of one percent (0.10%) per annum of the face amount of each such standby or documentary Letter of Credit. In respect of each Letter of Credit, the Company shall also pay to the Agent for the Agent's own account, at such other time or times as such charges are customarily made by the Agent, the Agent's customary issuance, amendment, negotiation or document examination and other administrative fees as in effect from time to time.

6. COLLATERAL SECURITY AND GUARANTIES.

6.1. RELEASE OF COLLATERAL. The parties hereto acknowledge and agree that the Agent, on behalf of the Banks and the Agent, hereby releases its Liens on the Collateral under the Existing Credit Agreement and that each of the Security Documents (as defined in the Existing Credit Agreement) are terminated and have no further force or effect.

6.2. SECURITY OF COMPANY. The parties hereto acknowledge and agree that at such time as either of the following events occurs:

(i) the ratio of Consolidated Total Funded Debt at the end of any fiscal quarter to EBITDA for the Reference Period then ended shall be 2.25x or higher (except with respect to the fiscal quarter ending September 26, 2004, where such ratio shall be 2.50x or higher); or

(ii) the Company's Rating drops below BB or Ba3;

the Company shall, within sixty (60) Business Days of such event, cause the Obligations to be secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether then owned or thereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) Inventory of the Company, and (b) the Company's U.S. trademarks (and U.S. applications and U.S. registrations thereof owned by the Company in its own name (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, no U.S. patents and U.S. patent applications, and only U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the

Collateral), in each case pursuant to the terms of and as and to the extent provided in the Company Security Agreement, the Trademark Agreement, the Patent Agreements and the Copyright Memorandum to which the Company will become a party pursuant to this section 6.2.

Without limiting the foregoing, in the event that following the grant of security interests under this section 6.2, any part of the Collateral is sold or otherwise disposed of in connection with a sale, disposition or other transaction permitted hereunder (other than any Asset Sale permitted under sections 10.5.2(j) or (k) hereof) or any part of the Collateral is sold or otherwise disposed of and paid for in connection with any Asset Sale permitted under sections 10.5.2(j) or (k) hereof, the Liens on such Collateral granted pursuant to any Security Document shall be automatically released and the Agent shall execute and deliver to the Company or the relevant Restricted Subsidiary, as the case may be, all releases or other documents (including without limitation, Uniform Commercial Code termination statements), and take all other actions necessary or reasonably desirable for the release of such Liens.

Notwithstanding anything to the contrary contained in this section 6.2, in the event that at any time following the grant of security interests under this section 6.2, (i) the Company's Rating raises to or above BB or Ba3, or (ii) the ratio of Consolidated Total Funded Debt at the end of each of two consecutive fiscal quarters to EBITDA for each Reference Period then ended shall be less than 2.25x, the Liens on the Collateral granted pursuant to this section 6.2 shall be automatically released and the Agent shall execute and deliver to the Company or the relevant Restricted Subsidiary, as the case may be, all releases or other documents (including without limitation, Uniform Commercial Code termination statements), and take all other action necessary or reasonably desirable for the release of such Liens.

6.3. GUARANTIES AND SECURITY OF RESTRICTED SUBSIDIARIES. The Obligations shall also be guaranteed pursuant to the terms of the Guaranty. Within sixty (60) Business Days following the occurrence of either of the events referred to in section 6.2(i) or (ii), the Company shall cause the obligations of each of the Restricted Subsidiaries under the Guaranty to be in turn secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether then owned or thereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) Inventory of each such Restricted Subsidiary, and (b) such Restricted Subsidiary's U.S. trademarks (and U.S. applications and U.S. registrations thereof owned by such Restricted Subsidiary in its own name (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, no U.S. patents and U.S. patent applications, and only U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the Collateral), in each case pursuant to the terms of and as and to the extent provided in the Subsidiary Security Agreement, the Trademark Agreement, the Patent Agreements and the Copyright Memorandum to which such Restricted Subsidiary will become a party pursuant to section 6.2.

6.4. LIMITATION OF SECURITY. Notwithstanding anything to the contrary contained in this section 6 or in any of the Security Documents, no Lien shall be granted on any shares of stock of any Subsidiary of the Company or any evidences of indebtedness of any Subsidiary of the Company.

7. FEES.

7.1. CLOSING FEES. The Company agrees to pay to the Agent for the account of each Bank on the Effective Date the closing fees (the "Closing Fees") in the amounts and on the terms and conditions set forth in the Fee Letter.

7.2. AGENT'S FEE. The Company shall pay to the Agent for the Agent's own account an Agent's fee (the "Agent's Fee") in the amounts and on the terms and conditions set forth in the Agent's Fee Letter.

8. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to the Banks that:

8.1. CORPORATE EXISTENCE.

(a) Each of the Hasbro Companies and Hasbro SA (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where such qualification is necessary except where a failure to be so qualified would not have a Material Adverse Effect.

(b) Each of the Hasbro Companies and Hasbro SA has adequate corporate power and authority and has full legal right to enter into each of the Loan Documents to which it is or is to become a party, to perform, observe and comply with all

of its agreements and obligations under each of such documents, and, with respect to the Company, to make all of the borrowings contemplated by this Agreement.

8.2. CORPORATE AUTHORITY, ETC. The execution, delivery and performance by each of the Hasbro Companies and Hasbro SA of each of the Loan Documents to which it is a party, the performance by each of the Hasbro Companies and Hasbro SA of all of its agreements and obligations under each of such documents, and the making by the Company of all of the borrowings contemplated by this Agreement, have been duly authorized by all necessary corporate action on the part of each of the Hasbro Companies and Hasbro SA and their respective shareholders and do not and will not (i) contravene any provision of any of their charter or by-laws (each as from time to time in effect), (ii) conflict with, or result in a breach of any material term, condition or provision of, or constitute a default under or result in the creation of any Lien upon any of the property of any of the Hasbro Companies and Hasbro SA under any agreement, trust deed, indenture, mortgage or other instrument to which any of the Hasbro Companies and Hasbro SA is or may become a party or by which any of the Hasbro Companies and Hasbro SA or any of the property of any of the Hasbro Companies and Hasbro SA is or may become bound or affected, the consequences of which

would have a Material Adverse Effect, (iii) violate or contravene any provision of any law, regulation, order, ruling or interpretation thereunder or any decree, order or judgment of any court or governmental or regulatory authority, bureau, agency or official (all as from time to time in effect and applicable to any of the Hasbro Companies and/or Hasbro SA), except where such violation or contravention would not have a Material Adverse Effect, (iv) require any waivers, consents or approvals by any of the creditors of any of the Hasbro Companies and Hasbro SA which have not been obtained, (v) require any consents or approvals by any shareholders of any of the Hasbro Companies and/or Hasbro SA (except such as will be duly obtained on or prior to the Effective Date and will be in full force and effect on and as of the Effective Date), or (vi) require obtaining any approval, consent, order, authorization or license by, or giving notice to, or taking any other action with respect to, any governmental or regulatory authority or agency under any provision of any applicable law that have not been obtained, given or taken (other than any filings of this Agreement and the other Loan Documents with the Securities and Exchange Commission required to be made after the date hereof ("SEC Filings") and any filings in connection with the Security Documents), except where the failure to do so would not result in a Material Adverse Effect.

8.3. BINDING EFFECT OF DOCUMENTS, ETC. Each of the Hasbro Companies and Hasbro SA has duly executed and delivered each of the Loan Documents to which it is a party and each of such documents is in full force and effect with respect to such Person. The agreements and obligations of each of the Hasbro Companies and Hasbro SA contained in each of the Loan Documents to which it is a party constitute its legal, valid and binding obligations enforceable against it in accordance with their respective terms except as enforceability is limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

8.4. GOVERNMENTAL APPROVALS. The execution, delivery and performance by the Company and any of its Subsidiaries of this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is or is to become a party and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained or made, and except for SEC Filings and filings in connection with the Security Documents.

8.5. NO EVENT OF DEFAULT, ETC. No Default or Event of Default has occurred and is continuing.

8.6. CHIEF EXECUTIVE OFFICES. Until the Agent receives notice of a change, the chief executive offices of the Company and the offices where substantially all of the material financial records and books of account of the Company are kept, are located in Pawtucket and/or East Providence, Rhode Island.

8.7. TITLE TO PROPERTIES; LEASES. Except as indicated on Schedule 8.7 hereto, the Company and its Subsidiaries own all of the assets reflected in the consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no Liens except Permitted Liens.

8.8. FINANCIAL STATEMENTS AND PROJECTIONS.

8.8.1. FISCAL YEAR. Each of the Hasbro Companies has a fiscal year ending on the last Sunday in December of each calendar year, subject to adjustment pursuant to section 9.13.

8.8.2. FINANCIAL STATEMENTS. There has been furnished to the Banks (a) a consolidated balance sheet of the Company and its Subsidiaries as at December 29, 2002, a consolidated statement of earnings, and a consolidated statement of cash flows for the fiscal year then ended, audited by KPMG LLP, the Company's independent certified public accountants, and (b) an unaudited condensed consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date and an unaudited condensed consolidated statement of earnings for the fiscal quarter then ended. Each such balance sheet and statement of earnings has been prepared in

accordance with GAAP and fairly presents the financial condition of the Company as at the close of business on the date thereof and the results of operations for the fiscal period then ended.

8.8.3. PROJECTIONS. The Company's projections of the annual operating budgets of the Company and its Subsidiaries on a consolidated basis, balance sheets and cash flow statements for the 2004 to 2007 fiscal years have been delivered to each Bank. To the knowledge of the Company or any of its Subsidiaries as of the Effective Date, no facts exist that (individually or in the aggregate) would result in any material change in any of such projections. The projections are based upon estimates and assumptions believed to be reasonable by the management of the Company at the time of preparation thereof and reflect estimates of the Company and its Subsidiaries of the results of operations and other information projected therein believed to be reasonable by the management of the Company at the time of preparation thereof.

8.9. NO MATERIAL CHANGES, ETC. Since the Balance Sheet Date, there has been no event or occurrence which has had a Material Adverse Effect. Since the Balance Sheet Date, the Company has not made any Restricted Payment except as permitted by section 10.4 hereof.

8.10. FRANCHISES, PATENTS, COPYRIGHTS, ETC. Each of the Hasbro Companies possesses all material franchises, patents, copyrights, trademarks, permits, service marks, trade names, domain names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted, without any known conflict or conflicts with any rights of others which would, individually or in the aggregate, have a Material Adverse Effect.

8.11. LITIGATION. Except as set forth on Schedule 8.11 hereto and except as required to be disclosed pursuant to section 9.6, there are no actions, suits, proceedings or investigations of any kind pending or threatened against any of the Hasbro Companies before any court, tribunal or administrative agency or board which would reasonably be expected to be adversely determined and, if adversely determined, either in any case or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

8.12. NO MATERIALLY ADVERSE CONTRACTS, ETC. None of the Hasbro Companies is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which has or is expected in the future to have

a Material Adverse Effect. None of the Hasbro Companies is a party to any contract or agreement which has or is expected, in the judgment of the Company's officers, to have any Material Adverse Effect.

8.13. COMPLIANCE WITH OTHER INSTRUMENTS, LAWS, ETC. None of the Hasbro Companies is in violation of any provision of its charter documents, by-laws, or, to the best of the Company's knowledge, any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in any of the foregoing cases in a manner which would result in a Material Adverse Effect.

8.14. TAXES. Each of the Hasbro Companies has filed all federal, state and other income and all other tax returns, reports and declarations due and required by any jurisdiction to which any of them is subject. Each of the Hasbro Companies has paid, or has made reasonable provision for payment of, all material taxes (if any) which have or may become due and payable pursuant to any of the said returns or pursuant to any matters raised by audits or for other reasons known to the Company, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know no basis for any such claim, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto.

8.15. ABSENCE OF FINANCING STATEMENTS, ETC. Except with respect to Permitted Liens, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future Lien on any assets or property of the Company or any of its Subsidiaries (other than Foreign Subsidiaries) or rights thereunder.

8.16. INDEBTEDNESS. None of the Operating Subsidiaries of the Company has any Indebtedness other than Indebtedness of the kind expressly permitted by the provisions contained in section 10.1 of this Agreement. As of the Balance Sheet Date, all Indebtedness of the Company and its Subsidiaries that is required by GAAP to be shown on the consolidated balance sheet of the Company and its Subsidiaries described in section 8.8.2(b) hereof is shown on such consolidated balance sheet.

8.17. TRUE COPIES OF CHARTER AND OTHER DOCUMENTS. Each of the Hasbro Companies and Hasbro SA has furnished or caused to be furnished to each of the Banks true and complete copies of (a) all of the charter and other incorporation documents of each of the Hasbro Companies and Hasbro SA (together with any and all amendments thereto), and (b) the by-laws of each of the Hasbro Companies and Hasbro SA (together with any and all amendments thereto).

8.18. EMPLOYEE BENEFIT PLANS.

8.18.1. IN GENERAL. Except as would not reasonably be expected to have a Material Adverse Effect, each Employee Benefit Plan and each Guaranteed Pension Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and all Applicable Pension Legislation and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions and the bonding of fiduciaries and other persons handling plan funds as required by section 412 of ERISA. The Company has heretofore delivered to the Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under section 103(d) of ERISA, with respect to each Guaranteed Pension Plan.

8.18.2. TERMINABILITY OF WELFARE PLANS. Except for severance payment arrangements and except as disclosed in (i) the financial statements of the Company and its Subsidiaries described in section 8.8.2 or delivered pursuant to section 9.5 or (ii) the periodic and other reports of the Company filed from time to time with the Securities and Exchange Commission, no Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of section 3(1) or section 3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws.

8.18.3. GUARANTEED PENSION PLANS. Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of section 302(f) of ERISA, or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and neither the Company nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to section 307 of ERISA or section 401(a)(29) of the Code. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by the Company or any ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event (other than an ERISA Reportable Event as to which the requirement of thirty (30) days notice has been waived), or any other event or condition which presents a material risk of termination of any Guaranteed Pension Plan by the PBGC. As of the Effective Date, based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of section 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

8.18.4. MULTIEMPLOYER PLANS. Neither the Company nor any ERISA Affiliate has incurred any material liability that remains outstanding (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under section 4201 of ERISA or as a result of a sale of assets described in section 4204 of ERISA. Neither the Company nor any ERISA Affiliate has been notified

that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of section 4241 or section 4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been terminated under section 4041A of ERISA.

8.19. HOLDING COMPANY AND INVESTMENT COMPANY ACTS. Neither the Company nor any of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

8.20. CERTAIN TRANSACTIONS. To the best of the Company's knowledge, and except as disclosed in the Company's Forms 10-K or proxy statements (or would be so disclosed but for the fact that the filing thereof is not yet due), each as filed with the Securities and Exchange Commission, none of the officers, directors, or employees of any of the Hasbro Companies is presently a party to any transaction (other than arms-length transactions pursuant to which any of the Hasbro Companies makes payments in the ordinary course of business upon terms no less favorable than the such Person could obtain from third parties,) with the Company or any of its Subsidiaries (other than (i) for services as employees, officers and directors, or (ii) for all related transactions with any one Person, transactions involving an aggregate amount not in excess of $60,000 at any one time), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

8.21. USE OF PROCEEDS.

8.21.1. GENERAL. The proceeds of the Loans shall be used for working capital and general corporate purposes, including the refinancing of indebtedness including the Existing Credit Agreement and to satisfy the Company's obligations pursuant to guaranties of Indebtedness of Foreign Subsidiaries. The Company will obtain Letters of Credit solely for working capital and general corporate purposes.

8.21.2. REGULATIONS U AND X. No portion of any Loan is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

8.22. ENVIRONMENTAL COMPLIANCE. The Company has taken all necessary steps to investigate the past and present condition and usage of the Real Estate and the operations conducted thereon and, based upon such diligent investigation, has determined that, except as set forth on Schedule 8.22 hereto or except as would not reasonably be expected to have a Material Adverse Effect:

(a) none of the Company, its Subsidiaries or any operator of the Real Estate or any operations thereon is in violation, or alleged violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state, local or foreign law, statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws");

(b) neither the Company nor any of its Subsidiaries has received notice within the last five (5) years from any third party including, without limitation, any Governmental Authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. section 6903(5), any hazardous substances as defined by 42 U.S.C. section 9601(14), any pollutant or contaminant as defined by 42 U.S.C. section 9601(33) and any toxic substances, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") which any one of them has generated, transported or disposed of has been found at any site at which a Governmental Authority has conducted or has ordered that any Company or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise) arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances; and

(c) none of the Company and its Subsidiaries is required under any applicable Environmental Law to perform Hazardous Substances site assessments, or to remove or remediate Hazardous Substances, or to give notice to any Governmental Authority or record or deliver to other Persons an environmental disclosure document or statement by virtue of the transactions set forth herein and contemplated hereby.

8.23. SUBSIDIARIES. As of December 29, 2002, the Company had no active Subsidiaries that are not listed in Exhibit 21 to the Form 10-K of the Company for the fiscal year ended December 29, 2002, as filed with the Securities and Exchange Commission, a copy of such Exhibit 21 is attached hereto as Schedule 8.23, except for certain inactive or immaterial Subsidiaries that would not, if taken as a whole, constitute a Significant Subsidiary. During the period between December 30, 2002 and the Effective Date, the Company has had no Significant Subsidiaries other than (a) Hasbro International, Inc., a Delaware corporation, and (b) Wizards of the Coast, Inc., a Washington corporation.

8.24. DISCLOSURE. No representation or warranty made by any of the Hasbro Companies and Hasbro SA in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or the Banks

by or on behalf of the any of the Hasbro Companies and Hasbro SA in connection with any of the transactions contemplated by any of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made. Except as disclosed herein or otherwise disclosed in writing to the Agent and the Banks, there is no fact known to the Company which has a Material Adverse Effect, or which is reasonably likely in the future to have a Material Adverse Effect, exclusive of effects resulting from changes in general economic conditions, legal standards or regulatory conditions.

8.25. FOREIGN ASSETS CONTROL REGULATIONS, ETC.

Neither the Company nor any of its Subsidiaries is an entity on the "Specially Designated Nationals and Blocked Persons" list maintained by the Office of Foreign Assets Control of the United States Treasury Department.

9. AFFIRMATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

9.1. PUNCTUAL PAYMENT. The Company and/or Hasbro SA will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, all Fees and all other amounts provided for in this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is a party, all in accordance with the terms of this Agreement and such other Loan Documents.

9.2. USE OF LOAN PROCEEDS. The Company and/or Hasbro SA shall use the proceeds of the Loans and obtain Letters of Credit solely for the purposes set forth in section 8.21.

9.3. MAINTENANCE OF OFFICE.

(a) The Company will maintain its chief executive offices in Pawtucket and/or East Providence, Rhode Island, or at such other place or places in the United States of America as the Company shall designate upon written notice to the Agent, where notices, presentations and demands to or upon the Company in respect of the Loan Documents may be given or made.

(b) Hasbro SA will maintain its chief executive offices at Route de Courroux 6, 2800 Delemont, Switzerland, or at such other place or places as Hasbro SA shall designate upon written notice to the Agent, where notices, presentations and demands to or upon Hasbro SA in respect of the Loan Documents may be given or made.

9.4. RECORDS AND ACCOUNTS. The Company will (a) keep, and cause each of its Subsidiaries to keep, true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP or, in the case of Foreign Subsidiaries, statutory reporting principles, (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties and the

properties of its Subsidiaries, contingencies, and other reserves, and (c) at all times engage KPMG LLP or other independent certified public accountants reasonably satisfactory to the Agent as the independent certified public accountants of the Company and will not permit more than thirty (30) days to elapse between the cessation of such firm's (or any successor firm's) engagement as the independent certified public accountants of the Company and the appointment in such capacity of a successor firm as shall be reasonably satisfactory to the Agent.

9.5. FINANCIAL STATEMENTS, CERTIFICATES AND INFORMATION. The Company will deliver to each of the Banks:

(a) as soon as practicable, but, in any event not later than one hundred (100) days after the end of each fiscal year of the Company, the consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, and the related consolidated and consolidating statement of earnings and the consolidated statement of cash flows, with each setting forth in comparative form the figures for the previous fiscal year and all such consolidated statements to be in reasonable detail, prepared in accordance with GAAP, and certified without qualification (except as to changes in GAAP with which such accountants concur) and without an expression of uncertainty as to the ability of the Company or any of its Subsidiaries to continue as going concerns by KPMG LLP or by other independent certified public accountants reasonably satisfactory to the Agent, together with a written statement from such accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided that such accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Company, copies of the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries, each as at the end of such quarter, and the related consolidated and consolidating statement of earnings and the consolidated statement of cash flows for the portion of the Company's fiscal year then elapsed, all in reasonable detail and prepared in accordance with GAAP, together with a certificate of any Authorized Financial Officer of the Company that, subject to changes resulting from audit and year-end adjustments, the information contained in such financial statements fairly presents the financial condition and results of operations of the Company and its Subsidiaries for the periods covered;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement, in the form attached hereto as Exhibit E (a "Compliance Certificate"), certified by any Authorized Financial Officer of the Company that the Company is in compliance with the covenants contained in sections 9, 10 and 11 as of the end of the

applicable period and setting forth in reasonable detail computations evidencing such compliance with the financial covenants set forth in

section 11 and (if applicable) reconciliations to reflect changes in GAAP since the Balance Sheet Date;

(d) contemporaneously with the filing or mailing thereof, copies of all other financial statements and reports as the Company shall send to any holders of Indebtedness of the Company or the stockholders of the Company, and copies of all regular and periodic reports which the Company may be required to file with the Securities and Exchange Commission or any similar or corresponding federal or state governmental commission, department or agency substituted therefor;

(e) (i) while, and for so long as, the Obligations are secured as provided in section 6.2, within fifteen (15) Business Days after the end of the first three fiscal quarters of each year, an inventory designation report in form and substance reasonably satisfactory to the Agent, and (ii) within thirty (30) Business Days after the end of the fourth fiscal quarter of each year, an inventory designation report in form and substance reasonably satisfactory to the Agent;

(f) as soon as practicable, but in any event not later than sixty (60) days after the end of each fiscal year, the budget of the Company for the next fiscal year, and from time to time upon the reasonable request of the Agent, projections of the Company and its Subsidiaries updating those projections delivered to the Banks and referred to in section 8.8.3 or, if applicable, updating any later such projections delivered in response to this section 9.5(f); and

(g) from time to time such other financial data and information as the Agent or any Bank may reasonably request.

9.6. NOTICES.

9.6.1. DEFAULTS. The Company will promptly notify the Agent and each of the Banks in writing of the occurrence of any Default or Event of Default, together with a reasonably detailed description thereof, and the actions the Company proposes to take with respect thereto. If (i) any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation to which or with respect to which the Company or any of its Subsidiaries is a party or obligor, whether as principal, guarantor, surety or otherwise, and (ii) the aggregate amount of all of the indebtedness of the Company and its Subsidiaries in respect of such claimed defaults shall exceed $15,000,000 at any one time, the Company shall forthwith give written notice thereof to the Agent and each of the Banks, describing the notice or action and the nature of the claimed default.

9.6.2. ENVIRONMENTAL EVENTS. The Company will promptly give notice to the Agent and each of the Banks (a) of any violation of any Environmental Law that the Company or any of its Subsidiaries reports in writing or is reportable by such Person in writing (or for which any written report supplemental to any oral report is made) to any Governmental Authority that would reasonably be expected to have a Material Adverse Effect and (b) upon

becoming aware thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency of potential environmental liability, of any Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

9.6.3. NOTIFICATION OF CLAIM AGAINST COLLATERAL. Following the grant of any security interest in accordance with section 6.2, the Company will, immediately upon becoming aware thereof, notify the Agent and each of the Banks in writing of any material setoff, claims, withholdings or other defenses to which any of the Collateral, or the Agent's rights with respect to the Collateral, are subject, except for any thereof permitted by the Security Documents or any Permitted Liens, and other than reconciliations with customers and vendors in the ordinary course of business.

9.6.4. NOTICES CONCERNING INVENTORY COLLATERAL. Following the grant of any security interest in accordance with section 6.2, the Company shall provide to the Agent prompt notice of any physical count of the Company's or any of the Restricted Subsidiaries' Inventory, together with a copy of the results thereof certified by the Company or such Restricted Subsidiary.

9.6.5. NOTICE OF LITIGATION AND JUDGMENTS. The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks in writing within fifteen (15) days of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings affecting the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is or becomes a party involving an uninsured claim against the Company or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect and stating the nature and status of such litigation or proceedings. The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks, in writing, in form and detail reasonably satisfactory to the Agent, within ten (10) days of any judgment, final or otherwise, against the Company or any of its Subsidiaries in an amount not covered by insurance in excess of $15,000,000.

9.7. CORPORATE EXISTENCE; MAINTENANCE OF PROPERTIES. The Company will, and will cause each of the other Hasbro Companies and Hasbro SA to, maintain its legal existence and good standing under the laws of its jurisdiction of incorporation, maintain its qualification to do business in each state in which the failure to do so would have a Material Adverse Effect, and maintain all of its rights and franchises reasonably necessary to the conduct of its business.

The Company will cause all of its properties and those of the other Hasbro Companies used or useful in the conduct of its business or the business of the Hasbro Companies to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and will cause each of the Hasbro Companies to continue to engage primarily in the businesses now conducted by them and in related businesses; provided, however,

that, subject to the provisions of section 10.5.2 hereof, nothing in this section 9.7 shall prevent any Asset Sale permitted by section 10.5.2 hereof, or prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and does not in the aggregate have a Material Adverse Effect.

9.8. INSURANCE. The Company will maintain, and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies, funds or underwriters, or by reasonable self-insurance, insurance of the kinds, covering the risks and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Company and otherwise in accordance with the terms of the Security Documents (if any) to which such Person becomes and remains a party pursuant to section 6.2 hereof.

9.9. TAXES. The Company will, and will cause each of the other Hasbro Companies to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if either (a) the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or such Subsidiary shall have set aside on its books, in accordance with GAAP, adequate reserves with respect thereto or (b) such taxes, assessments and other governmental charges in the aggregate are not material to the business or assets of the Company and its Subsidiaries on a consolidated basis; and provided, further, that the Company and such Subsidiary will pay or arrange for the bonding of all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

9.10. ACCESS. The Company will, and will cause each of the other Hasbro Companies to, (a) permit the Agent, by its representatives and agents, to inspect any of the properties, including, without limitation, corporate books, computer files and tapes and financial records of each of the Hasbro Companies, to examine and make copies of the books of accounts and other financial records of each of the Hasbro Companies at such reasonable times and intervals as the Agent may determine, and (b) permit each of the Banks to discuss the affairs, finances and accounts of each of the Hasbro Companies with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Banks may designate. The Banks and the Agent agree that they will treat in confidence all financial information with respect to the Company and its Subsidiaries and all information obtained during such inspection or discussion or pursuant to section 9.5 which has not become public without violation hereof, and will not, without the consent of the Company, disclose such information to any third party or any trust or investment employee or trust or investment officer of any Bank, and, if any representative or agent of the Banks or the Agent shall not be an employee of one of the Banks or the Agent or any affiliate of the Banks or the Agent, such designee shall be reputable and of recognized

standing and shall agree in writing to treat in confidence the information obtained during any such inspection and, without the prior written consent of the Company, not to disclose such information to any third party or make use of such information for personal gain. Notwithstanding the foregoing, the Company hereby authorizes the Agent and each of the Banks to disclose information obtained pursuant to this Agreement to banks or other financial institutions who are participants or potential participants in or assignees of the Loans made or to be made hereunder (provided, that prior to any such disclosure to any such participant, potential participant or assignee, such Person shall have agreed to be bound by the provisions of this section 9.10 and section 22 pursuant to a confidentiality agreement substantially in the form of Exhibit H hereto and provided to the Company), and where required by applicable law or required or requested by governmental or regulatory authorities.

9.11. COMPLIANCE WITH LAWS, CONTRACTS, LICENSES, AND PERMITS. The Company will, and will cause each of the other Hasbro Companies to, comply with (i) all applicable laws and regulations wherever its business is conducted, including, without limitation, Environmental Laws, except where the failure to comply is not reasonably likely to have a Material Adverse Effect, (ii) the provisions of its charter documents and by-laws, (iii) all agreements and instruments by which it or any of its properties may be bound except where the failure to comply is not reasonably likely to have a Material Adverse Effect, and (iv) all applicable decrees, orders, and judgments, except where the failure to comply is not reasonably likely to have a Material Adverse Effect. If at any time while any

Loan, Note, Unpaid Reimbursement Obligation or Letter of Credit is outstanding or any Bank has any obligation to make Loans hereunder or the Agent has any obligations to issue, extend or renew any Letters of Credit, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that the Company may fulfill any of its obligations hereunder, the Company will promptly take or cause to be taken all reasonable steps within the power of the Company to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

9.12. EMPLOYEE BENEFIT PLANS. The Company will (a) promptly upon filing the same with the Department of Labor or Internal Revenue Service upon request of the Agent, furnish to the Agent a copy of the most recent actuarial statement required to be submitted under section 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (b) promptly upon receipt or dispatch, furnish to the Agent any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under sections 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under sections 4041A, 4202, 4219, 4242, or 4245 of ERISA.

9.13. FISCAL YEAR. The Company will have a fiscal year which ends on the last Sunday in December of each calendar year. The Company may change its fiscal year upon (a) sixty (60) days prior written notice to the Agent and the Banks and (b) in the case of a change in fiscal year where the new fiscal year end is not within forty-five (45) days of the fiscal year end specified in the first sentence of this section 9.13, receipt by the Company of the prior written consent of the Majority Banks, which consent shall not be unreasonably withheld, provided that the granting of such consent by the Majority Banks shall be conditioned upon the Company's entering into such appropriate amendments to this Agreement, and delivering therewith such supplemental documents, agreements, certificates, accounting reports, and legal opinions, as may be reasonably requested by the Majority Banks in order to reflect the impact of such change in fiscal year on the terms hereof.

9.14. ADDITIONAL SIGNIFICANT SUBSIDIARIES AND RESTRICTED SUBSIDIARIES. Within thirty (30) days after the formation or acquisition by the Company or its Subsidiaries of any Person which is not designated in this Agreement as a Hasbro Company and otherwise meets the conditions set forth in the definition of "Significant Subsidiary" herein for constituting a Significant Subsidiary or meets the conditions set forth in the definition of "Restricted Subsidiary" herein for constituting a Restricted Subsidiary, such Person will be deemed to be a Hasbro Company under this Agreement and the Company will cause such Person to observe all the obligations and be bound by all the limitations set forth in this Agreement with respect to Hasbro Companies, including, without limitation, if such Subsidiary is a Significant Subsidiary, requiring the execution and delivery of a Subordination Agreement in the form of, mutatis mutandis, Exhibit F hereto; and if such Subsidiary is a Restricted Subsidiary, requiring the execution and delivery of a joinder agreement, in form and substance reasonably satisfactory to the Agent, to the Guaranty and if and to the extent required under section 6.2, the Subsidiary Security Agreement, together with other documents, certificates and instruments (including Perfection Certificates and UCC financing statements) required to be delivered pursuant to such Security Documents and otherwise as may be reasonably requested by the Agent in accordance with section 6.2. Once any Person has been so designated as a Hasbro Company hereunder, such Person shall continue to be a Hasbro Company hereunder until the earlier of (i) the date on which such Person ceases to be a Subsidiary of the Company in accordance with the terms of section 10.5.2 or the last sentence of section 9.6, and (ii) the date on which such Person shall have performed in full its obligations under the Loan Documents and the Loan Documents to which such Person is a party have ceased to be in force and effect.

9.15. RATINGS. Promptly upon the Company receiving notice of the issuance of any Rating or the change in any existing Rating, the Company shall give written notice of such Rating and of the resultant Rating to the Agent. The Agent promptly shall furnish copies of each of such notices to the Banks.

9.16. FURTHER ASSURANCES. The Company and (solely with respect to the Hasbro SA Loans) Hasbro SA will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to their reasonable satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

10. CERTAIN NEGATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

10.1. RESTRICTIONS ON INDEBTEDNESS. The Company will not permit any Operating Subsidiary of the Company to create, incur, assume, guarantee or be or remain liable with respect to, contingently or otherwise, any Indebtedness other than:

(a) Intercompany Indebtedness of Operating Subsidiaries of the Company;

(b) Indebtedness of Foreign Subsidiaries;

(c) Subordinated Debt or other long term unsecured Indebtedness having a maturity at least one (1) year after the Final Maturity Date and

providing for no payments of principal prior to the Final Maturity Date; provided that, in the case of the incurrence of additional Subordinated Debt or other long term unsecured Indebtedness by such Subsidiary after the Effective Date, (i) the Company applies the net cash proceeds of such additional Subordinated Debt or other long term unsecured Indebtedness in accordance with section 2.10(a)(iii) and (ii) no Default or Event of Default has occurred and is continuing at the time of the incurrence of such additional Indebtedness or would result after giving effect thereto;

(d) Indebtedness incurred in connection with the acquisition after the date hereof of any real or personal property by such Operating Subsidiary or under any Capitalized Lease, provided that the aggregate principal amount of such Indebtedness of the Operating Subsidiaries shall not exceed the aggregate amount of $10,000,000 at any one time;

(e) Indebtedness to the Banks and the Agent arising under any of the Loan Documents;

(f) sales of receivables in connection with asset dispositions permitted under section 10.5.2;

(g) other Indebtedness existing on the date hereof and described on Schedule 10.1 hereto;

(h) Indebtedness in respect of Interest Hedging Agreements in an aggregate amount not to exceed, in the case of Interest Hedging Agreements to which neither the Agent nor any Bank or Bank Affiliate is a party, $75,000,000 outstanding at any time;

(i) Indebtedness in connection with any Permitted Receivables Securitization Facility; and

(j) other Indebtedness in an aggregate principal amount not to exceed $25,000,000 outstanding at any time.

10.2. RESTRICTIONS ON LIENS. The Company will not, and will not permit any Subsidiary (other than any Foreign Subsidiary) to, (a) create or incur or suffer to be created or incurred or to exist any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (b) transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (c) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or (d) sell, assign, pledge or otherwise transfer any "receivables" as defined in clause (g) of the definition of the term "Indebtedness," with or without recourse (except

the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, or as otherwise permitted by section 10.5.2); provided that the Company or any of its Subsidiaries may create or incur or suffer to be created or incurred or to exist:

(i) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies, but only to the extent that and so long as the payment thereof shall not at the time be required to be made in accordance with section 9.9 hereof;

(ii) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pensions or other social security or insurance-related obligations, or to secure the performance of bids, tenders, contracts (other than those relating to borrowed money) or leases (other than Capitalized Leases), or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds or obligations required in the ordinary course of business;

(iii) Liens in respect of judgments or awards that have been in force for less than the applicable appeal period so long as execution is not levied thereunder or in respect of which the Company or the appropriate Subsidiary of the Company shall at the time in good faith be prosecuting an appeal or a proceeding for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(iv) Liens of carriers, warehousemen, mechanics and materialmen, and other like Liens arising in the ordinary course of business, in existence less than one hundred twenty (120) days from the date of creation thereof in respect of obligations not overdue or being contested in good faith by appropriate proceedings, with respect to which obligations the Company has set aside on its books reserves in accordance with GAAP;

(v) encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Company or a Subsidiary of the Company is a party, and other minor Liens, none of which in the opinion of the Company interferes materially with the use of the property affected in the ordinary conduct of the business of the Company and its Subsidiaries, which defects do not individually or in the aggregate have a material adverse effect on the business of the Hasbro Companies, considered as a whole;

(vi) Liens consisting of purchase money security interests in or purchase money mortgages on real or personal property acquired after the date hereof to secure purchase money Indebtedness incurred in connection

with the acquisition of such property or Capitalized Leases, which Liens cover only the real or personal property so acquired or leased provided that the aggregate amount of Indebtedness secured by such Liens and Capitalized Leases does not exceed $50,000,000 outstanding at any time;

(vii) Liens existing on the date hereof and listed on Schedule 10.2 hereto;

(viii) Liens securing the Secured Obligations in favor of the Agent for the benefit of the Banks and the Agent;

(ix) Liens on the property or assets of a Person which becomes a Subsidiary of the Company after the date hereof securing Indebtedness of such Subsidiary permitted under section 10.1 provided that (i) such Liens existed at the time such Person became such a Subsidiary and were not created in anticipation thereof and (ii) any such Lien is not spread to cover any property or assets of such Person after the time such person becomes a Subsidiary;

(x) Liens existing on assets or properties at the time of the acquisition thereof by the Company or any Subsidiary of the Company which were not created in anticipation of the acquisition thereof by the Company or such Subsidiary, and which do not materially interfere with the use, occupancy, operation and maintenance of the property or assets subject thereto or extend to or cover any assets or property of the Company or such Subsidiary other than the assets or property being acquired or secure any Indebtedness not permitted under section 10.1;

(xi) any encumbrance or restriction (including, without limitation, put and call agreements and transfer restrictions, but not pledges) with respect to the Capital Stock of any joint venture or similar arrangement created pursuant to the joint venture or similar agreements with respect to such joint venture or similar arrangement;

(xii) a Lien on the shares of Capital Stock of Atari and other related rights and interests to secure the Company's obligations under a collar or other hedging agreement between the Company and a third party to hedge against fluctuations in the price of such shares;

(xiii) Liens on assets of any Foreign Subsidiary securing Indebtedness of any Foreign Subsidiary permitted by section 10.1(b) or section 10.1(j);

(xiv) Liens on assets to secure obligations in respect of Interest Hedging Agreements not to exceed, in the case of Interest Hedging Agreements to which neither the Agent nor any Bank or Bank Affiliate is a party, $75,000,000 in aggregate amount at any time outstanding;

(xv) Liens on any receivables and related assets subject to any Asset Sale permitted under sections 10.5.2(j) hereof;

(xvi) Liens created pursuant to and in accordance with any Permitted Receivables Securitization Facility; and

(xvii) other Liens on assets which secure obligations not exceeding $25,000,000 in aggregate amount at any time outstanding.

10.3. RESTRICTIONS ON INVESTMENTS. The Company will not, and will not permit any of its Subsidiaries to, make or permit to exist or to remain outstanding any Investment except Investments in:

(a) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof;

(b) certificates of deposit and time deposits, bankers acceptances and overnight bank deposits of any Bank or of any commercial bank having capital and surplus in excess of $500,000,000;

(c) repurchase obligations of any Bank or of any commercial bank having capital and surplus in excess of $500,000,000, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States Government or any agency or instrumentality thereof;

(d) commercial paper of a domestic issuer rated at least "A2" or the equivalent thereof by Standard & Poor's or any successor rating agency or "P-2" or the equivalent thereof by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment)

(e) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least "A" by Standard & Poor's or any successor rating agency or "A" by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment);

(f) securities with maturities of one (1) year or less from the date of acquisition backed by standby letters of credit issued by any Bank or any commercial bank having capital and surplus in excess of $500,000,000;

(g) shares of money market funds that are subject to the risk limiting conditions of Rule 2a-7 or any successor rule of the Securities and Exchange Commission under the Investment Company Act of 1940, as amended;

(h) investments similar to any of the foregoing denominated in Dollars or foreign currencies approved by the board of directors or Treasurer of the Company, and in each case provided in clauses (a), (b) and (d) above, maturing within twelve (12) months after the date of acquisition;

(i) Investments existing on the date hereof;

(j) Investments arising from payments under (i) the Guaranty, (ii) guaranties of the Indebtedness of a Foreign Subsidiary permitted by section 10.1(b), or (iii) the guaranty set forth in section 27 of this Agreement;

(k) Investments received as proceeds of asset dispositions permitted by section 10.5.2;

(l) Investments consisting of loans and advances to officers, directors and employees for moving, entertainment, travel and other similar expenses and other Investments in connection with the relocation of employees in the ordinary course of business;

(m) Investments by the Company or a Subsidiary of the Company in Subsidiaries formed (i) for the purpose of consummating Permitted Acquisitions or acquired in connection with Permitted Acquisitions, or (ii) in connection with any Permitted Receivables Securitization Facility;

(n) Investments in the Company or any Subsidiary of the Company, provided that neither the Company nor any Restricted Subsidiary shall make any Investment in any Foreign Subsidiary unless (i) such Investment is in the ordinary course of business or is necessary in the reasonable judgment of management of the Company for the operation of the business of any Foreign Subsidiary or Foreign Subsidiaries or (ii) after giving effect to such Investment, all such Investments in Foreign Subsidiaries made pursuant to this subclause (ii) do not exceed $100,000,000 outstanding at such time;

(o) Investments permitted by section 10.5;

(p) Investments in the nature of pledges, deposits or other Liens (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described under section 10.2;

(q) Investments representing evidences of Indebtedness, securities or other property received from another Person in connection with any bankruptcy or proceeding or other reorganization of such other Person or as a result of foreclosure, perfection or enforcement of any Lien or exchange for evidences of Indebtedness, securities or other property of such other Person;

(r) Investments constituting Capital Expenditures to the extent permitted by section 11.4;

(s) Investments under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices, to the extent permitted by section 10.13;

(t) Investments consisting of loans and advances to officers, directors or employees relating to indemnification or reimbursement of any officers, directors or employees in respect of liabilities relating to their serving in any such capacity; and

(u) other Investments in an aggregate amount not to exceed $30,000,000 at any one time outstanding.

10.4. RESTRICTED PAYMENTS. The Company will not make any Restricted Payment; provided, however, so long as no Default or Event of Default then exists or would result from such payment, the Company may:

(a) declare or pay quarterly dividends on or in respect of any shares of any class of Capital Stock of the Company in any fiscal year in an aggregate amount not to exceed the greater of $50,000,000 per annum or 50% of Consolidated Net Earnings for the prior fiscal year;

(b) repay, redeem or repurchase all or any portion of its long term debt, provided that, immediately prior to and after giving effect to such repayment, redemption or repurchase, (A) so long as the Company has obligations to repurchase Lucas Warrants pursuant to the Warrant Amendment Agreement, the sum of (x) the unused and available Commitment, (y) amounts unused and available under the Permitted Receivables Securitization Facility and (z) the total aggregate amount of the Company's domestic cash on hand, is no less than $150,000,000; or (B) in the event that the Company no longer has any obligations to repurchase the Lucas Warrants pursuant to the Warrant Amendment Agreement, the sum of (x), (y) and (z) above shall be no less than $50,000,000;

(c) redeem or repurchase any shares of any class of Capital Stock of the Company, or enter into and perform its obligations under any derivative agreements with the same economic effect as such redemption or repurchase now or at a later date, provided that, after giving effect to such redemption or repurchase, (A) the pro forma ratio of EBITDA for the Reference Period ending immediately prior to such redemption or repurchase to Consolidated Total Interest Expense for such period is no less than 10.0 : 1.00, and (B) the pro forma ratio of Consolidated Total Funded Debt for the Reference Period ending immediately prior to such redemption or repurchase to EBITDA for such period shall not exceed 1.75 : 1.00 (after giving pro forma effect to such redemption or repurchase as if it occurred on the first day of such period);

(d) repay, redeem or repurchase any Indebtedness with (i) any proceeds of any Refinancing Indebtedness or (ii) subject to section 2.10(II), no more than fifty percent (50%) of the Net Cash Sale Proceeds of any Material Asset Sale;

(e) repurchase any Lucas Warrant as a result of the holder thereof exercising its put option to sell such Lucas Warrant to the Company as provided under the Warrant Amendment Agreement, up to an aggregate amount not to exceed $100,000,000 in cash or $110,000,000 in Capital Stock of the Company;

(f) repurchase any Lucas Warrant as a result of the Company exercising its call option to buy such Lucas Warrant from the holders as provided under the Warrant Amendment Agreement, up to an aggregate amount not to exceed (i) $200,000,000 in cash, provided that, after giving effect to such repurchase, (A) the pro forma ratio of EBITDA for the Reference Period ending immediately prior to such repurchase to Consolidated Total Interest Expense for such period is no less than 10.0 : 1.00, and (B) the pro forma ratio of Consolidated Total Funded Debt for the Reference Period ending immediately prior to such repurchase to EBITDA for such period shall not exceed 1.75 : 1.00 (after giving pro forma effect to such redemption or repurchase as if it occurred on the first day of such period); or (ii) $220,000,000 in Capital Stock of the Company; and

(g) make other Restricted Payments in any fiscal year in an aggregate amount not to exceed $15,000,000.

10.5. MERGER, CONSOLIDATION AND DISPOSITION OF ASSETS.

10.5.1. MERGERS AND ACQUISITIONS. The Company will not, and will not permit any of its Subsidiaries to, become a party to any merger, amalgamation or consolidation, or agree to or effect any acquisition of at least a majority of the assets or Capital Stock of any Person, or any business unit or product line thereof (other than the acquisition of assets in the ordinary course of business consistent with past practices) except:

(a) the merger or consolidation of one (1) or more of the Subsidiaries of the Company with and into the Company, or the merger or consolidation of two (2) or more Subsidiaries of the Company; provided that if any of the parties to such merger or consolidation is a Restricted Subsidiary, the survivor of such merger or consolidation shall be a Restricted Subsidiary or the Company; or

(b) the acquisition of stock or other securities of, or any assets of, any Person, provided that:

(i) no Default or Event of Default has occurred and is continuing or would result from such acquisition;

(ii) not less than five (5) Business Days prior to the consummation of such proposed acquisition, the Company shall have delivered to the Agent a Compliance Certificate demonstrating pro forma compliance with the financial covenants set forth in section 11 hereof; and

(iii) the aggregate purchase price for all such acquisitions shall not exceed (A) $50,000,000 in any fiscal year (and any portion of any amount not utilized in any fiscal year shall be carried over to increase the amount permitted in any subsequent fiscal year); provided that, (1)(x) the limitation set forth in clause (A) above shall not apply to any such acquisition consummated after the occurrence of an Investment Grade Rating Event and prior to the subsequent occurrence, if any, of a Investment Grade Rating Non-Event (an "Investment Grade

Acquisition"), (y) the aggregate purchase price for all Investment Grade Acquisitions consummated in any fiscal year shall not exceed $100,000,000 for such fiscal year (and any portion of any amount not utilized in any fiscal year shall be carried over to increase the amount permitted in subsequent fiscal years), and (z) in the event of any such subsequent occurrence of any Investment Grade Rating Non-Event, the limitation set forth in clause (A) above shall apply to any such acquisition consummated after such occurrence and prior to the subsequent occurrence of an Investment Grade Rating Event, and (2) any earnout payments in respect of assets or business acquired prior to the Effective Date shall not be included in the calculation of any amount described in this clause (iii); or

(c) the acquisition of Capital Stock of any Subsidiary of the Company existing on the Effective Date from any then existing minority holder thereof.

10.5.2. DISPOSITION OF ASSETS. The Company will not, and will not permit any of its Subsidiaries to, become a party to or agree to or effect any disposition or swap of assets, other than (a) the sale of inventory, (b) the licensing of intellectual property, (c) the disposition of obsolete or other assets not necessary for the operation of the Company's or such Subsidiary's business, in each case in the ordinary course of business, (d) Asset Sales provided that in the case of such Asset Sale, (i) no Default or Event of Default has occurred and is continuing or would result from such Asset Sale and, (ii) to the extent required thereunder, the Net Cash Sale Proceeds are applied to the Loans as set forth in section 2.10(a)(i); (e) the sale or discount by any Foreign Subsidiary with or without recourse of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, (f) disposition of assets by the Company to any of its Restricted Subsidiaries or by any Subsidiary to the Company or any of its Restricted Subsidiaries, or by any Foreign Subsidiary to the Company or any Subsidiary, (g) the abandonment, sale or other disposition of intellectual property that, in the reasonable judgment of the Company, is no longer economically practicable to maintain or useful in the conduct of the business of the Hasbro Companies taken as a whole, (h) any sale or disposition of any claim as a creditor in a bankruptcy or similar proceeding in the ordinary course of business, (i) any Specified Sale, (j) sales, assignments, pledges or transfers of receivables for a credit enhancement purpose, pursuant to any Credit Insurance Provider Agreement; provided, however, that any lien granted by the Company to such Credit Insurance Provider under the Credit Insurance Provider Agreement shall cover only such receivables, and (k) the sale, transfer, discount, contribution, pledge or other disposition of Receivables and related assets in connection with any Permitted Receivables Securitization Facility. Nothing in this section 10.5.2 shall prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and does not in the aggregate have a Material Adverse Effect.

10.6. SALE AND LEASEBACK. The Company will not, and will not permit any of its Subsidiaries (other than a Foreign Subsidiary) to, enter into any arrangement, directly or indirectly, whereby the Company or any Subsidiary of the Company shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Company or any Subsidiary of the Company intends to use for substantially the same purpose as the property being sold or transferred, except in connection with any Asset Sale permitted under section 10.5.2.

10.7. COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as would not reasonably be expected to result in a Material Adverse Effect, the Company will not, and will not permit any of its Subsidiaries to, (a) use any of the Real Estate or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances except to the extent required by its day-to-day operations and in all instances in compliance with applicable Environmental Laws, (b) cause or permit to be located on any of the Real Estate any underground tank or other underground storage receptacle for Hazardous Substances, (c) generate any Hazardous Substances on any of the Real Estate except to the extent required by its day-to-day operations and in all instances in compliance with applicable Environmental Laws, (d) conduct any activity at any Real Estate or use any Real Estate in any manner so as to cause a release (i.e. releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping) or threatened release of Hazardous Substances on, upon or into the Real Estate or (e) otherwise conduct any activity at any Real Estate or use any Real Estate in any manner that would violate any Environmental Law or bring such Real Estate in violation of any Environmental Law.

10.8. SUBORDINATED DEBT. The Company will not permit any Operating Subsidiary to amend, supplement or otherwise modify (a) the subordination terms of any of the Subordinated Debt or (b) any other terms of any of the Subordinated Debt, the effect of which would be to shorten maturity or average weighted life, increase pricing or amount, make covenants or default provisions more restrictive, add covenants or default provisions, or otherwise make such Subordinated Debt materially more burdensome to the such Operating Subsidiary or in any manner be materially adverse to the interests of the Banks and the Agent, or prepay, redeem or repurchase any of the Subordinated Debt or send any irrevocable notice of prepayment, redemption or repurchase to holders of any Subordinated Debt.

10.9. EMPLOYEE BENEFIT PLANS. Neither the Company nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of section 406 of ERISA or section 4975 of the Code which could result in a material liability for the Company or any of its Subsidiaries; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in section 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of the Company or any of its Subsidiaries pursuant to section 302(f) or section 4068 of ERISA; or

(d) amend any Guaranteed Pension Plan in circumstances requiring the posting of security pursuant to section 307 of ERISA or section 401(a)(29) of the Code;

(e) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of section 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans by more than $15,000,000 at any time, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities; or

(f) permit or take any action which would contravene any Applicable Pension Legislation in the United States, except as such action would not be reasonably likely to result in a Material Adverse Effect.

10.10. BUSINESS ACTIVITIES. The Company will not, and will not permit any of its Subsidiaries to, engage directly or indirectly (whether through Subsidiaries or otherwise) in any type of business other than the businesses conducted by them on the Effective Date and in related businesses.

10.11. TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any of its Subsidiaries to, engage in any material transaction with any Affiliate that is not the Company or a Subsidiary (other than in connection with services as employees, officers and directors), including any material contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such Affiliate or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any such Affiliate has a substantial interest or is an officer, director, trustee or partner, on terms materially more favorable to such Person than would have been obtainable on an arm's-length basis in the ordinary course of business excluding (a) any transaction with an Affiliate controlled by the Company entered into in the ordinary course of business, (b) Restricted Payments that otherwise comply with this Agreement, (c) any transaction relating to the issuance of any class of Capital Stock of the Company and (d) any transaction entered into in connection with a Permitted Receivables Securitization Facility.

10.12. RESTRICTIONS ON NEGATIVE PLEDGES. The Company will not, nor will it permit any of its Subsidiaries (other than any Receivables Subsidiary, Foreign Subsidiaries or Subsidiaries of any thereof) to, except for those existing agreements set forth and described on Schedule 10.12, enter into or permit to exist any arrangement or agreement (excluding this Agreement, and the Loan Documents and except any industrial revenue or development bonds, agreements governing any purchase money liens, acquisition agreements or Capitalized Leases or operating leases entered into in the ordinary course of business otherwise permitted hereby (in which case any prohibition or limitation shall only be effective against the assets that are, or are to be, financed, acquired or leased thereby) and agreements in connection with any Permitted Receivables Securitization Facility) which directly or indirectly prohibits the Company or any of its Subsidiaries from creating, assuming or incurring any Lien in favor of the Banks or the Agent upon its properties, revenues or assets or those of any of its Subsidiaries whether now owned or hereafter acquired.

10.13. HEDGING AGREEMENTS. Other than in connection with any Permitted Receivables Securitization Facility or in the ordinary course of business and not for purposes of speculation, the Company will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreements.

11. FINANCIAL COVENANTS.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

11.1. MINIMUM EBITDA. The Company will not permit EBITDA for any Reference Period ending with the fiscal quarter referenced in the table below to be less than the amount set forth in the table below opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	EBITDA
Fourth Quarter 2003	$ 400,000,000

First Quarter 2004 and Thereafter
$ 425,000,000

11.2. TOTAL FUNDED DEBT TO EBITDA. The Company will not permit the ratio of Consolidated Total Funded Debt at the end of any fiscal quarter set forth in the table set forth below to EBITDA for the Reference Period then ended to exceed the ratio set forth opposite such fiscal quarter set forth in table below:

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2003	2.50:1.00
First Quarter 2004	2.50:1.00
Second Quarter 2004	2.50:1.00
Third Quarter 2004	2.75:1.00
Fourth Quarter 2004 and Thereafter	2.50:1.00

11.3. MINIMUM INTEREST COVERAGE RATIO. The Company will not permit, for any Reference Period ending with the fiscal quarter referenced in the table below,

the ratio of (a) EBITDA for such period to (b) Consolidated Total Interest Expense for such period to be less than the ratio set forth in the table below opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2003 and Thereafter	7.50:1.00

11.4. CAPITAL EXPENDITURES. During any fiscal year referenced in the table set forth below, the Company will not, and will not allow any of its Subsidiaries to, make Capital Expenditures that exceed the aggregate amount set forth in the table below opposite such period in such table:

Fiscal Year Ending:	Amount
December 2003	$ 100,000,000
December 2004	$ 110,000,000
December 2005	$ 115,000,000
December 2006	$ 120,000,000

12. CONDITIONS TO EFFECTIVENESS.

The obligations of the Banks to convert the outstanding Syndicated Loans under the Existing Credit Agreement to Syndicated Loans hereunder and to make the initial Syndicated Loans, the Swing Line Bank to make the initial Swing Line Loans and of the Agent to issue any initial Letters of Credit shall be subject to the satisfaction of the following conditions precedent on or prior to November 14, 2003:

12.1. LOAN DOCUMENTS, ETC.

(a) Each of the Loan Documents (excluding the Security Documents other than the Guaranty) shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of the Effective Date. The Agent (i) shall have accepted delivery in Boston, Massachusetts of each of the duly executed Loan Documents (excluding the Security Documents other than the Guaranty) from each of the other parties thereto, and (ii) shall have duly and properly executed each of the Loan Documents (excluding the Security Documents other than the Guaranty), to which it is a party, in Boston, Massachusetts.

(b) Executed original counterparts of each of the Loan Documents (other than the Notes) shall have been furnished to each Bank or the Agent in sufficient copies for each Bank and an executed copy of the Notes for each Bank shall have been delivered to such Bank.

12.2. PERFORMANCE, ETC. Each of the Hasbro Companies and Hasbro SA shall have duly and properly performed, complied with and observed each of the covenants, agreements and obligations to be performed, complied with or observed by it on or prior to such date contained in the Loan Documents (excluding the Security Documents other than the Guaranty). No event shall have occurred on or

prior to the Effective Date and be continuing on such Effective Date, and no condition shall exist on such Effective Date, which constitutes a Default or an Event of Default.

12.3. CERTIFIED COPIES OF CHARTER DOCUMENTS. Each Bank or the Agent (in sufficient copies for each Bank) shall have received from each of the Hasbro Companies and Hasbro SA a copy, each of which shall have been certified by a duly authorized officer of such Person to be true and complete on and as of the Effective Date, of each of (a) the charter or other incorporation documents of such Person in effect on such date of certification, and (b) the by-laws or equivalent governing document of such Person as in effect on such date.

12.4. PROOF OF CORPORATE ACTION. The Agent shall have received from each of the Hasbro Companies and Hasbro SA copies for each Bank, certified by a duly authorized officer of such Person to be true and complete on and as of the Effective Date, of the records of all corporate action taken by such Person to authorize (a) its execution and delivery of each of the Loan Documents to which it is or is to become a party, (b) its performance of all of its agreements and obligations under each of the Loan Documents, and (c) in the case of the Company and Hasbro SA, the borrowings contemplated by this Agreement.

12.5. INCUMBENCY CERTIFICATES. The Agent shall have received from each of the Hasbro Companies and Hasbro SA copies for each Bank of an original incumbency certificate, dated as of the Effective Date signed by a duly authorized officer of such Person and giving the name and bearing a specimen signature of certain individuals who shall be authorized: (i) to sign, in the name and on behalf of such Person, each of the Loan Documents to which it is or is to become a party; and (ii) to give notices to make application for the Loans and Letters of Credit and to take other action on behalf of such Person under the Loan Documents.

12.6. PROCEEDINGS AND DOCUMENTS. All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents, and all instruments and documents incidental thereto, shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

12.7. CERTIFICATES OF INSURANCE. The Agent shall have received certificates of insurance from an independent insurance broker dated as of the Effective Date or such earlier date as may be reasonably satisfactory to the Agent, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained.

12.8. PAYMENT OF FEES. The Company shall have paid to the Banks or the Agent, as appropriate, the Closing Fees and the Agent's Fee pursuant to sections 7.1 and 7.2, respectively.

12.9. LEGALITY OF TRANSACTIONS. No change in applicable law shall have occurred as a consequence of which it shall have become and continue to be unlawful (a) for any Bank to perform any of its agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date or (b) for the Company to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date.

12.10. LEGAL OPINION. Each of the Banks and the Agent shall have received a favorable legal opinion addressed to the Banks and the Agent, dated as of the

Effective Date, in form and substance reasonably satisfactory to the Banks and the Agent, from Barry Nagler, Esq., Senior Vice President and General Counsel of the Company.

13. CONDITIONS TO LOANS.

13.1. CONDITIONS TO LOANS TO THE COMPANY. The obligations of the Banks to make any Syndicated Loan, the Swing Line Bank to make any Swing Line Loan, and of the Agent to issue, extend or renew any Letter of Credit, in each case to or for the account of the Company and whether on or after the Effective Date, shall

also be subject to the satisfaction of the following conditions precedent:

13.1.1. LEGALITY OF TRANSACTIONS. With respect to any such obligation of any Bank, it shall not be unlawful (a) for such Bank to perform any of its agreements or obligations under any of the Loan Documents to which such Bank is a party on the Drawdown Date of such Loans, or (b) for any of the Hasbro Companies to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on such date.

13.1.2. REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by or on behalf of the Company and its Subsidiaries to the Banks in this Agreement or any other Loan Document (other than representations and warranties made by Hasbro SA to the Banks in this Agreement or any other Loan Document) shall be true and correct in all material respects when made and shall for all purposes of this Agreement, be deemed to be repeated on and as of the date of the Company's notice of borrowing for such Loan on and as of the Drawdown Date of such Loan, or the issuance, extension or renewal of such Letter of Credit, and shall be true and correct in all material respects on and as of each of such dates, except, in each case, as affected by the consummation of the transactions contemplated by the Loan Documents or to the extent representations and warranties expressly referring to an earlier date shall relate to such earlier date.

13.1.3. PERFORMANCE, ETC. Each of the Hasbro Companies shall have duly and properly performed, complied with and observed in all material respects each of its covenants, agreements and obligations contained in sections 9 and 10 hereof, and shall have duly and properly performed, complied with and observed in all material respects its covenants, agreements, and obligations in all other articles of this Agreement and any of the other Loan Documents to which it is a party or by which it is bound on the Drawdown Date for such Loan or the date of the issuance, extension or renewal of such Letter of Credit. No event shall have occurred on or prior to such date and be continuing on such date, and no condition shall exist on such date, which constitutes a Default or an Event of Default.

13.1.4. PROCEEDINGS AND DOCUMENTS. All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents then in effect and all instruments and documents incidental thereto shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

13.1.5. LOAN DOCUMENTS. Each of the Loan Documents required by section 9.14 hereof shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of such date.

13.2. CONDITIONS TO LOANS TO HASBRO SA. The obligations of the Banks to make any Loan to Hasbro SA after the Effective Date shall be subject to the satisfaction of the following conditions precedent:

13.2.1. LEGALITY OF TRANSACTIONS. With respect to any such obligation of any Bank, it shall not be unlawful (a) for such Bank to perform any of its agreements or obligations under any of the Loan Documents to which such Bank is a party on the Drawdown Date of such Loans, or (b) for Hasbro SA or any of the Hasbro Companies to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on such date.

13.2.2. REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by or on behalf of the Company and its Subsidiaries (including Hasbro SA) to the Banks in this Agreement or any other Loan Document shall be true and correct in all material respects when made and shall for all purposes of this Agreement, be deemed to be repeated on and as of the date of Hasbro SA's notice of borrowing for such Loan on and as of the Drawdown Date of such Loan, and shall be true and correct in all material respects on and as of each of such dates, except, in each case, as affected by the consummation of the transactions contemplated by the Loan Documents or to the extent representations and warranties expressly referring to an earlier date shall relate to such earlier date.

13.2.3. PERFORMANCE, ETC. Hasbro SA and each of the Hasbro Companies shall have duly and properly performed, complied with and observed in all material respects each of its respective covenants, agreements and obligations contained in sections 9 and 10 hereof, and shall have duly and properly performed, complied with and observed in all material respects its covenants, agreements, and obligations in all other articles of this Agreement and any of the other Loan Documents to which it is a party or by which it is bound on the Drawdown Date for such Loan. No event shall have occurred on or prior to such date and be continuing on such date, and no condition shall exist on such date, which constitutes a Default or an Event of Default.

13.2.4. PROCEEDINGS AND DOCUMENTS. All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents then in effect and all instruments and documents incidental thereto shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

13.2.5. LOAN DOCUMENTS. Each of the Loan Documents required by section 9.14 hereof shall have been duly and properly authorized, executed and

delivered by the respective party or parties thereto and shall be in full force and effect on and as of such date.

13.2.6. NO DEFAULTS. None of the following events shall have occurred and be continuing:

(a) Hasbro SA shall fail to pay at maturity, or within any applicable period of grace, any Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases or in respect of any guaranties by Hasbro SA of any such Indebtedness of another Person, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or to rescind the purchase of any such obligations, and the aggregate amount of all of such Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases of Hasbro SA or in respect of any guaranties by Hasbro SA of any such Indebtedness of another Person in respect of which any one or more of such defaults or failures shall at any time be continuing under any one or more of such agreements shall exceed $25,000,000 at any one time;

(b) Hasbro SA makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of Hasbro SA or of any substantial part of the assets of Hasbro SA, or commences any case or other proceeding relating to Hasbro SA under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against Hasbro SA and Hasbro SA indicates its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed within forty-five (45) days following the filing thereof;

(c) a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating Hasbro SA bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of Hasbro SA in an involuntary case under federal bankruptcy laws as now or hereafter constituted; or

(d) there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against Hasbro SA which, with other outstanding final judgments, undischarged, unsatisfied and unstayed, against Hasbro SA exceeds in the aggregate $30,000,000.

14. EVENTS OF DEFAULT; ACCELERATION.

14.1. REMEDIES UPON DEFAULT. If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Company shall fail to pay any principal of the Company Loans, or the Company and Hasbro SA shall each fail to pay any principal of the Hasbro SA Loans, when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Company shall fail to pay any interest on the Company Loans or principal or interest on the Unpaid Reimbursement Obligations, any Fees hereunder, or other sums due hereunder, or the Company and Hasbro SA shall each fail to pay interest on the Hasbro SA Loans, in each case within three (3) Business Days after the date on which the same shall become due and payable whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(c) if (i) the Company shall fail to comply with any of its covenants contained in section 9.2, section 9.5, section 9.6, the first sentence of section 9.7, section 9.13, section 9.14, section 10 or section 11, or (ii) Hasbro SA shall fail to comply with its covenant contained in section 9.2;

(d) if (i) the Company shall fail to comply with any of its covenants contained in section 9.10 or section 9.16, or (ii) Hasbro SA shall fail to comply with its covenant in section 9.16, and in each case such failure shall continue for a period of ten (10) days;

(e) if any of the Hasbro Companies and/or Hasbro SA shall fail to perform any term, covenant or agreement contained in any of the Loan Documents (other than those specified in subsections (a), (b), (c) and (d) above) for twenty (20) days after written notice of such failure has been given to the Company by the Agent;

(f) if any representation or warranty of any of the Hasbro Companies and/or Hasbro SA in any of the Loan Documents or in any document or

instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or deemed to have been made or repeated;

(g) if any of the Hasbro Companies shall fail to pay at maturity, or within any applicable period of grace, any Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases or in respect of any guaranties by such Hasbro Company of any such Indebtedness of another Person or any payment obligations under any Permitted Receivables Securitization Facility, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases or under any Permitted Receivables Securitization Facility for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or to rescind the purchase of any such obligations, and the aggregate

amount of all of such Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases of the Hasbro Companies or in respect of any guaranties by any Hasbro Company of any such Indebtedness of another Person or under any Permitted Receivables Securitization Facility in respect of which any one or more of such defaults or failures shall at any time be continuing under any one or more of such agreements shall exceed $25,000,000 at any one time; provided that, for the purposes of this section 14.1(g) only, the term "Indebtedness" shall exclude any Indebtedness owing to a Subsidiary of the Company, provided however that any affirmative enforcement action taken against any of the Hasbro Companies with respect to such Indebtedness shall nullify the foregoing exclusion;

(h) if any of the Hasbro Companies makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of any of the Hasbro Companies or of any substantial part of the assets of any of the Hasbro Companies, or commences any case or other proceeding relating to any of the Hasbro Companies under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any of the Hasbro Companies and the such Person indicates its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed within forty-five (45) days following the filing thereof;

(i) if a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any of the Hasbro Companies bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any of the Hasbro Companies in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(j) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any of the Hasbro Companies which, with other outstanding final judgments undischarged, unsatisfied and unstayed against the Hasbro Companies exceeds in the aggregate $30,000,000;

(k) the holders of all or any part of the Subordinated Debt shall accelerate the maturity of all or any part of the Subordinated Debt, the Subordinated Debt shall be repaid, redeemed or repurchased in whole or in part or an offer to repay, redeem or repurchase the Subordinated Debt in whole or in part shall have been made;

(l) (i) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded except in accordance with the terms hereof or thereof, or (ii) following the grant of any security interest pursuant to section 6.2 the Agent's Liens in a material portion of the Collateral shall cease to be perfected (other than by the Agent's failure to file Uniform Commercial Code financing statements delivered by the Company or any Restricted Subsidiary, as applicable, or to make any required filings delivered by the Company or any Restricted Subsidiary with the United

States Patent and Trademark Office or the United States Copyright Office or to continue such Uniform Commercial Code financing statements or filings with the United States Patent and Trademark Office or United States Copyright Office in accordance with applicable law), or shall cease to have the priority contemplated by the Security Documents, in each case otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks in accordance with section 23, or (iii) any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by any of the Hasbro Companies and/or Hasbro SA party thereto, or (iv) any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that ,any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof and such judgment, order, decree or ruling shall continue in full force and effect for a period of thirty (30) days;

(m) there shall occur any loss, theft, destruction of, or material damage to the Inventory included in the Collateral (if any) resulting in an uninsured loss in excess of $20,000,000 during any one policy period, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty, which in any such case causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any of its Subsidiaries if such event or circumstance is not covered by business interruption insurance and would have a Material Adverse Effect;

(n) the Company or any ERISA Affiliate incurs any liability to the PBGC or a Guaranteed Pension Plan pursuant to Title IV of ERISA in an aggregate amount exceeding $15,000,000, or the Company or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding $5,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan: (i) an ERISA Reportable Event, or a failure to make a required installment or other payment (within the meaning of section 302(f)(1) of ERISA), provided that such event (A) would be expected to result in liability of the Company or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding $15,000,000 and (B) would constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC, for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan or for the imposition of a lien in favor of such Guaranteed Pension Plan; or (ii) the appointment by a United States District Court of a trustee to administer such Guaranteed Pension Plan; or (iii) the institution by the PBGC of proceedings to terminate such Guaranteed Pension Plan;

(o) a Change of Control shall occur; or

(p) Hasbro SA shall no longer qualify as a Wholly Owned Subsidiary;

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Company declare all amounts owing with respect to this Agreement and the

Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company and Hasbro SA; provided that in the event of any Event of Default specified in section 14.1(h) or section 14.1(i) hereof, all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank.

14.2. TERMINATION OF COMMITMENTS. If any one or more of the Events of Default specified in section 14.1(h) or section 14.1(i) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Banks shall be relieved of all further obligations to make Loans to the Company and/or Hasbro SA and the Agent shall be relieved of all further obligations to issue, extend or renew Letters of Credit. If any other Event of Default shall have occurred and be continuing, the Agent may and, upon the request of the Majority Banks, shall, by notice to the Company and Hasbro SA, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Banks shall be relieved of all further obligations to make Loans and the Agent shall be relieved of all further obligations to issue, extend or renew Letters of Credit. No termination of the credit hereunder shall relieve the Company or any of its Subsidiaries of any of the Obligations.

14.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to section 14.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may, with the consent of the Majority Banks but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

14.4. CERTAIN RIGHTS OF CURE. (a) Any Default or Event of Default may be waived as provided by section 23 hereof and any Default or Event of Default so waived shall be deemed to have been cured and not to be continuing, and upon such waiver the Company, Hasbro SA and each of the Banks shall be restored to their respective positions prior to the existence of the Default or Event or Default, whether or not acceleration of the maturity of the Loans shall have occurred pursuant to this section 14. The Commitments, if terminated pursuant to this section 14 by reason of any Event of Default so waived, shall be reinstated. In the event that the Commitments, once terminated, are so reinstated, the Commitment Fee shall be payable as though no termination had occurred. No such waiver shall extend to or affect any subsequent or other Default or Event of Default or impair any rights consequent thereon.

(b) Notwithstanding any other provision of this Agreement to the contrary, if a Default or Event of Default shall occur at any time when no Loans shall be outstanding and all other Obligations shall have been paid in full, the Company may give notice to the Agent and the Banks (i) of the occurrence or continuance of such Default or Event of Default, (ii) of the Company's request to terminate the Commitments in their entirety pursuant to section 2.2, and (iii) subject to compliance by the Company with the provisions of section 2.2 and this section 14.4(b), of the Company's request that the Default or Event of Default be deemed not to have occurred, and upon termination of the Commitments and payment by the Company and/or Hasbro SA of all Fees and other sums payable by the Company and/or Hasbro SA hereunder, the Company, Hasbro SA, the Agent, and the Banks shall be deemed to have agreed, by mutual consent, that no Default or Event of Default shall have occurred hereunder.

14.5. DISTRIBUTION OF COLLATERAL PROCEEDS. In the event that, following the occurrence or during the continuance of any Default or Event of Default, the Agent or any Bank, as the case may be, receives any monies in connection with the enforcement of any of the Security Documents, or otherwise with respect to the realization upon any of the Collateral (in each case following the grant of any security interest in accordance with section 6.2), such monies shall be distributed for application as follows:

(a) First, to the payment of, or (as the case may be) the reimbursement of the Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Agent in connection with the collection of such monies by the Agent, for the exercise, protection or enforcement by the Agent of all or any of the rights, remedies, powers and privileges of the Agent under this Agreement or any of the other Loan Documents or in respect of the Collateral or in support of any provision of adequate indemnity to the Agent against any taxes or Liens which by law shall have, or may have, priority over the rights of the Agent to such monies;

(b) Second, to all other Secured Obligations (other than obligations of the Company and its Subsidiaries to any of the Banks, any Bank Affiliate and/or the Agent with respect to any Interest Hedging Agreements and Hedging Agreements) in such order or preference among types of Secured Obligations as the Majority Banks may determine; provided, however, that (i) distributions shall be made (A) pari passu among Secured Obligations with respect to the Agent's Fee and all other Secured Obligations and (B) with respect to each type of Secured Obligation owing to the Banks, such as interest, principal, fees and expenses, among the Banks pro rata, based on the then outstanding amount of Secured Obligations (and on the assumption that Secured Obligations consisting of guaranties are equal to the amount of the outstanding obligations guaranteed), and (ii) the Agent may in its discretion make proper allowance to take into account any Secured Obligations not then due and payable;

(c) Third, to obligations of the Company and its Subsidiaries to any of the Banks, any Bank Affiliate and/or the Agent with respect to any Interest Hedging Agreements and Hedging Agreements;

(d) Fourth, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Banks and the Agent of all of the

Secured Obligations, to the payment of any obligations required to be paid pursuant to section 9-615(a)(3) of the Uniform Commercial Code of The Commonwealth of Massachusetts; and

(e) Fifth, the excess, if any, shall be returned to the Company or to such other Persons as are entitled thereto.

14.6. JUDGMENT CURRENCY. If, for the purpose of obtaining judgment in any court or obtaining an order enforcing a judgment, it becomes necessary to convert any amount due under this Credit Agreement in Dollars or in any other currency (hereinafter in this section 14.6 called the "first currency") into any other currency (hereinafter in this section 14.6 called the "second currency"), then the conversion shall be made at the Agent's spot rate of exchange for buying the first currency with the second currency prevailing at the Agent's close of business on the Business Day next preceding the day on which the judgment is given or (as the case may be) the order is made. Any payment made to the Agent or any Bank pursuant to this Credit Agreement in the second currency shall constitute a discharge of the obligations of Hasbro and/or Hasbro SA, as the case may be, to pay to the Agent and the Banks any amount originally due to the Agent and the Banks in the first currency under this Credit Agreement only to the extent of the amount of the first currency which the Agent and each of the Banks is able, on the date of the receipt by it of such payment in any second currency, to purchase, in accordance with the Agent's and such Bank's normal banking procedures, with the amount of such second currency so received. If the amount of the first currency falls short of the amount originally due from either the Company or Hasbro SA to the Agent and the Banks in the first currency under this Credit Agreement, such Person hereby agrees that it will indemnify the Agent and each of the Banks against and save the Agent and each of the Banks harmless from any shortfall so arising. This indemnity shall constitute an obligation of the Company or Hasbro SA, as the case may be, separate and independent from the other obligations contained in this Credit Agreement, shall give rise to a separate and independent cause of action and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due to the Agent or any Bank under this Credit Agreement or under any such judgment or order. The covenant contained in this section 14.6 shall survive the payment in full of all of the other obligations of the Company or Hasbro SA, as the case may be, under this Credit Agreement.

15. SETOFF.

Regardless of the adequacy of any collateral, during the continuance of an Event of Default, (i) any deposits or other sums credited by or due from any of the Banks to the Company and any securities or other property of the Company in the possession of such Bank may be applied to or set off by such Bank against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Company to such Bank and (ii) any deposits or other sums credited by or due from any of the Banks to Hasbro SA and any securities or other property of Hasbro SA in the possession of such Bank may be applied to or set off by such Bank against the payment of the Hasbro SA Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of Hasbro SA to such Bank. ANY AND ALL RIGHTS TO REQUIRE ANY BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO

EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE COMPANY OR HASBRO SA, AS THE CASE MAY BE, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Each of the Banks agree with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Company or Hasbro SA, as the case may be, to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Company or Hasbro SA, as the case may be, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Company and/or Hasbro SA at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

16. THE AGENT.

16.1. AUTHORIZATION.

(a) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, including the authority, without the necessity of any notice to or further consent of the Banks, from time to time to take any action with respect to any Collateral or the Security Documents (if and as applicable) which may be necessary to perfect, maintain perfected or insure the priority of the security interest in and liens upon the Collateral (if any) granted pursuant to the Security Documents in accordance with section 6.2, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent.

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks.

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks,

as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to all collateral security and guaranties contemplated by the Loan Documents. Such actions include the designation of the Agent as "secured party", "mortgagee" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the Obligations, all for the benefit of the Banks and the Agent.

16.2. EMPLOYEES AND AGENTS. The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Company.

16.3. NO LIABILITY. Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver,

consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

16.4. NO REPRESENTATIONS.

16.4.1. GENERAL. The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Notes, the Letters of Credit, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Notes, or for the value of any such collateral security or for the validity, enforceability or collectability of any such amounts owing with respect to the Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Company or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Notes or to inspect any of the properties, books or records of the Company or any of its Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Company and/or Hasbro SA or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with

respect to the credit worthiness or financial conditions of the Company or any of its Subsidiaries. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

16.4.2. CLOSING DOCUMENTATION, ETC. For purposes of determining compliance with the conditions set forth in section 12, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document and matter either sent, or made available, by the Agent or the Arranger to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Bank, unless an officer of the Agent or the Arranger active upon the Company's account shall have received notice from such Bank not less than five (5) days prior to the Effective Date specifying such Bank's objection thereto and such objection shall not have been withdrawn by notice to the Agent or the Arranger to such effect on or prior to the Effective Date.

16.5. INDEMNIFICATION. Without limiting the obligations of the Company and/or Hasbro SA hereunder or under any other Loan Document, the Banks agree to indemnify and hold harmless the Agent and its affiliates, ratably in accordance with their respective Commitment Percentages, for any and all liabilities, obligations, losses, damages, penalties, claims, actions and suits (whether groundless or otherwise) judgments, costs, expenses (including any expenses for which the Agent or such affiliate has not been reimbursed by the Company and/or Hasbro SA as required by section 18) or disbursements of any kind or nature whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or the Notes or any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the Agent's gross negligence or willful misconduct. The agreements in this section 16.5 shall survive the payment of the Notes and all other amounts payable hereunder.

16.6. REIMBURSEMENT. Without limiting the provisions of section 16.5, the Banks and the Agent hereby agree that the Agent shall not be obliged to make available to any Person any sum which the Agent is expecting to receive for the account of that Person until the Agent has determined that it has received that sum. The Agent may, however, disburse funds prior to determining that the sums which the Agent expects to receive have been finally and unconditionally paid to the Agent, if the Agent wishes to do so. If and to the extent that the Agent does disburse funds and it later becomes apparent that the Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Agent made the funds available shall, on demand from the Agent:

(a) refund to the Agent the sum paid to that Person; and

(b) reimburse the Agent for the additional amount certified by the Agent as being necessary to indemnify the Agent against any funding or other cost, loss, expense or liability sustained or incurred by the Agent as a result of paying out the sum before receiving it.

16.7. NON-RELIANCE ON AGENT AND OTHER BANKS. Each Bank represents that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its

own appraisal of the financial condition and affairs of the Company and Hasbro SA and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. The Agent shall not be required to keep informed as to the performance or observance by the Company and/or Hasbro SA of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or by any other Person of any agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any Person which may come into the possession of the Agent or any of its affiliates. Each Bank shall have access to all documents relating to the Agent's performance of its duties hereunder, at such Bank's request. Unless any Bank shall object promptly after receiving notice of any action taken by the Agent hereunder, such Bank shall conclusively be presumed to have approved the same.

16.8. PAYMENTS.

16.8.1. PAYMENTS TO AGENT. A payment by the Company and/or Hasbro SA to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

16.8.2. DISTRIBUTION BY AGENT. If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

16.8.3. DELINQUENT BANKS. Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its pro rata share of any Loan or to purchase any Letter of Credit Participation or (b) to comply with the provisions of section 15 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case

as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Company and/or Hasbro SA, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans and Unpaid Reimbursement Obligations of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

16.9. HOLDERS OF NOTES. The Agent may deem and treat the payee of any Note or the purchaser of any Letter of Credit Participation as the absolute owner thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

16.10. AGENT AS BANK. In its individual capacity, Fleet shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it hereunder, and as the holder of any of the Notes and as the purchaser of any Letter of Credit Participation, as it would have were it not also the Agent.

16.11. RESIGNATION OR REMOVAL OF AGENT. The Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Banks and the Company. Upon any such resignation, the Majority Banks, with the prior written consent of the Company (which consent shall not be unreasonably withheld), shall have the right to appoint a successor Agent; provided that no such consent of the Company shall be required if a Default or Event of Default has occurred and is then continuing. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a rating of not less than A or its equivalent by Standard and Poor's. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent

both as Agent and Swing Line Bank (including without limitation the rights, powers, privileges and duties of the retiring Agent with respect to such Agent's commitment to issue Letters of Credit pursuant to section 5), and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. In the event of a material breach of its duties hereunder, the Agent may be removed by the Banks for cause and the provisions of this section 16.11 shall apply to the appointment of a successor.

16.12. NOTIFICATION OF DEFAULTS AND EVENTS OF DEFAULT. Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this section 16.12 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

16.13. DUTIES IN THE CASE OF ENFORCEMENT. In case one of more Events of Default have occurred and shall be continuing, and whether or not acceleration of the Obligations shall have occurred, the Agent shall, if (a) so requested by the Majority Banks and (b) the Banks have provided to the Agent such additional indemnities and assurances against expenses and liabilities as the Agent may reasonably request, proceed to enforce the provisions of the Security Documents authorizing the sale or other disposition of all or any part of the Collateral and exercise all or any such other legal and equitable and other rights or remedies as it may have in respect of such Collateral. The Majority Banks may direct the Agent in writing as to the method and the extent of any such sale or other disposition, the Banks hereby agreeing to indemnify and hold the Agent, harmless from all liabilities incurred in respect of all actions taken or omitted in accordance with such directions, provided that the Agent need not comply with any such direction to the extent that the Agent reasonably believes the Agent's compliance with such direction to be unlawful or commercially unreasonable in any applicable jurisdiction.

16.14. AGENT MAY FILE PROOFS OF CLAIM.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial, administrative or like proceeding or any assignment for the benefit of creditors relative to the Company and / or Hasbro SA, the Agent (irrespective of whether the principal of any Loan, Reimbursement Obligation or Unpaid Reimbursement Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Agent shall have made any demand on the Company or Hasbro SA) shall be entitled and empowered, by intervention in such proceeding, under any such assignment or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Reimbursement Obligations or Unpaid Reimbursement Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks and the Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks and the Agent and their respective agents and counsel and all other amounts due the Banks and the Agent under sections 2.2, 5.6, 7.2 and 17) allowed in such proceeding or under any such assignment; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

(b) Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such proceeding or under any such assignment is hereby authorized by each Bank to make such payments to the Agent and, in the event that the Agent shall consent to the making of such payments directly to

the Banks, nevertheless to pay to the Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent and its agents and counsel, and any other amounts due the Agent under sections 2.2, 5.6, 7.2 and 17.

(c) Nothing contained herein shall authorize the Agent to consent to or accept or adopt on behalf of any Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations owed to such Bank or the rights of any Bank or to authorize the Agent to vote in respect of the claim of any Bank in any such proceeding or under any such assignment.

17. EXPENSES.

The Company agrees to pay (a) the reasonable costs of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) any taxes (including any interest and penalties in respect thereto) payable by the Agent or any of the Banks (other than taxes based upon the Agent's or any Bank's net income) on or with respect to the transactions contemplated by this Agreement (the Company hereby agreeing to indemnify the Agent and each Bank with respect thereto), (c) the reasonable fees, expenses and disbursements of the Agent's Special Counsel or any local counsel to the Agent incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, each closing hereunder, any amendments, modifications, approvals, consents or waivers hereto or hereunder, or the cancellation of any Loan Document upon payment in full in cash of all of the Obligations or pursuant to any terms of such Loan Document for providing for such cancellation, (d) the reasonable fees, expenses and disbursements of the Agent or any of its affiliates incurred by the

Agent or such affiliate in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, including, while, and for so long as, the Obligations are secured as provided in section 6.2, all reasonable collateral appraisal and examination charges, (e) all reasonable out-of-pocket expenses (including without limitation reasonable out of pocket attorneys' fees and costs, and reasonable consulting, accounting, appraisal, investment banking and similar professional fees and charges) incurred by any Bank or the Agent in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against the Company or any of its Subsidiaries, or the administration thereof after the occurrence and during the continuance of a Default or Event of Default and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Bank's or the Agent's relationship with the Company or any of its Subsidiaries relating to the Loan Documents or the transactions contemplated thereby and (f) while, and for so long as, the Obligations are secured as provided in section 6.2, all reasonable fees, expenses and disbursements of the Agent incurred in connection with Uniform Commercial Code searches, Uniform Commercial Code filings, intellectual property searches or intellectual property filings. The covenants contained in this section 17 shall survive payment or satisfaction in full of all other Obligations.

18. INDEMNIFICATION.

The Company agrees to indemnify and hold harmless the Agent, the Banks and each of their respective affiliates, directors, officers, employees and representatives from and against any and all claims, actions and suits whether

groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby including, without limitation, (a) any actual or proposed use by the Company or any of its Subsidiaries of the proceeds of any of the Loans or Letters of Credit, (b) the reversal or withdrawal of any provisional credits granted by the Agent upon the transfer of funds from lock box, bank agency, concentration accounts or otherwise under any cash management arrangements with the Company or any Subsidiary or in connection with the provisional honoring of funds transfers, checks or other items, (c) any actual or alleged infringement of any patent, copyright, trademark, service mark or similar right of the Company or any of its Subsidiaries comprised in the Collateral (if any), (d) the Company or any of its Subsidiaries entering into or performing this Agreement or any of the other Loan Documents or (e) with respect to the Company and its Subsidiaries and their respective properties and assets, the violation of any Environmental Law, the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release or threatened release of any Hazardous Substances or any action, suit, proceeding or investigation brought or threatened with respect to any Hazardous Substances (including, but not limited to, claims with respect to wrongful death, personal injury or damage to property), in each case including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding, but excluding (i) in the case of the Agent or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of the Agent or any of its affiliates, directors, officers, employees or representatives, (ii) in the case of any Bank or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of such Bank or any of its affiliates, directors, officers, employees or representatives, (iii) litigation commenced by the Company against any Bank or the Agent which (A) seeks enforcement of the Company's rights hereunder or under any of the Loan Documents and (B) is finally determined adversely to such Bank or the Agent, to the extent of such adverse determination, and (iv) claims made or legal proceedings commenced against the Agent or any Bank by any securityholder or creditor thereof arising out of and based upon rights afforded any such securityholder or creditor solely in its capacity as such. In litigation, or the preparation therefor, the Banks and the Agent and its affiliates shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Company agrees to pay promptly the reasonable fees and expenses of such counsel. If, and to the extent that the obligations of the Company under this section 18 are unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law. The covenants contained in this section 18 shall survive payment or satisfaction in full of all other Obligations.

19. SURVIVAL OF COVENANTS, ETC.

All covenants, agreements, representations and warranties made herein, in the Notes or in any documents or other papers delivered by or on behalf of the Company and/or Hasbro SA pursuant hereto shall be deemed to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by it, and shall survive the making by the Banks of the Loans and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any Letter of Credit or

amount due under this Agreement or the Notes or any of the other Loan Documents remains outstanding and unpaid or any Bank has any obligation to make any Loans hereunder or the Agent has any obligation to issue, extend or renew any Letter of Credit, and for such further time as may be otherwise be expressly specified in this Agreement. All statements contained in any certificate or other paper delivered to any Bank at any time by or on behalf of the Company and/or Hasbro SA pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Company and/or Hasbro SA hereunder.

20. ASSIGNMENT AND PARTICIPATION.

20.1. CONDITIONS TO ASSIGNMENT BY BANKS. Except as provided herein, each Bank may assign to one or more commercial banks, other financial institutions or other Persons, all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit); provided that (a) each of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Company shall have given its prior written consent to such assignment, which consent, in the case of the Company and the Agent, will not be unreasonably withheld; except that the consent of the Company or the Agent shall not be required in connection with any assignment by a Bank to (i) an existing Bank or (ii) a Bank Affiliate of such Bank, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment (or, in the case of assignments by a Bank to its Bank Affiliates, the aggregate holdings of such Bank and its Bank Affiliates after giving effect to such assignments), shall be in a minimum amount equal to $10,000,000 or a multiple of $5,000,000 in excess thereof (or, if less, such Bank's entire Commitment), and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, substantially in the form of Exhibit G hereto (an "Assignment and Acceptance"), together with any Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (y) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (z) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in section 20.3, be released from its obligations under this Agreement.

20.2. CERTAIN REPRESENTATIONS AND WARRANTIES; LIMITATIONS; COVENANTS. By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or the attachment, perfection or priority of any security interest or mortgage,

(b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in section 8.8 and section 9.5 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(f) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank;

(g) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; and

(h) such assignee acknowledges that it has made arrangements with the assigning Bank satisfactory to such assignee with respect to its pro rata share of Letter of Credit Fees in respect of outstanding Letters of Credit.

20.3. REGISTER. The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentage of, and principal amount of the Syndicated Loans owing to and Letter of Credit Participations purchased by, the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company and Hasbro SA, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this

Agreement. The Register shall be available for inspection by the Company and Hasbro SA and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of $3,500.

20.4. NEW NOTES. Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Note subject to such

assignment, the Agent shall (i) record the information contained therein in the Register, and (ii) give prompt notice thereof to the Company, Hasbro SA and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, the Company and, solely with respect to the Hasbro SA Loans, Hasbro SA, each at its own expense, shall execute and deliver to the Agent, in exchange for each surrendered Note, a new Note to the order of such Assignee in an amount equal to the amount assumed by such Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned Notes. The surrendered Notes shall be cancelled and returned to the Company.

20.5. PARTICIPATIONS. Each Bank may sell participations to one or more Banks or other entities in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents; provided that (a) each such participation shall be in an amount of not less than $10,000,000, (b) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Company or Hasbro SA and (c) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any Commitment Fee or Letter of Credit Fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest (it being understood that (i) any vote to rescind any acceleration made pursuant to section 14.1 of amounts owing with respect to the Loans and other Obligations and (ii) any modifications of the provisions relating to amounts, timing or application or prepayments of Loans and other Obligations shall not require the approval of such participant).

20.6. ASSIGNEE OR PARTICIPANT AFFILIATED WITH THE COMPANY. If any assignee Bank is an Affiliate of the Company, then any such assignee Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to section 14.1 or section 14.2, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to such assignee Bank's interest in any of the Loans or Reimbursement Obligations. If any Bank sells a participating interest in any of the Loans or Reimbursement Obligations to a participant, and such participant is the Company or an Affiliate of the Company, then such transferor Bank shall promptly notify the Agent of the sale of such participation. A transferor Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to section 14.1 or section 14.2 to the extent that such participation is

beneficially owned by the Company or any Affiliate of the Company, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to the interest of such transferor Bank in the Loans or Reimbursement Obligations to the extent of such participation. The provisions of this section 20.6 shall not apply to an assignee Bank or participant which is also a Bank on the Effective Date or to an assignee Bank or participant which has disclosed to the other Banks that it is an Affiliate of the Company and which, following such disclosure, has been excepted from the provisions of this section 20.6 in a writing signed by the Majority Banks determined without regard to the interest of such assignee Bank or transferor Bank, to the extent of such participation, in Loans or Reimbursement Obligations.

20.7. MISCELLANEOUS ASSIGNMENT PROVISIONS. Any assigning Bank shall retain its rights to be indemnified pursuant to section 18 with respect to any claims or actions arising prior to the date of such assignment. If any Reference Bank transfers all of its interest, rights and obligations under this Agreement, the Agent shall, in consultation with the Company, Hasbro SA and with the consent of the Company, Hasbro SA and the Majority Banks, appoint another Bank to act as a Reference Bank hereunder. Anything contained in this section 20 to the contrary notwithstanding, any Bank may at any time pledge or assign a security interest in all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to secure obligations of such Bank, including any pledge or assignment to secure obligations to (a) any of the twelve Federal Reserve Banks organized under section 4 of the Federal Reserve Act, 12 U.S.C. section 341 and (b) with respect to any Bank that is a fund that invests in bank loans, to any lender or any trustee for, or any other representative of, holders of obligations owed or securities issued by such fund as security for such obligations or securities or any institutional custodian for such fund or for such lender. Any foreclosure or similar action by any Person in respect of such pledge or assignment shall be subject to the other provisions of this section

20. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents, provide any voting rights hereunder to the pledgee thereof, or affect any rights or obligations of the Company, Hasbro SA or Agent hereunder.

20.8. INCREASED COSTS. No assignee, participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under sections 4.1, 4.7 or 4.11 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent.

20.9. ASSIGNMENT BY COMPANY. The Company and/or Hasbro SA shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

21. NOTICES, ETC.

Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the Notes or any Letter of Credit Applications shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, addressed as follows:

(a) (i) if to the Company, at 1011 Newport Avenue, Pawtucket, Rhode Island 02861-2538, Attention: David D. R. Hargreaves, Senior Vice President

and Chief Financial Officer, with a copy to the Company at 1027 Newport Avenue, Pawtucket, Rhode Island 02861-2500, Attention: General Counsel, or at such other address or addresses for notice as the Company shall last have furnished in writing to the Person giving the notice and (ii) if to Hasbro SA, at Route de Courroux 6, 2800 Delemont, Switzerland, with a copy to the Company, at 1011 Newport Avenue, Pawtucket, Rhode Island 02862-0200, Attention: David D. R. Hargreaves, Senior Vice President and Chief Financial Officer, or at such other address or addresses for notice as the Company and/or Hasbro SA shall last have furnished in writing to the Person giving the notice;

(b) if to the Agent, at 100 Federal Street, Boston, Massachusetts 02110, Attention: John P. O'Loughlin, Director, or such other address for notice as the Agent shall last have furnished in writing to the Person giving the notice; and

(c) if to any Bank, at such Bank's address set forth on Schedule 1 hereto, or such other address for notice as such Bank shall have last furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, when received by a responsible officer or employee of the party to which it is directed, provided that such receipt may be evidenced by return receipt signed by a responsible officer or employee of the party to which it is directed, and (c) if sent by telegraph, telecopy, facsimile or telex, at the time of dispatch thereof, if in normal business hours in the state where received or otherwise at the opening of business on the next Business Day.

22. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

22.1. CONFIDENTIALITY. Each of the Banks and the Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company or any of its Subsidiaries pursuant to this Agreement that is identified by such Person as being confidential at the time the same is delivered to the Banks or the Agent, provided that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this section 22, or becomes available to any of the Banks or the Agent on a nonconfidential basis from a source other than the Company or any of its Subsidiaries without a duty of confidentiality to the Company or such Subsidiary being violated, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Banks or the Agent so long as the relevant Bank or Agent informs such counsel of the agreement under this section 22.1 and such Bank assumes responsibility for compliance by such counsel with such agreement, (d) to bank examiners or any other regulatory

authority having jurisdiction over any Bank or the Agent, or to auditors or accountants, (e) to the Agent or any Bank, (f) in connection with any litigation to which any one or more of the Banks or the Agent is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Bank Affiliate or a Subsidiary or affiliate of the Agent so long as the relevant Bank or Agent informs such Bank Affiliate, subsidiary or affiliate of the agreement under this section 22.1 and such Bank or the Agent assumes responsibility for compliance by such Person with such agreement, (h) to any actual or prospective assignee or participant or any actual or prospective counterparty (or its advisors) to any swap or derivative transactions referenced to credit or other risks or events arising under this Agreement or any other Loan Document so long as such actual or prospective assignee, participant or

counterparty, as the case may be, agrees to be bound by the provisions of this section 22 pursuant to an agreement in substantially the form of Exhibit I provided to the Company, or (i) with the consent of the Company. Notwithstanding anything herein to the contrary, the Company, Hasbro SA, the Agent and each Bank may disclose to any and all Persons, without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Company, Hasbro SA, the Agent or such Bank relating to such tax treatment and tax structure.

22.2. PRIOR NOTIFICATION. Unless specifically prohibited by applicable law or court order, each of the Banks and the Agent shall, prior to disclosure thereof, notify the Company of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or pursuant to legal process and afford the Company the opportunity to obtain a protective order or other appropriate remedy or agreement to maintain confidentiality of the information.

22.3. OTHER. In no event shall any Bank or the Agent be obligated or required to return any materials furnished to it by the Company or any of its Subsidiaries. The obligations of each Bank under this section 22 shall supersede and replace the obligations of such Bank under any confidentiality letter in respect of this financing signed and delivered by such Bank to the Company prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans or Reimbursement Obligations from any Bank.

23. CONSENTS, AMENDMENTS, WAIVERS, ETC.

Any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement, the other Loan Documents or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Company or any of its Subsidiaries of any terms of this Agreement, the other Loan Documents or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the written consent of the Majority Banks. Notwithstanding the foregoing, no amendment, modification or waiver shall:

(a) without the written consent of the Company and each Bank directly affected thereby:

(i) reduce or forgive the principal amount of any Loans or Reimbursement Obligations, or reduce the rate of interest on the Notes (subject to the provisions of clause (ii) of the definition of "Pricing Grid") or the amount of the Commitment Fee or Letter of Credit Fees;

(ii) increase the amount of such Bank's Commitment or extend the expiration date of such Bank's Commitment, or postpone any automatic reduction of such Bank's Commitment pursuant to the last sentence of section 2.3;

(iii) postpone or extend the Final Maturity Date or any other regularly scheduled dates for payments of principal of, or interest on, the Loans or Reimbursement Obligations or any Fees or other amounts payable to such Bank (it being understood that (A) any vote to rescind any acceleration made pursuant to section 14.1 of amounts owing with respect to the Loans and other Obligations and (B) any modifications of the provisions relating to prepayments of Loans and other Obligations shall require only the approval of the Majority Banks); and

(iv) other than pursuant to a transaction permitted by the terms of this Agreement, release any of the Restricted Subsidiaries from its guaranty obligations under the Guaranty, or following any grant of a security interest in accordance with section 6.2, release all or substantially all of the Collateral (excluding, if the Company or any Restricted Subsidiary becomes a debtor under the federal Bankruptcy Code, the release of "cash collateral", as defined in Section 363(a) of the federal Bankruptcy Code pursuant to a cash collateral stipulation with the debtor approved by the Majority Banks);

(b) without the written consent of all of the Banks, amend or waive this section 23 or the definition of Majority Banks; and

(c) without the written consent of the Agent, amend or waive section 3 or section 15, the amount or time of payment of the Agent's Fee or any Letter of Credit Fees payable for the Agent's account or any other provision applicable to the Agent.

No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Company shall entitle the Company to other or further notice or demand in similar or other circumstances.

24. PROVISIONS OF GENERAL APPLICATIONS.

24.1. GOVERNING LAW. (a) THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS

UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). EACH OF THE COMPANY AND HASBRO SA AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE

COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE COMPANY OR HASBRO SA, AS THE CASE MAY BE, BY MAIL AT THE ADDRESS SPECIFIED IN section 21. EACH OF THE COMPANY AND HASBRO SA HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

(b) Hasbro SA hereby irrevocably and unconditionally appoints the Company (in such capacity, the "Process Agent"), as its agent to receive on behalf of Hasbro SA and its respective property service of copies of the summons and complaint and any other process which may be served in any such action or proceeding in any such court of the Commonwealth of Massachusetts or any federal court sitting therein and agrees promptly to appoint a successor Process Agent. In any such action or proceeding in such court of the Commonwealth of Massachusetts or federal court sitting therein, such service may be made on Hasbro SA by delivering a copy of such process to Hasbro SA in care of the Process Agent at such Process Agent's address set forth in section 21 and by depositing a copy of such process in the mails by certified or registered air mail, addressed to Hasbro SA at its address referred to in section 21 (such service to be effective upon such receipt by the Process Agent and the depositing of such process in the mails as aforesaid). Hasbro SA hereby irrevocably and unconditionally authorizes and directs such Process Agent to accept such service on its behalf. As an alternate method of service, Hasbro SA also irrevocably and unconditionally consents to the service of any and all process in any such action or proceeding in such court of the Commonwealth of Massachusetts or any federal court sitting therein by mailing of copies of such process to Hasbro SA by certified or registered air mail at its address referred to in section 21. Hasbro SA hereby agrees that, to the fullest extent permitted by applicable law, a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

24.2. HEADINGS. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

24.3. COUNTERPARTS. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Delivery by facsimile by any of the parties hereto of an executed counterpart hereof or of any amendment or waiver hereto shall be as effective as an original executed counterpart hereof or of such amendment or waiver and shall be considered a representation that an original executed counterpart hereof or such amendment or waiver, as the case may be, will be delivered.

24.4. ENTIRE AGREEMENT, ETC. The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in section 17.12.

24.5. WAIVER OF JURY TRIAL. EACH OF THE COMPANY AND HASBRO SA HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE AGENT OR ANY BANK RELATING TO THE ADMINISTRATION OF THE LOANS OR ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. Except as prohibited by law, each of the Company and Hasbro SA hereby waives any right it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, consequential or punitive damages or any damages other than, or in addition to, actual damages. The Company and Hasbro SA (a) certify that no representative, agent or attorney of any Bank or the Agent has represented, expressly or otherwise, that such Bank or the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledge that the Agent and the Banks have been induced to enter into this Agreement, the other Loan Documents to which it is a party by, among other things, the waivers and certifications contained herein.

24.6. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

25. TRANSITIONAL ARRANGEMENTS.

25.1. EXISTING CREDIT AGREEMENT SUPERSEDED. This Agreement shall on the Effective Date supersede the Existing Credit Agreement in its entirety, except

as provided in this section 25. On the Effective Date, the rights and obligations of the parties evidenced by the Existing Credit Agreement shall be evidenced by the Agreement, the "Syndicated Loans" as defined in the Existing Credit Agreement shall be converted to Syndicated Loans hereunder, and all outstanding letters of credit issued by Fleet for the account of the Company prior to the Effective Date shall, for the purposes of this Credit Agreement, be Letters of Credit.

25.2. RETURN AND CANCELLATION OF NOTES. Upon receipt by any Bank of its Notes hereunder on the Effective Date, any "Notes" of the Company held by such Bank pursuant to and as defined in the Existing Credit Agreement shall be deemed to be no longer outstanding. As soon as reasonably practicable after its receipt of its Notes hereunder on the Effective Date, each Bank will promptly return to the Company, marked "Substituted" or "Cancelled", as the case may be, any notes of the Company held by such Bank pursuant to the Existing Credit Agreement.

25.3. INTEREST AND FEES UNDER SUPERSEDED AGREEMENT. All interest and fees and expenses, if any, owing or accruing under or in respect of the Existing Credit Agreement through the Effective Date shall be calculated as of the

Effective Date (prorated in the case of any fractional periods), and shall be paid as of the Effective Date. Commencing on the Effective Date, the Commitment Fee shall be payable by the Company to the Agent for the account of the Banks in accordance with section 2.2.

26. LIABILITY FOR THE OBLIGATIONS.

(a) Notwithstanding anything herein to the contrary, the Company covenants and agrees that all Obligations with respect to all Loans, Reimbursement Obligations and any other Obligations payable to the Agent or any of the Banks shall constitute the obligations of the Company individually.

(b) Notwithstanding any other provision hereof or of any other Loan Document, Hasbro SA shall have no liability for any Obligations other than the Hasbro SA Obligations, or for any other liability or obligation of the Company.

27. GUARANTY.

27.1. GUARANTY OF PAYMENT AND PERFORMANCE. The Company hereby guarantees to the Banks and the Agent the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise), as well as the performance, of all of the Hasbro SA Obligations including all such which would become due but for the operation of the automatic stay pursuant to section 362(a) of the Federal Bankruptcy Code or similar provisions of other applicable law and the operation of sections 502(b) and 506(b) of the Federal Bankruptcy Code or similar provisions of other applicable law. This guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of the Hasbro SA Obligations and not of their collectability only and is in no way conditioned upon any requirement that the Agent or any Bank first attempt to collect any of the Hasbro SA Obligations from Hasbro SA or resort to any collateral security or other means of obtaining payment. Should Hasbro SA default in the payment or performance of any of the Hasbro SA Obligations, the obligations of the Company hereunder with respect to the Hasbro SA Obligations in default shall become immediately due and payable to the Agent, for the benefit of the Banks and the Agent, without demand or notice of any nature, all of which are expressly waived by the Company. Payments by the Company hereunder may be required by the Agent on any number of occasions.

27.2. THE COMPANY'S AGREEMENT TO PAY ENFORCEMENT COSTS, ETC. The Company further agrees, as the principal obligor and not as a guarantor only, to pay to the Agent, on demand, all reasonable costs and expenses (including court costs and reasonable legal expenses) incurred or expended by the Agent or any Bank in connection with the Hasbro SA Obligations, this guaranty and the enforcement thereof.

27.3. WAIVERS BY THE COMPANY; BANKS' FREEDOM TO ACT. The Company agrees that the Hasbro SA Obligations will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Bank with respect thereto. The Company waives promptness, diligences, presentment, demand, protest, notice of acceptance, notice of any Hasbro SA Obligations incurred and all other notices of any kind,

all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Company or any other entity or other person primarily or secondarily liable with respect to any of the Hasbro SA Obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, the Company agrees to the provisions of any instrument evidencing, securing or otherwise executed in connection with any Hasbro SA Obligation and agrees that the obligations of the Company hereunder shall not be released or discharged, in whole or in part, or otherwise affected by any of the following to the same extent as if the Company at all times had been the principal obligor on all Hasbro SA Obligations: (i) the failure of the Agent or any Bank to assert any claim or demand or to enforce any right or remedy against the Company or any other entity or other person primarily or secondarily liable with respect to any of the Hasbro SA Obligations; (ii) any extensions, compromise, refinancing, consolidation or renewals of any Hasbro SA Obligation; (iii) any change in the time, place or manner of payment of any of the Hasbro SA Obligations or any rescissions, waivers, compromise, refinancing, consolidation, amendments or modifications of any of the terms or provisions of this Credit Agreement, the Notes, the other Loan Documents or any other

agreement evidencing, securing or otherwise executed in connection with any of the Hasbro SA Obligations; (iv) the addition, substitution or release of any entity or other person primarily or secondarily liable for any Hasbro SA Obligation; (v) the adequacy of any rights which the Agent or any Bank may have against any collateral security or other means of obtaining repayment of any of the Hasbro SA Obligations; (vi) the impairment of any collateral securing any of the Hasbro SA Obligations, including without limitation the failure to perfect or preserve any rights which the Agent or any Bank might have in such collateral security or the substitution, exchange, surrender, release, loss or destruction of any such collateral security; or (vii) any other act or omission which might in any manner or to any extent vary the risk of the Company or otherwise operate as a release or discharge of the Company (other than the irrevocable payment in cash of the relevant Hasbro SA Obligation), all of which may be done without notice to the Company. To the fullest extent permitted by law, the Company hereby expressly waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law which would otherwise prevent the Agent or any Bank from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against the Company before or after the Agent's or such Bank's commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or (B) any other law which in any other way would otherwise require any election of remedies by the Agent or any Bank.

27.4. UNENFORCEABILITY OF HASBRO SA OBLIGATIONS AGAINST HASBRO SA. If for any reason the Company or Hasbro SA has no legal existence or is under no legal obligation to discharge any of the Hasbro SA Obligations, or if any of the Hasbro SA Obligations have become irrecoverable from the Company or Hasbro SA by reason of the Company's or Hasbro SA's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this guaranty shall nevertheless be binding on the Company and not affected thereby to the same extent as if the Company at all times had been the principal obligor on all such Hasbro SA Obligations. In the event that acceleration of the time for payment of any of the Hasbro SA Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Company, or for any other reason, all such amounts otherwise subject to acceleration under the terms of this Credit Agreement, the Notes, the other Loan Documents or any other agreement evidencing, securing or otherwise executed in connection with any of the Hasbro SA Obligations shall be immediately due and payable by the Company.

27.5. SUBROGATION; SUBORDINATION.

27.5.1. WAIVER OF RIGHTS AGAINST HASBRO SA. Until the final payment and performance in full of all of the Hasbro SA Obligations, the Company shall not exercise any rights against Hasbro SA arising as a result of payment by the Company hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise; the Company will not claim any setoff, recoupment or counterclaim against Hasbro SA in respect of any liability of the Company to Hasbro SA; and the Company waives any benefit of and any right to participate in any collateral security which may be held by the Agent or any Bank as security for the payment of any Hasbro SA Obligations.

27.5.2. SUBORDINATION. The payment of any amounts due with respect to any indebtedness of Hasbro SA now or hereafter owed to the Company is hereby subordinated to the prior payment in full of all of the Hasbro SA Obligations. The Company agrees that, after the occurrence of any default the payment or performance of any of the Hasbro SA Obligations, the Company will not demand, sue for or otherwise attempt to collect any such indebtedness of the Hasbro SA to the Company until all of the Hasbro SA Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Company shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by the Company as trustee for the Banks and the Agent and be paid over to the Agent, for the benefit of the Banks and the Agent on account of the Hasbro SA Obligations without affecting in any manner the liability of the Company under the other provisions of this guaranty.

27.5.3. PROVISIONS SUPPLEMENTAL. The provisions of this section 27.5 shall be supplemental to and not in derogation of any rights and remedies of the Banks and the Agent or any affiliate of any Banks and the Agent under any separate subordination agreement which such Bank and the Agent or such affiliate may at any time and from time to time enter into with the Company.

27.6. TERMINATION; REINSTATEMENT. This guaranty shall remain in full force and effect so long as any Hasbro SA Obligation is outstanding or any Bank has any obligation to make any Hasbro SA Loans. This guaranty shall continue to be effective or be reinstated, if at any time any payment made or value received with respect to any of the Hasbro SA Obligations is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Company, or otherwise, all as though such payment had not been made or value received.

27.7. SUCCESSORS AND ASSIGNS. This guaranty shall be binding upon the Company, its successors and assigns, and shall inure to the benefit of and be enforceable by the Agent and the Banks and its successors, transferees and assigns. Without limiting the generality of the foregoing sentence, each Bank may assign or otherwise transfer its rights and obligations under this Credit Agreement, the Notes and the other Loan Documents to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment or transfer, with all the rights in respect thereof granted to such Bank herein, all in accordance with and to the extent complying with and provided in section 20 hereof.

27.8. SEVERABILITY, ETC. It is the intention and agreement of the Company, the Agent and the Banks that the obligations of the Company under this section 27 shall be valid and enforceable against the Company to the maximum extent permitted by applicable law. Accordingly, if any provision of this section 27 creating any obligation of the Company in favor of the Agent and the Banks shall be declared to be invalid or unenforceable in any respect or to any extent, it is the stated intention and agreement of the Company, the Agent and the Banks that any balance of the obligation created by such provision and all other obligations of the Company to the Agent or any Bank created by other provisions of this section 27 shall remain valid and enforceable. Likewise, if by final order a court of competent jurisdiction shall declare any sums which the Agent or any Bank may be otherwise entitled to collect from the Company under this section 27 to be in excess of those permitted under any law (including any federal or state fraudulent conveyance or like statute or rule of law) applicable to the Company's obligations under this section 27, it is the stated intention and agreement of the Company, the Agent and the Banks that all sums not in excess of those permitted under such applicable law shall remain fully collectible by the Agent or such Bank from the Company.

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IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as an agreement under seal as of the date first set forth above.

HASBRO, INC.

By:\s\ David D.R. Hargreaves

Name: David D.R. Hargreaves
Title: Sr. V.P. & CFO

HASBRO SA

By:\s\ David D.R. Hargreaves

Name: David D.R. Hargreaves
Title: Director

By:

Name:
Title:

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as an agreement under seal as of the date first set forth above.

HASBRO, INC.

By:

Name:
Title:

HASBRO SA

By:\s\ T. Paine

Name: T. Paine
Title: Director

By:

Name:
Title:

FLEET NATIONAL BANK, individually
and as Agent

By:\s\ Kenneth S. Struglia

Name: Kenneth S. Struglia
Title: Director

CITICORP USA, INC.

By:\s\ Sandy Salgado

Name: Sandy Salgado
Title: Director

COMMERZBANK A.G. NEW YORK AND GRAND CAYMAN BRANCHES

By:\s\ Robert S. Taylor, Jr.

Name: Robert S. Taylor, Jr.
Title: Senior Vice President

By:\s\ Andrew P. Lusk

Name: Andrew P. Lusk
Title: Vice President

CITIZENS BANK OF MASSACHUSETTS

By:\s\ Stephanie Epkins

Name: Stephanie Epkins
Title: Vice President

BANK OF AMERICA, N.A.

By:\s\ Casey Cosgrove

Name: Casey Cosgrove
Title: Vice President

SCOTIABANK INC.

By:\s\ William E. Zarrett

Name: William E. Zarrett
Title: Managing Director

BARCLAYS BANK PLC

By:\s\ V. Muldoon

Name: V. Muldoon
Title: Relationship Director

BNP PARIBAS

By:\s\ Bruno Lavole

Name: Bruno Lavole
Title: Head of Large Corporates

By:\s\ Christopher Criswell

Name: Christopher Criswell
Title: Managing Director

MELLON BANK, N.A.

By:\s\ J. Wade Bell

Name: J. Wade Bell
Title: Vice President

SCHEDULE 1

BANK COMMITMENTS, AND COMMITMENT PERCENTAGES

Page 132

	Final Allocation of Total Commitments	
Fleet Bank	60,000,000	17.14285714286%
Citicorp	50,000,000	14.28571428571%
Commerzbank	50,000,000	14.28571428571%
Citizens	40,000,000	11.42857142857%
Bank of America	30,000,000	8.57142857143%
Bank of Nova Scotia	30,000,000	8.57142857143%
Barclays	30,000,000	8.57142857143%
BNP Paribas	30,000,000	8.57142857143%
Mellon	30,000,000	8.57142857143%
Total	350,000,000	100.000000000000%

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SCHEDULE 2

INDICATIVE TERMS OF PERMITTED RECEIVABLES TRANSACTIONS

Transaction Summary:	The Company may establish, directly or indirectly, one or more special purpose, bankruptcy remote corporations, limited liability companies, trusts or other entities (collectively, the "Receivables Company") that will purchase, acquire by contribution, pledge or otherwise finance the acquisition of all or a designated portion of the trade account receivables, together with any assets, interests or rights related to such receivables (collectively, the "Receivables"), generated by the Company and its Subsidiaries. The purchases, contributions or financings of the Receivables by the Receivables Company will be financed in part by the creation of a receivables facility, with or without external credit enhancement, in which ownership interests in, or notes, commercial paper, certificates or other instruments secured by or representing, directly or indirectly, beneficial interests in the Receivables (such ownership interests, notes, commercial paper, certificates or instruments, the "Receivables Securities") will be sold in one or more registered public offerings, private placements, or other available capital markets transactions by the Receivables Company or another entity.
Limited Recourse:	The transfer or pledge of Receivables by the Company and any applicable Subsidiaries to the Receivables Company will be made with limited recourse; provided that the Company and any applicable Subsidiaries may be liable under the definitive documentation for the creation and issuance of the Receivables Securities (the "Receivables Facility Documents") for customary recourse events, and in any event may be liable for (a) the breach of certain representations and warranties (consistent with similar financing transactions of this type) set forth therein, (b) the aggregate amount of any dilution with respect to any transferred or pledged Receivables, (c) its other agreements and obligations (consistent with similar financing transactions of this type) under the. Receivables Facility Documents, (d) any obligations incurred in respect of any underwriting or placement

agency agreements entered into in connection with the offering of the Receivables Securities, (e) its

servicing obligations and (f) customary indemnification and repurchase provisions.

SCHEDULE 8.7

TITLE TO PROPERTIES; LEASES

On October 28, 2003, Hasbro, Inc. and its affiliates transferred (i) all of the outstanding shares of capital stock of Wow Wee Limited, and certain intellectual property related to WowWee's business, to Power Assets Pacific Limited; and (ii) all of the outstanding shares of capital stock of WowWee Group Company to PRY Holdings Inc.

SCHEDULE 8.11

LITIGATION

NONE.

SCHEDULE 8.22

ENVIRONMENTAL COMPLIANCE

Below are listed material matters as to which the Company does not possess sufficient information to calculate future costs, if any, which it may incur:

1. Acme Solvents Reclaiming, Inc., Rockford, IL. In 2000, one potentially responsible party ("PRP") under the federal superfund statute, 42 U.S.C. ss.9601 et seq., asserted general claims against other PRPs, including the Company, based upon their status as PRPs at an operationally related site. Illinois EPA has asserted claims for approximately $100,000 in past costs at this newly-identified site. Future costs, if any, have not been determined. The Company's share of liability at the new site has been assessed by the PRP Group at 1.875 percent.

2. Volney Landfill Superfund Site, Oswego, NY. In 1998, the Company settled its liability with respect to operable unit one ("OU-1") of the cleanup at this Site for less than $15,000, including claims for Natural Resource Damages by EPA, based on a total cleanup cost for OU-1 of approximately $7 million. Costs for the OU-2 remedy have not yet been determined.

3. Skinner Landfill Superfund Site, West Chester, OH. Kenner has not been officially named as a PRP at this Site. However, the PRP group requested Kenner to participate in 1998 and Kenner declined. As yet, there has been no further communication from EPA or the PRP group. Total costs of cleanup at the Site are unknown.

In addition to the foregoing, the Company and/or its subsidiaries have over the course of the past 15 years been identified as PRPs or otherwise been involved in the investigation and/or cleanup of other state and federal superfund sites. The company has no reason to believe that either individually or in the aggregate its involvement in these other matters will have a Material Adverse Effect.

SCHEDULE 8.23

SUBSIDIARIES

See Exhibit 21 to the Form 10-K, which Exhibit 21 is attached hereto.

EXHIBIT 21

HASBRO, INC. AND SUBSIDIARIES
Subsidiaries of the Registrant (a)

NAME UNDER WHICH SUBSIDIARY DOES BUSINESS	STATE OR OTHER JURISDICTION OF INCORPORATION

OR ORGANIZATION
Hasbro International, Inc. Delaware
Hasbro France S.A.S France
Hasbro Deutschland GmbH Germany
Hasbro Italy S.r.l. Italy
Hasbro Latin America Inc. Delaware
Hasbro Chile LTDA Chile
Hasbro Latin America, L.P. Delaware
Hasbro S.A. Switzerland
Hasbro holdings S.A. Switzerland
Hasbro Canada Corporation / Corporation Nova Scotia
Hasbro Canada
Hasbro Asia-Pacific Marketing Ltd. Hong Kong
Tiger Electronics Far East Services, Limited Hong Kong
Hasbro de Mexico S.R.L.de C. V. Mexico
Hasbro (Schweiz) AG Switzerland
Hasbro U.K. Limited United Kingdom
Group Grosvenor Plc. United Kingdom
MB International B.V. The Netherlands
Hasbro B.V. The Netherlands
Hasbro Hellas Industrial & Commercial Greece
Company S.A.
Hasbro Toys & Games Holdings, S.L. Spain
Hasbro Iberia SL Spain
MB Espana, SA. Spain S.A.
Hasbro N. V. Belgium
Hasbro InterToy Eqitim Araclari Sanayi Ve Turkey Ticaret A.S.
Hasbro Far East LTD Hong Kong
Tiger Electronics Far East, Limited Hong Kong
WowWee Limited Hong Kong
Has Aust

Pty Ltd
Australia
Hasbro
Australia
Limited
Australia
Wizards of
the Coast,
Belgium
Belgium
Wizards of
the Coast, UK
Limited
United
Kingdom
Hasbro
Ireland
Limited
Ireland
Palmyra
Holdings Pte
Ltd.
Singapore
Hasbro
Managerial
Services,
Inc. Rhode
Island
Wizards of
the Coast,
Inc.
Washington
Wizards of
the Coast,
Italia Sr.l.
Italy Wizards
of the Coast,
France Franc

Wizards of the Coast Retail, Inc. Washington

- ----------
(a) Inactive subsidiaries and subsidiaries with minimal operations have been omitted. Such subsidiaries, if taken as a whole, would not constitute a significant subsidiary.

QuickLinks

HASBRO. INC. AND SUBSIDIARIES Subsidiaries of the Registrant(a)

SCHEDULE 10.1

EXISTING INDEBTEDNESS

AMOUNTS SHOWN FOR EXTERNAL SHORT-TERM FACILITIES ARE THE MAXIMUM THAT MAY BE OUTSTANDING FROM TIME TO TIME. AMOUNTS SHOWN ARE IN US DOLLARS OR THEIR US DOLLAR EQUIVALENTS.

Company/Borrower	Counterparty	Type/Description	Amount	Maturity Date
Hasbro Belgium	CBC	External Short-Term Facility	4,390,000	
Hasbro Chile	Banco de Santander	External Short-Term Facility	1,701,000	
Hasbro Chile	Security	External Short-Term Facility	813,000	
Hasbro Chile	Bank Bice	External Short-Term Facility	783,000	
Hasbro Far East*	Prior Owners of Grosvenor	Notes Payable	2,356,000	Various
Hasbro France	Credit Lyonnais	External Short-Term Facility	2,095,000	
Hasbro France	Societe Generale	External Short-Term Facility	6,887,000	
Hasbro Greece	National Bank of Greece	External Short-Term Facility	1,722,000	
Hasbro Hong Kong*	HSBC	External Short-Term Facility	5,547,000	
Hasbro Ireland	Allied Irish Bank	External Short-Term Facility	365,000	
Hasbro Israel *	Bank Leumi	External Short-Term Facility	2,000,000	
Hasbro Israel *	First Int'l Bank of Israel	External Short-Term Facility	1,000,000	
Hasbro Portugal	Banco Bilbao Vizcaya	External Short-Term Facility	172,000	
Hasbro SA *	UBS	External Short-Term Facility	2,234,000	
Hasbro Spain Manufacturing	Bankinter	Capitalized Leases	11,508,000	10/1/2014
Hasbro Spain Manufacturing	Bancaja	External Short-Term Facility	2,759,000	
Hasbro Spain Manufacturing	Banco Bilbao Vizcaya	External Short-Term Facility	2,759,000	
Hasbro Spain Manufacturing	Banco de Santander	External Short-Term Facility	690,000	
Hasbro Spain Manufacturing	Bankinter	External Short-Term Facility	2,070,000	
Hasbro Spain Selling	Bankinter	Capitalized Leases	7,889,000	10/1/2014

The amount of Indebtedness listed next to each external short-term facility listed above is the maximum principal amount permitted to be outstanding from time to time under such facility, and the amount thereof incurred under such revolving facility from time to time is deemed to be Indebtedness incurred in compliance with section 10.1(g) of the Credit Agreement to which this Schedule

10.1 is attached.

*Guaranteed by Hasbro, Inc.

SCHEDULE 10.2

EXISTING LIENS

1. Obligations under the Patent License Agreement dated as of 12/23/98 by and between Hasbro, Inc. and Fleet Capital Corporation.

2. Obligations under the Patent License Agreement dated as of 6/28/02 by and between Hasbro, Inc. and Fleet Capital Corporation.

3. Obligations under the Trademark and Copyright License Agreement dated as of 8/26/03 by and between Hasbro, Inc. and Fleet Capital Corporation.

4. Liens pursuant to or under (a) the Contribution Agreement entered on December 6, 2000, by and among the Company, Hasbro U.K. Limited, Hasbro Internet Holdings, Inc. and Infogrames Entertainment SA ("Infogrames") and (b) the Warrant Agreement entered into between the Company and Infogrames on January 26, 2001, in each case relating to the Capital Stock of Infogrames.

5. The Company, Hasbro Internet Holdings, Inc. and Hasbro U.K. Limited (together the "Sellers") entered into a Settlement Agreement with Infogrames Entertainment SA ("Infogrames") effective as of December 20, 2001 (the "Settlement Agreement"). The Settlement Agreement provides Infogrames with a right of first refusal on any sale or other transfer by the Sellers of any Retained Shares (as defined in the Settlement Agreement) of Infogrames stock to a non-Affiliate of Hasbro.

6. Each of the filings listed on Exhibit A attached hereto.

Exhibit A

DEBTOR: HASBRO, INC.

Secured Party
Jurisdiction
File Number
Date Filed
Collateral -

-- Winthrop Resources Corporation
SOS, CA
9927060163
9/17/99
Specific leased equipment - -

- 9927060168
9/17/99
Specific leased equipment - -

- Dana Commercial Credit SOS, MA 583169
10/13/98
Specific

leased equipment - -
- Pitney Bowes Credit Corporation 593464 11/27/98 All equipment manufactured, sold or distributed by Pitney Bowes Credit Inc., Monarch Marketing Systems, Inc, Pitney Bowes Credit Corp, and Dictaphone Corp., subject to lease dated 9/23/98 between debtor and secured party -
---- Newcourt Communications 657749 9/1/99 Specific leased equipment Financing Corporation -
-- 99657749 9/1/00 Specific leased equipment - -
- Bank One, N.A. 669920 10/25/99 Specific leased equipment (true lease-filed for precautionary purposes) - -
- Heller Financial Leasing, Inc.

732696
7/25/00
Specific
leased
equipment - -

- Newcourt
Communications
734982 8/3/00
Specific
leased
equipment
Financing
Corporation -

-- NCP
Leasing, Inc.
20010307164
6/11/01 0 - -

- Pitney
Bowes Credit
Corporation
20020939564
2/25/02
Specific
equipment 0 -

-- Newcourt
Communications
East 152
8/7/00
Specific
leased
equipment
Finance
Corporation
as Lessor
Longmeadow
Town, MA - --

Dana
Commercial
Credit SOS,
OH AN83810
7/23/97
Specific
leased
equipment
Corporation -

	-- Tokai Financial Services, Inc. AP0045826 4/16/98 Specific leased equipment- true lease. Filed for precautionary purposes only				
	---- Bank One, N.A. AP0100866 10/26/98 Specific leased equipment- true lease. Filed for precautionary purposes only				
	---- AP0108004 12/16/98 Specific leased equipment- true lease. Filed for precautionary purposes only				
	---- AP0190089 10/25/99 Specific leased equipment- true lease. Filed for precautionary purposes only				

Heller Financial Leasing Inc.		AP0247853	6/14/00	Specific leased equipment	
		AP025744	7/24/00	Specific leased equipment	
		AP0254457	7/11/00	Specific leased equipment	
Copelco Capital Inc.	SOS, RI	659691	12/2/96	Specific Equipment (copy machines). True lease. Filed for precautionary purposes	

			only
Receivable Capital Corporation	660728	12/27/96	Certain accounts of other amounts owed by certain obligors identified in the Receivables Purchase Agreement dated 12/24/96
Dana Commercial Credit Corporation	661519	1/14/97	Specific leased equipment
Dana Commercial Credit Corporation	667574	6/19/97	Specific leased equipment
Dana Commercial Credit Corporation	668932	7/21/97	Specific leased equipment
Dana Commercial Credit Corporation	673094	11/10/97	Specific leased equipment
Dana Commercial Credit Corporation	674427	12/17/97	Specific leased equipment
Dana Commercial Credit Corporation	675426	1/12/98	Specific leased equipment
Dana Commercial Credit Corporation	681834	6/16/98	Specific leased equipment
Dana Commercial Credit Corporation	686721	10/13/91	Specific leased equipment
NCP Leasing, Inc.	687328	10/27/98	Specific leased equipment-true lease. Filed for precautionary purposes only
		6//11/01	
NCP Leasing, Inc.	689630	12/21/98	Specific leased equipment-true lease.
		6/11/01	
NCP Leasing, Inc.	703538	10/26/99	Specific leased equipment-true lease.
		6/11/01	
Pitney Bowes Credit Corporation	688757	11/27/98	All equipment manufactured, sold or distributed by Pitney Bowes Credit Inc., Monarch Marketing Systems, Inc, Pitney Bowes Credit Corp, and Dictaphone Corp.,

			subject to lease dated 9/23/98 between debtor and secured art
	677145	2/27/98	All equipment manufactured, sold or distributed by Pitney Bowes Credit Inc., Monarch Marketing Systems, Inc, Pitney Bowes Credit Corp, and Dictaphone Corp., subject to lease dated 11/19/97 between debtor and secured
3D Capital Coporation	694615	4/12/99	Specific leased equipment
Heller Financial Leasing Inc.	713306	5/31/00	Specific leased equipment
Heller Financial Leasing Inc.	713307	5/31/00	Specific leased equipment
Heller Financial Leasing Inc.	713308	5/31/00	Specific leased equipment
Heller Financial Leasing Inc.	714052	6/19/00	Specific leased equipment
Heller Financial Leasing Inc.	714053	6/19/00	Specific leased equipment
Heller Financial Leasing Inc.	715277	7/14/00	Specific leased equipment
Heller Financial Leasing Inc.	715720	7/25/00	Specific leased equipment
Heller Financial Leasing Inc.	716537	8/15/00	Specific leased equipment
Heller Financial Leasing Inc.	720064	10/30/00	Specific leased equipment
Heller Financial Leasing Inc.	723546	1/22/01	Specific leased equipment
IBM Credit Corporation	720332	11/29/00	Specific equipment
Heller Financial Leasing Inc	723546	1/22/01	Leased equipment
Heller Financial Leasing, Inc.	727093	4/9/01	Leased equipment
Heller Financial Leasing, Inc.	727094	4/9/01	Leased equipment
Dell Financial Services, LP	727480	4/19/01	Leased equipment
Heller Financial Leasing, Inc.	728326	5/8/01	Leased equipment

Comdisco, Inc.	728482	5/14/2001	Leased equipment
IBM Credit Corporation	728710	5/18/2001	Leased equipment
Heller Financial Leasing, Inc.	729377	6/4/2001	Leased equipment
Winthrop Resources Corporation	001625	8/27/2001	Leased equipment
NCP Leasing, Inc.	002950	10/9/2001.	Leased equipment

NCP Leasing, Inc.	002963	10/9/2001	Leased equipment
NCP Leasing, Inc.	002964	10/9/2001	Leased equipment
NCP Leasing, Inc.	002965	10/9/2001	Leased equipment
NCP Leasing, Inc.	002966	10/9/2001	Leased equipment
NCP Leasing, Inc.	002983	10/9/2001	Leased equipment
NCP Leasing, Inc.	002984	10/9/2001	Leased equipment
Wells Fargo Equipment Finance, Inc.	003859	11/7/2001	Leased equipment
Wells Fargo Equipment Finance, Inc.	003860	11/31/2001	Leased equipment
BankOne, N.A.	003983	11/13/2001	Leased equipment
		12/17/2001	
NCP Leasing, Inc.	003983	11/13/2001	Leased equipment
NCP Leasing, Inc.	003983	11/13/2001	Leased equipment
NCP Leasing, Inc.	003983	11/13/2001	Leased equipment
NCP Leasing, Inc.	003983	11/13/2001	Leased equipment
Summit Funding Group, Inc.	003991	11/13/2001	Leased equipment
Summit Funding Group, Inc.	004210	11/20/2001	Leased equipment
Summit Funding Group, Inc.	004405	11/29/2001	Leased equipment
NCP Leasing, Inc.	004887	12/17/2001	Leased equipment
Summit Funding Group, Inc.	004888	12/17/2001	Leased equipment
Summit Funding Group, Inc.	004897	12/17/2001	Leased equipment
Citizens Leasing Corporation	005668	1/9/2002	Leased equipment
	010968	6/14/2002	
Summit Funding Group, Inc.	005868	1/15/2002	Leased equipment
Comdisco, Inc.	006163	1/24/2002	Leased equipment
Citizens Leasing Corporation	006222	1/28/2002	Leased equipment
	010970	6/14/2002	
Citizens Leasing Corporation	006226	1/28/2002	Leased equipment
	010969	6/14/2002	

Citizens Leasing Corporation	006589	2/8/2002	Leased equipment
Citizens Leasing Corporation	006590	2/8/2002	Leased equipment
Pitney Bowes Credit Corporation	007112	2/25/2002	Leased equipment
Pullman Bank & Trust	007328	3/4/2002	Computer hardware equipment lease
	008745	4/3/2002	
	009081	4/22/2002	
NCP Leasing	007818	3/18/2002	Computer equipment lease
NCP Leasing	007819	3/18/2002	Computer equipment lease

General Electric Capital Corporation	007833	3/18/2002	Computer hardware equipment lease
	012578	8/6/2002	
Fleet National Bank, as Agent	008050	3/25/2002	All Assets
Comdisco, Inc.	008367	4/1/2002	Leased equipment subject to the terms and conditions of Schedule 58 dated 4/28/1998
Comdisco, Inc.	009319	4/29/2002	Leased equipment subject to the terms and conditions of Schedule 65 dated 6/22/1999
Comdisco, Inc.	009320	4/29/2002	Leased equipment subject to the terms and conditions of Schedule 59 dated 4/28/1998
NCP Leasing, Inc.	009730	5/10/2002	Computer equipment lease
NCP Leasing, Inc.	009731	5/10/2002	Computer equipment lease
Winthrop Resources Corporation	010934	6/17/2002	Leased equipment
General Electric Capital Corporation	011548	7/3/2002	Leased equipment
	011579	8/6/2002	
General Electric Capital Corporation	011550	7/3/2002	Leased equipment
	012577	8/6/2002	
The CIT Group/Commercial Services, Inc.	012305	7/26/2002	All present and future accounts arising from debtors sales of goods or performance of services to WART Corporation and related instruments documents and chattel paper.
Winthrop Resources Corporation	012482	8/2/2002	Leased equipment

Winthrop Resources Corporation	012482	8/2/2002	Leased equipment
Winthrop Resources Corporation	012482	8/2/2002	Leased equipment
General Electric Capital Corporation	012577	8/6/2002	Copy missing?
NCP Leasing, Inc.	012894	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012985	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012896	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012897	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012898	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012899	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012900	8/19/2002	Computer equipment lease
NCP Leasing, Inc.	012901	8/19/2002	Computer equipment lease
Comdisco, Inc.	013984	9/26/2002	Leased equipment subject to the terms and conditions of Schedule 47 dated 9/9/1996
De Lage Landen Financial Services, Inc.	016380	12/23/2002	Equipment lease
Comdisco, Inc.	016948	1/9/2003	Leased equipment subject to the terms and conditions of Schedule 53 dated 9/15/1997
Comdisco, Inc.	016949	1/9/2003	Leased equipment subject to the terms and conditions of Schedule 73 dated 3/18/2000
Comdisco, Inc.	016950	1/9/2003	Leased equipment subject to the terms and conditions of Schedule 59 dated 4/28/1998
De Lage Landen Financial Services, Inc.	019253	3/17/2003	Equipment lease
IBM Credit LLC	019683	3/31/2003	Computer equipment lease (software)
Comdisco, Inc.	019712	3/31/2003	Leased equipment subject to the terms and conditions of Schedule 49 dated 2/20/1997
De Lage Landen Financial Services Inc.	020460	4/17/2003	Equipment lease
First Bank of Highland Park	023140	7/1/2003	Equipment lease

		024140	7/28/2003	

First Bank of Highland Park		023145	7/11/2003	Equipment lease
		024133	7/28/2003	
Nextiraone LLC		025114	8/25/2003	Equipment lease
IBM Credit LLC		20030075467 0	9/29/2003	Computer equipment lease (software)
Fleet Capital Corporation		027044	10/23/2003	US Patents
Fleet Capital Corporation		027045	10/23/2003	US Trademarks
KBA North America Inc., Sheetfed Division		20030075652 0	10/27/2003	Equipment lease
Winthrop Resources Corporation		2001-176-0287	6/25/01	Leased equipment

DEBTOR: WIZARDS OF THE COAST, INC.

Secured Party	Jurisdiction	File Number	Date Filed	Collateral
Panasonic Communications Assignee: Fleet Leasing Corporation	SOS, CA	0018860593	6/29/00	Specific leased equipment (copy machine)
Raymond Leasing Corporation	SOS, TX	98-143791	7/14/98	Specific equipment
Raymond Leasing Corporation		98-207543	10/15/98	Specific equipment (forklift)
Raymond Leasing Corporation		98-236230	11/30/98	Specific equipment
Raymond Leasing Corporation		99-120357	6/14/99	Specific equipment
Raymond Leasing Corporation		00-447675	3/6/00	Specific lease equipment (filed for precautionary purposes only)
Raymond Leasing Corporation		00-618915	11/2/00	Specific lease equipment (filed for precautionary purposes only)
Raymond Leasing Corporation		00-632274	11/27/00	Specific equipment
A.C.S.S. Dallas Industrial, Inc		01-034797	2/22/01	Goods, inventory, equipment, fixtures situated on or related to Tenants use of the Premises
A.C.S.S. Dallas Industrial, Inc		01-034857	2/22/01	Goods, inventory, equipment, fixtures situated on or related to Tenants use of the Premises
Fuji Photo Film USA, Inc.	DOL, WA	95-181-0133	6/30/95	Specific equipment
		2000-014-0141	1/14/00	
Xerox Corp.		98-030-0115	1/30/98	Specific equipment (copier)
Dana Commercial Credit Corporation		98-131-0129	5/11/98	Specific leased equipment
Fuji Photo Film USA, Inc.		98-348-0149	12/14/98	Laminator
Pitney Bowes Credit Corporation		99-074-0324	3/15/99	All equipment manufactured, sold or distributed by Pitney Bowes Credit Inc., Monarch Marketing Systems, Inc, Pitney Bowes Credit Corp, and Dictaphone Corp., subject to lease dated 12/16/98 between debtor and secured party
Dupont Color Proofing		99-203-0082	7/22/99	Waterproof Washoff Unit, Waterproof laminator

West Coast Retail		2001-036-0148	2/25/01	Specific equipment

Kodak Polychrome Graphics	2001-127-0028	5/7/01	Laminator
Fleet National Bank, as Agent	2002-092-6427	3/22/2002	All Assets
THE CIT Group/Commercial Services, Inc.	2002-207-6584	7/26/2002	All present and future accounts arising from debtors sales of goods or performance of services to KMART Corporation and related instruments documents and chattel paper...
Raymond Leasing Corporation	2003-100-0374	4/7/2003	(2) Raymond Reach with batteries and chargers
Raymond Leasing Corporation	2003-175-3628	6/20/2003	Exides Lease
Raymond Leasing Corporation	2003-175-3723	6/20/2003	Exides Lease
Raymond Leasing Corporation	2003-175-3724	6/20/2003	Exides Lease

DEBTOR: ODDZON, INC.

Secured Party Jurisdiction File Number Date Filed Collateral - --

SOS, CA 0027061080 9/19/00 state tax lien $133,719.34- Employment Development department - --

THE CIT 2184763-5 7/26/2002 All present and future accounts arising Group/Commercial from debtors sales of goods or performance Services, Inc. of services to WART Corporation and related instruments documents and chattel paper... - ----

DEBTOR: TIGER ELECTRONICS, LTD.

Secured Party Jurisdiction File Number Date Filed Collateral - ---

MBS Business Systems SOS, IL 4302675 11/30/00 Specific equipment (copy machine) -

SOSs, RI -

SOS, WA - -

SCHEDULE 10.12

RESTRICTIONS ON NEGATIVE PLEDGES

1. The Company, Hasbro Internet Holdings, Inc. and Hasbro U.K. Limited (together the "Sellers") entered into a Settlement Agreement with Infogrames Entertainment SA ("Infogrames") effective as of December 20, 2001 (the "Settlement Agreement"). The Settlement Agreement provides Infogrames with a right of first refusal on any sale or other transfer by the Sellers of any Retained Shares (as defined in the Settlement Agreement) of Infogrames stock to a non-Affiliate of Hasbro.

2. Two indentures of the Company provide, with certain exceptions and subject to a basket equal to the greater of 10% of consolidated net tangible assets (as defined in the indentures) or $100,000,000, that neither the Company nor any subsidiary may create, incur, assume or guarantee any Secured Debt without equally and ratably securing the outstanding securities under the indentures. In both indentures, Secured Debt is defined as follows:

"Secured Debt" means indebtedness for money borrowed by the Company or its Subsidiaries (other than indebtedness owed by a Subsidiary to the Company, by a Subsidiary to another Subsidiary or by the Company to a Subsidiary), which in any case is secured, whether by operation of law or otherwise, by a mortgage, security interest, pledge, lien or other encumbrance on Principal Property or on any shares of stock or evidences of indebtedness of a Subsidiary. If any amount of such indebtedness described in the parenthetical in the preceding sentence and held by the Company or a Subsidiary is transferred in any manner to any Person other than the Company or a Subsidiary, such amount shall be deemed to be Secured Debt issued on the date of transfer.

In both indentures, "Principal Property" is defined as follows:

"Principal Property" means any real property, any manufacturing, plant, warehouse, office building or other physical facility or other like depreciable physical asset of the Company or of any Subsidiary whether owned on the date hereof or hereafter acquired having a net book value at the time of determination in excess of the greater of 5% of Consolidated Net Tangible Assets or $50 million, other than, in each case, any of the same which in the good faith opinion of the Board of Directors is not of material importance to the total business conducted

by the Company and its Subsidiaries, as a whole.

L E A S E

THIS INDENTURE AND AGREEMENT OF LEASE, made and entered into this 11th day of November, 2003.

BY AND BETWEEN: CENTRAL TOY MANUFACTURING INC., a body politic and corporate, duly incorporated according to law, having its Head Office and principal place of business at 2350 rue de la Province, Longueuil, Quebec, Canada, herein represented by Donald Bezahler, duly authorized as he so declares,

(hereinafter called "LESSOR")

AND: HASBRO CANADA CORPORATION, a body politic and corporate, duly incorporated according to law, having its Head Office and principal place of business at 2350 rue de la Province, Longueuil, Quebec, Canada, herein represented by Avrum Stark, its Senior Vice President, Finance and Operations, duly authorized as he so declares,

(hereinafter called "LESSEE")

1. DESCRIPTION

The Lessor leases to the Lessee, who accepts same, the following premises:

1.1 certain premises comprising an area of approximately Two Hundred Twenty-Two Thousand Four Hundred Sixty-Four Square Feet (222,464 sq. ft.) (the "PREMISES"), consisting of an office area of approximately Twenty-One Thousand One Hundred Thirty Square Feet (21,130 sq. ft.) and a manufacturing and warehousing area of approximately Two Hundred One Thousand Three Hundred Thirty-Four Square Feet (201,334 sq. ft.) located in the building bearing the civic address 2350, rue de la Province, Longueuil, Quebec (the "BUILDING") situated on the property described in Schedule "A" (the "PROPERTY");

1.2 that certain undeveloped land contiguous and adjacent to the Building presently being used by Lessee for the purposes of a parking lot comprised of two (2) sections, the first section totalling approximately One Hundred Eighty-One Thousand One Hundred Forty-Three and Seventy-Five One Hundredths Square Feet (181,143.75 sq. ft.), and the second section totalling approximately Thirty Thousand Seven Hundred Thirty-Seven and Sixty-Eight One Hundredths Square Feet (30,737.68 sq. ft.), aggregating in the amount of Two Hundred Eleven Thousand Eight Hundred Eighty-One and Forty-Three One Hundredths (211,881.43 sq. ft.) (collectively the "PARKING Lot"), forming part of the Property. For greater certainty, the Building and the Parking Lot are situated on the Property, the whole as identified in the plan attached herewith as Schedule "B".

2. TERM

2.1 The duration of the present Lease shall be for a term of six (6) years (the "TERM"), commencing on the first (1st) day of the month of February, 2004, up to the thirty-first (31st) day of the month of January, 2010. The continued occupation of the Premises by the Lessee, other than pursuant to the express renewal of the Lease as agreed to by the parties hereto, after the expiry of the Term, shall not constitute a tacit renewal or extension of this Lease and the Lessor shall construe such conduct as a tenancy from month to month, subject to all the terms and conditions of this Lease.

2.2 The Lessee shall have the right to terminate this Lease on January 31, 2007 or anytime thereafter. In order to exercise this right to terminate, the Lessee must give the Lessor a notice of

its intention to terminate this Lease at least six (6) months prior to the intended termination date.

3. RENTAL

3.1 During the Term, the annual rental payment for each 12 month period of the Term shall be FIVE HUNDRED TWENTY-FIVE THOUSAND DOLLARS ($525,000), payable in equal and consecutive monthly instalments of FORTY-THREE THOUSAND SEVEN HUNDRED FIFTY DOLLARS ($43,750) each plus the applicable goods and services tax (GST) and provincial sales tax (PST);

3.2 Rental is payable in advance on the first (1st) day of each and every month of each and every year, the first (1st) payment of which shall become due and payable on the first (1st) day of February, 2004, and monthly thereafter.

3.3 The present Lease is made on a net-net rental basis except for mortgage payment, if any, and the Lessee shall, in addition to the above, pay:

a) ALL charges of maintenance of the Building and Parking Lot of whatever nature, including all necessary repairs and lesser maintenance repairs, excluding the costs of the repairs described in Section 7 hereof;

b) ALL taxes, assessments, rates, special, ordinary or extra-ordinary of every nature and kind whatsoever, which may be fixed, charged, levied,

assessed or otherwise imposed upon the Premises, Parking Lot or improvements thereon, or the activities conducted therein by the Lessee, by the Municipality, Province or any legal authority. The Lessee shall exhibit or deliver to the Lessor, when requested, receipts showing payment of the aforesaid taxes, assessments, rates or levies;

c) The costs of all insurance which the Lessee binds and obliges itself to maintain covering the Building against usual and customary risks and hazards shall be placed by the Lessee with insurance companies of recognized responsibility and credit which shall be approved by the Lessor, for the full replacement value thereof against fire or all other risks generally covered by an extended coverage endorsement, all such policies to be in the names of the Lessor and the Lessee, and payable to the mortgagee, if any, Lessor and Lessee, as their respective interests may appear.

4. CONDITIONS

The present Lease is made subject to the following conditions, to the fulfillment whereof the parties hereto respectively oblige themselves, namely:

4.1 That the Lessee shall pay the rent at the time and in the manner aforesaid, such rent to be made payable to the Lessor, without the necessity of and demand therefor at 2350 rue de la Province, Longueuil, Quebec, Canada, or at such other place as the Lessor may from time to time designate in writing to the Lessee.

4.2 The Lessee shall assume and be responsible for all repairs and maintenance to the Building and the Parking Lot, of whatever nature, other than the repairs and the work described in Section 7 hereof which shall be the responsibility of the Lessor. At the expiration of the Term, the Lessee shall remove its goods and effects and shall peaceably yield up to the Lessor the Premises in as good order and condition as when delivered to it at the beginning of the Term, excepting ordinary wear and tear and damages by fire. In the event the Lessee fails to commence any repairs which it is required to make within thirty (30) days of written notification of such necessary repairs by the Lessor, and fails to complete them within a reasonable time, then the Lessor may make such repairs, and the cost thereof shall be repaid forthwith to the Lessor by the Lessee, and Lessee shall pay interest, if any, on Lessor's reasonable borrowing costs on all sums so advanced by Lessor.

4.3 That the Lessee shall, at its own expense, heat the Premises to a reasonable degree of heat and protect from frost all the water and drain pipes and valves, water closets, sinks and accessories thereof in and about the Premises, and keep the same free from all uncleanliness or obstruction that might prevent the proper working of the same.

4.4 The Lessee may not assign this Lease or sub-lease the whole or any part of the Premises or the Parking Lot without the prior written approval of the Lessor, which approval shall not be withheld without a serious reason, and which must be communicated to the Lessee within fifteen (15) days of the Lessee's request (the "REQUEST").

This Section 4.4 shall not apply to either (a) transactions with an entity into or with which Lessee is merged, amalgamated or consolidated, or to which all or substantially all of Lessee's assets are transferred, (b) transactions with any entity which controls or is controlled by Lessee or is under common control with Lessee or (c) transactions with any entity which acquires a controlling equity interest in Lessee. Each of the said transactions shall not constitute a sub-lease or assignment for purposes of this Lease.

In the event of assignment or a sub-lease under this Condition, the assignee or sub-lessee must use the assigned or sub-leased premises only for purposes similar to those hereunder mentioned, and the Lessee shall remain solidarily responsible with such assignee or sub-lessee for the payment of all rental and the compliance with all of the conditions hereunder. Lessor shall have the option in the event that it does not consent to a sub-lease and/or an assignment to release Lessee from this Lease, and must inform the Lessee of its decision by sending to the Lessee a written notice (the "RELEASE NOTICE") within fifteen (15) days of the Lessee's Request.

In the event the Lessor elects to release the Lessee, the Lessee shall have the option to withdraw its Request and shall notify the Lessor of its decision to withdraw its request within fifteen (15) days of receipt of the Release Notice.

If the Lessee assigns this Lease or sublets the Premises or any portion thereof, the Lessee can retain one hundred percent (100%) of the amount of the compensation received by the Lessee as a result of such assignment or subletting.

4.5 The present Lease shall not be interrupted or terminated by any loss or destruction by fire or otherwise, even total destruction of the Building hereby leased, and the Lessor obliges itself in the event of any such damage or destruction to repair or replace the Building as the case may be, the whole at its own expense and provided always that the whole of the proceeds of any insurance are made available by mortgage, if any, and the Lessee for such purpose. In the event of such loss or destruction the Lessee shall pay rent only in proportion to the usable space, and the Lessor binds and obliges itself to make repairs and/or replacements with all due diligence. Notwithstanding the aforementioned, Lessor shall have the option not to rebuild in the event of the destruction of the Premises by fire or otherwise, in the event that the payment to the Lessor of the whole of the proceeds of the insurance coverage contemplated by this Lease, in the Lessor's judgment such proceeds are not adequate to effect rebuilding without additional outlay from Lessor. If this

event shall take place, then Lessee shall have the right to collect the proceeds and rebuild, subject to mortgagee approval, if applicable. Notwithstanding any rebuilding by Lessee hereunder, the building so erected shall be and remain the property of Lessor from the date such rebuilding is commenced and no emphyteutic lease is hereby created.

4.6 That the Lessee shall have the right to make alterations and/or additions but not including, without the written consent and approval of the Lessor, structural alterations and/or additions to the Premises or the Parking Lot, provided such alterations and/or additions in no way lessen the strength of the structure, in no way depreciate the value of the realty, and are performed in accordance with good construction practice and under the supervision of a competent architect. In the event alterations and/or additions not of permanent character and not incorporated in the Premises shall have been made by the Lessee under this provision, the Lessee shall, at the termination of this Lease, if so requested by the Lessor, remove the same at its cost and restore the Premises or the Parking Lot, as the case may be, to the same state and condition as they were in at the time of the commencement of this Lease, reasonable wear and tear excepted. Should any alterations and/or additions remain even with the consent of the Lessor, the Lessor shall not be required to pay any compensation or indemnity therefor. If, as a result of any work done by the Lessee the Property becomes affected by any legal hypothec, the Lessee agrees to discharge the same within thirty (30) days of being called upon to do so by the Lessor in writing, or it may within the same delay if it wishes, in good faith contest such legal hypothec, deposit with the Lessor a sum sufficient to cover any such legal hypothec in principal, interest and costs.

4.7 That at the termination of this Lease, all machinery, movable partitions and equipment installed in the Premises or on the Parking Lot at the Lessee's expense shall remain the property

of the Lessee and may be removed by the Lessee. The Lessee shall, however, repair any damage caused directly by said installation or removal.

4.8 That all signs installed or erected by the Lessee or any sub-lessee or assignee on or about the exterior of the Building shall be the responsibility of the Lessee and shall be in keeping with the general character of the Building and subject to the approval of the Lessor, which approval shall not be unreasonably withheld, and to the approval of the City of Longueuil. Upon removal of said signs at the termination of this Lease or any renewal thereof, the Lessee agrees to repair any damage caused by such installation and removal.

4.9 That the Lessee use the Premises only for the purposes of manufacturing, assembling, warehousing and offices, and will not use or consent to any use of the Premises which is or shall be contrary to any valid by-law, rules and regulations of every municipal or other authority which in any manner relate to or affect the operation of its business and to indemnify and save harmless the Lessor from any cost, charge or damage to which the Lessor may be put or suffer by reason of a breach of any such by-law, rule or regulation.

4.10 That the Lessor may during the Term and during Lessee's normal business hours enter to view the Premises or to make such repairs as the Lessor may deem advisable (even though the same may not be required by this Lease) or for the purpose of exhibiting the Premises to persons who may wish to purchase the same. The Lessor may also at any time during the six (6) months before the expiration of the Term show the Premises to others, and affix to any suitable part of the Premises a notice for letting or selling and keep the same affixed without hindrance or molestation.

4.11 That if the Lessee shall neglect or fail to perform or observe any of the covenants contained herein on its part to be observed and performed for thirty (30) days after written notice by the Lessor, or if the Lessee shall be adjudicated bankrupt or insolvent according to law, or shall make an assignment for the benefit of creditors, then, in any of said cases, the Lessor may lawfully enter into and upon the Premises and the Parking Lot and repossess the same for its benefit and expel the Lessee and those claiming under and through it and remove its effects (forcibly if necessary) without being deemed guilty of any manner of trespass and without prejudice to its rights and recourses against the Lessee or its representatives for the rent then due and damages, and, upon entering as aforesaid, this Lease shall terminate and the Lessee covenants that in case of such termination it will indemnify the Lessor against all loss of rent which the Lessor may incur by reason of such termination during the remainder of this Lease.

4.12 That the Lessor shall not be liable for any injury to or loss suffered by Lessee, its employees, servants, agents, sub-lessees, or other persons in or about the Premises or the Parking Lot from whatsoever cause the same may arise, other than defects in construction not attributable to any fault or neglect on the part of the Lessee or those for whom it is in law responsible, and the Lessee releases the Lessor from all liability for any such injury, loss, destruction or damage, except as due to or occasioned by the act or neglect of the Lessor.

4.13 The Lessor hereby waives the benefit of the presumption created by Article 1862 of the Civil Code of Quebec.

4.14 That the failure of Lessor or Lessee to enforce any covenant or conditions of this Lease shall not be deemed to void or affect the right of the injured party to enforce the same covenant or condition on the occasion of a subsequent default or breach. Neither the payment of rent by the Lessee nor the receipt by the Lessor of rent with knowledge of the breach of any covenant hereof on the part of the Lessee or Lessor shall be deemed a waiver of such breach. No waiver by the Lessor or Lessee of any provisions hereof shall be deemed to have been made unless so expressed in writing.

4.15 That all notices to be given hereunder by either party shall be in writing, either by personal delivery or to be sent by registered mail addressed to the party intended to be notified.

The Lessee elects domicile at the place of the Premises which shall be the address for services of all notices in connection with legal proceedings taken hereunder, and all notices to the Lessee shall be to this address. In addition, a copy of all notices sent to the Lessee shall be sent to Hasbro Inc. at 1027 Newport Avenue, Pawtucket, Rhode Island, 02862, to the attention of the General Counsel.

The Lessor elects domicile at 2350, rue de la Province, Longueuil, Quebec, Canada, which shall be the address for services of all notices in connection with the Lease.

5. OPTION TO RENEW

5.1 Lessee, faithfully performing its obligations and undertakings hereunder and not being in default, shall have the option to renew this Lease for one (1) period of three (3) years commencing at the expiration of the Term, on the same terms and conditions as those provided in this Lease, except rental which shall be the then fair market rental rate for similar buildings in the area.

5.2 In order to exercise the said option to renew, the Lessee shall give written notice to the Lessor at least six (6) months prior to the expiry of the Term, of its intention to renew this Lease for a further period of three (3) years. The date of the giving of such notice shall be hereinafter referred to as the "EXERCISE DATE".

5.3 Following the Exercise Date, Lessor and Lessee shall in good faith attempt to agree on the fair market rental. If Lessee and Lessor are unable to agree upon such fair market rental, then within fifteen (15) days of the Exercise Date, Lessee and Lessor shall jointly appoint a real estate appraisal firm based in Montreal with at lease five (5) years experience in appraising commercial real estate (the "APPRAISER") to determine such fair market rental. Lessee and Lessor agree that the Appraiser in making its appraisal of the fair market rental shall take into account the terms of the Lease, including the triple net nature thereof, the condition of the Premises, the rent payable for premises similar to the Premises having regard to the nature, location and usage of the Premises and all other appropriate factors such as tenant improvements, brokerage fees and other inducements offered for comparable buildings. The fair market rental shall be determined by such Appraiser within ninety (90) days of the Exercise Date.

5.4 If Lessor and Lessee cannot jointly agree on an Appraiser, then within twenty (20) days of the Exercise Date, each shall appoint an Appraiser. Both appraisals shall be completed and delivered simultaneously to Lessor and Lessee on the fiftieth (50th) day following the Exercise Date. If the higher appraisal is less than 5% greater than the lower appraisal, then the fair market rental shall be the average of both appraisals. If the higher appraisal is more than 5% greater than the lower appraisal, then within sixty-five (65) days following the Exercise Date, the Appraisers shall jointly select another Appraiser to make an additional appraisal of the fair market rental, which shall be completed and delivered to Lessor and Lessee within ninety (90) days following the Exercise Date. In this last case, fair market rental shall be the average of the two closest appraisals.

5.5 Each party shall bear the cost of the Appraiser selected solely by such party. All costs of any Appraisers jointly selected by Lessor and Lessee shall be borne equally by Lessor and Lessee. The fair market rental determined by (i) the sole jointly elected Appraiser in accordance with Section 5.3 or (ii) by averaging certain appraisals pursuant to Section 5.4 shall be final and binding on Lessor and Lessee with respect to the three year renewal term in question.

6. SALE OF THE PROPERTY

6.1 For the duration of the Term or any renewal thereof, the Lessor shall be entitled to sell the Building and the Parking Lot only as a whole and not separately, subject to the following:

a) RIGHT OF FIRST REFUSAL. If Lessor receives a genuine bona fide written offer (the "THIRD PARTY OFFER") from an unrelated bona fide third party (the "THIRD PARTY") for the whole of the Premises and Parking Lot, and the Third Party Offer is acceptable to the Lessor, then the Lessor shall first offer to sell (the "OFFER") the Premises and Parking Lot to the Lessee on the same terms and conditions as those contained in the Third Party Offer. The Offer shall be sent to the Lessee and shall be open for acceptance for ten (10) business days (the "OFFER PERIOD") from the date of receipt of the Offer by the Lessee. If the Lessee fails to accept the Offer within the Offer Period, then the Lessor shall be free for a period of sixty (60) days from the end of the Offer Period to sell all (but no less than all) of the Premises and the Parking Lot to the Third Party on the same terms and conditions provided in the Third Party Offer, it being understood, however, that,

should the ultimately negotiated sale price be lower than the one submitted in the Offer by an amount which is greater than 5% of the sale price submitted in the Offer (other than as a result of normal

closing adjustments), the Lessee shall be notified of such occurrence by the Lessor at least five (5) business days before entering in the deed of sale, and should the Lessee so notify the Lessor within such period, the Lessor shall not sell the Premises and the Parking Lot without again following and being subject to the provisions of this Section 6.1 a) by presenting a new Offer, taking into account the said ultimately negotiated price. If no sale to the Third Party takes place within the applicable sixty (60) day period, then the Lessor shall not sell the Premises and the Parking Lot without again following and being subject to the provisions of this Section 6.1 a).

b) LAPSE OF FIRST REFUSAL RIGHT. Should the Lessee fail to give written notice to the Lessor of its intention to renew the Lease for a further three (3) years in accordance with the provisions of Section 5 hereof, the above-mentioned right of first refusal shall lapse concurrently with the said option to renew. Notwithstanding the foregoing, should the procedure under the first refusal right hereunder have been initiated prior to any such right lapsing or prior to the termination of this Lease, the terms of Section 6.1 a) shall remain in full force and effect until said procedure has been completed.

c) BREACH OF FIRST REFUSAL RIGHT BY LESSEE. If the Lessee accepts the Offer during the Offer Period, but does not complete the purchase transaction within sixty (60) days from the date when all of the conditions (other than conditions totally within the control of Lessee) to the Third Party Offer are satisfied as a result of a breach of Lessee's obligations under the Third Party Offer as accepted by Lessee, the Lessor shall be entitled to seek specific performance of the Lessee's obligations under the Offer as accepted by Lessee and the Lessee shall be liable to the Lessor for all losses, damages, and expenses (including broker and legal fees) suffered or incurred by the Lessor as a result of the Lessee's breach.

7. LESSOR'S WORK AND ACKNOWLEDGEMENT

7.1 The Lessor undertakes to repair the roof of the Building, at its sole cost and expense, the whole in accordance with the specifications contained in the report prepared by Roome Leger Associates dated July 9, 2003 (the "REPORT"), a copy of which is attached hereto as Schedule "C". All work identified in the Report shall be completed by December 31, 2003 with the exception of Area A, as identified in the Report, which shall be completed by August 31, 2006.

7.2 The Lessor further undertakes to remedy, no later than August 31, 2004, the issues concerning water drainage on the Property identified in the letter prepared by Normand Veillette, to which is attached a description of the work to be carried out and a preliminary estimate for such work dated July 23, 2003 (collectively, the "LETTER"), a copy of which is attached as Schedule "D". The Lessor shall submit to the Lessee, for its approval, an outline of the work to be completed to remedy the issues identified in the Letter no later than March 1, 2004.

7.3 The Lessor acknowledges that it has examined the Premises and the Parking Lot and is satisfied with their condition, including their state of repair, subject to Sections 7.1 and 7.2 hereof. Furthermore, the Lessor acknowledges that it consented to and approved the construction by the Lessee of an extension of approximately Nine Thousand Six Hundred and Ten Square Feet (9,610 sq. ft.) to the mezzanine located at the front of the Building, the whole at the Lessee's entire cost and expense.

8. ENTIRE AGREEMENT

There are no covenants, promises, agreements, conditions, representations, warranties or understandings, either oral or written, express or implied, between the parties concerning the Lease, the Premises, the Parking Lot or any matter related to all or any of them, except those that are set out in this Lease. No amendment, change or addition to this Lease shall be binding upon the Lessor or Lessee unless it is in writing and signed by the Lessor and the Lessee.

9. GOVERNING LAW

This agreement shall be governed by and interpreted and construed in accordance with the laws in force of the Province of Quebec and the laws of Canada applicable therein. All references to dollars in this agreement are references to Canadian dollars.

10. LANGUAGE

The parties have specifically requested that the present agreement be written in the English language. LES PARTIES AUX PRESENTES ONT EXIGE QUE LA PRESENTE SOIT ECRITE EN LANGUE ANGLAISE.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE SIGNED AT THE CITY OF MONTREAL, ON THE DATE FIRST AND HEREINABOVE WRITTEN.

CENTRAL TOY MANUFACTURING INC.

/s/ Donald Bezahler

Per: Donald Bezahler

HASBRO CANADA CORPORATION

/s/ Avrum Stark

Per: Avrum Stark
Senior Vice President,
Finance and Operations

"********" DENOTE MATERIAL THAT HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

RECEIVABLES PURCHASE AGREEMENT

Dated as of December 10, 2003

Among

HASBRO RECEIVABLES FUNDING, LLC
AS THE SELLER

and

CAFCO, LLC
and
STARBIRD FUNDING CORPORATION
AS THE INVESTORS

and

CITIBANK, N.A.
and
BNP PARIBAS, ACTING
THROUGH ITS NEW YORK BRANCH
AS BANKS

and

CITICORP NORTH AMERICA, INC.
AS THE PROGRAM AGENT

and

CITICORP NORTH AMERICA, INC.
and
BNP PARIBAS, ACTING
THROUGH ITS NEW YORK BRANCH
AS INVESTOR AGENTS

and

HASBRO, INC.
AS COLLECTION AGENT AND AN ORIGINATOR

and

WIZARDS OF THE COAST, INC. and
ODDZON, INC.
AS ORIGINATORS

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RECEIVABLES PURCHASE AGREEMENT

Dated as of December 10, 2003

HASBRO RECEIVABLES FUNDING, LLC, a Delaware limited liability company (the "SELLER"), CAFCO, LLC, a Delaware limited liability company, as an Investor (as defined herein), STARBIRD FUNDING CORPORATION, a Delaware corporation, as an Investor, CITIBANK, N.A., as a Bank (as defined herein), BNP PARIBAS, ACTING THROUGH ITS NEW YORK BRANCH, as a Bank and an Investor Agent (as defined

herein), CITICORP NORTH AMERICA, INC., a Delaware corporation ("CNAI"), as program agent (the "PROGRAM AGENT") for the Investors and the Banks and as an Investor Agent, HASBRO, INC., a Rhode Island corporation, as Collection Agent and an Originator, and WIZARDS OF THE COAST, INC., a Washington corporation ("WOTC"), and ODDZON, INC., a Delaware corporation ("ODDZON"), as Originators, agree as follows:

PRELIMINARY STATEMENT. The Seller has acquired, and may continue to acquire, Receivables (as hereinafter defined) from the Originators (as hereinafter defined), by purchase (in the case of Receivables acquired from Originators other than the Parent) or either by purchase or by contribution to the capital of the Seller (in the case of Receivables acquired from the Parent), as determined from time to time by the Seller and the Parent. The Seller is prepared to sell undivided fractional ownership interests (referred to herein as "RECEIVABLE INTERESTS") in the Receivables. The Investors may, in their respective sole discretion, purchase such Receivable Interests, and the Banks are prepared to purchase such Receivable Interests, in each case on the terms set forth herein. Accordingly, the parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ADJUSTED EURODOLLAR RATE" means, for any Fixed Period, an interest rate per annum equal to the rate per annum obtained by dividing (i) the Eurodollar Rate for such Fixed Period by (ii) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Fixed Period.

"ADVERSE CLAIM" means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement.

"AFFECTED PERSON" has the meaning specified in Section 2.08(a).

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person.

"AFFILIATED OBLIGOR" means any Obligor that is an Affiliate of another Obligor.

"AGENT" means any of the Program Agent or any Investor Agent and "Agents" means, collectively, the Program Agent and the Investor Agents.

"ALTERNATE BASE RATE" means (a) for each Bank or Investor in the Group which includes CAFCO, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

(i) the rate of interest announced publicly by Citibank in New York, New York, from time to time as Citibank's base rate; and

(ii) the Federal Funds Rate; and

(b) for each Bank or Investor in the Group which includes Starbird, on any date, a fluctuating rate of interest per annum equal to the higher of

(i) the base commercial lending rate per annum announced from time to time by BNP Paribas at its principal office in New York in effect on such day; and

(ii) the Federal Funds Rate.

The Alternate Base Rate for BNP Paribas is not necessarily intended to represent the lowest rate of interest charged by BNP Paribas for extensions of credit.

"APPLICABLE MARGIN" means, at any time, the percentage determined pursuant to Annex F based on the Parent's Debt Rating at such time.

"ASSET PURCHASE AGREEMENT" means (a) in the case of any Bank other than Citibank and BNP Paribas, the asset purchase agreement entered into by such Bank concurrently with the Assignment and Acceptance pursuant to which it became party to this Agreement and (b) in the case of Citibank and BNP Paribas, the secondary market agreement, asset purchase agreement or other similar liquidity agreement entered into by such Bank for the benefit of its respective Investor, to the extent relating to the sale or transfer of interests in Receivable Interests, in each case as amended or modified from time to time and expiring on the Commitment Termination Date in effect from time to time.

"ASSIGNEE RATE" for any Fixed Period for any Receivable Interest means an interest rate per annum equal to the Eurodollar Rate for such Fixed Period PLUS the Applicable Margin; PROVIDED, HOWEVER, that in case of:

(i) any Fixed Period on or prior to the first day of which an Investor or Bank shall have notified the Program Agent and each Investor Agent that the

introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Investor

or Bank to fund such Receivable Interest at the Assignee Rate set forth above (and such Investor or Bank shall not have subsequently notified the Program Agent and each Investor Agent that such circumstances no longer exist),

(ii) any Fixed Period of one to (and including) 29 days (it being understood and agreed that this clause (ii) shall not be applicable to a Fixed Period for which Yield is to be computed by reference to the Eurodollar Rate that is intended to have a one-month duration but due solely to LIBOR interest period convention the duration thereof will be less than 30 days),

(iii) any Fixed Period as to which the Program Agent and each Investor Agent does not receive notice, by no later than 12:00 noon (New York City time) on the second Business Day preceding the first day of such Fixed Period, that the related Receivable Interest will not be funded by CAFCO and Starbird through the issuance of Promissory Notes or commercial paper, as the case may be, or

(iv) any Fixed Period for a Receivable Interest the Capital of which allocated to the Investors or the Banks is less than $500,000,

the "ASSIGNEE RATE" for such Fixed Period shall be an interest rate per annum equal to one percent per annum above the Alternate Base Rate in effect from time to time during such Fixed Period.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance agreement entered into by a Bank, an Eligible Assignee, such Bank's Investor Agent and the Program Agent, pursuant to which such Eligible Assignee may become a party to this Agreement, in substantially the form of Annex D hereto.

"BANK COMMITMENT" of any Bank means, (a) with respect to Citibank, $125,000,000 or such amount as reduced or increased by any transfer under any Assignment and Acceptance entered into among Citibank, another Bank, the Investor Agent for Citibank and the Program Agent, (b) with respect to BNP Paribas, $125,000,000 or such amount as reduced or increased by any transfer under any Assignment and Acceptance entered into among BNP Paribas, another Bank, the Investor Agent for BNP Paribas and the Program Agent or (c) with respect to a Bank (other than Citibank or BNP Paribas) that has entered into an Assignment and Acceptance, the amount set forth therein as such Bank's Bank Commitment, in each case as such amount may be reduced or increased by an Assignment and Acceptance entered into among such Bank, an Eligible Assignee, the Investor Agent for such Bank and the Program Agent, and as may be further reduced (or terminated) pursuant to the next sentence. Any reduction (or termination) of the Purchase Limit pursuant to the terms of this Agreement shall reduce ratably (or terminate) each Bank's Bank Commitment; PROVIDED that if the Investors and Banks in any Group (the "DEPARTING GROUP") shall determine not to extend the Commitment Termination Date or shall approve an extension of the Commitment Termination Date based on a reduced Investor Purchase Limit for their Group, then, if the Investors and the Banks in the other Groups shall

nonetheless determine to extend the Commitment Termination Date, effective from such Commitment Termination Date, the Bank Commitment of each Bank in the Departing Group shall be reduced (ratably, or as otherwise mutually agreed by such Banks) or terminated.

"BANKS" means Citibank, BNP Paribas and each Eligible Assignee that shall become a party to this Agreement pursuant to Section 11.03.

"BNP PARIBAS" means BNP Paribas, a bank organized under the laws of France, acting through its New York branch.

"BUSINESS DAY" means any day on which (i) banks are not authorized or required to close in New York City or Rhode Island, and (ii) if this definition of "Business Day" is utilized in connection with the Eurodollar Rate, dealings are carried out in the London interbank market.

"CAFCO" means CAFCO, LLC and any successor or assign of CAFCO that is a receivables investment company which in the ordinary course of its business issues commercial paper or other securities to fund its acquisition and maintenance of receivables.

"CAPITAL" of any Receivable Interest means the original amount paid to the Seller for such Receivable Interest at the time of its purchase by an Investor or a Bank pursuant to this Agreement, or such amount divided or combined in accordance with Section 2.07, in each case reduced from time to time by Collections distributed on account of such Capital pursuant to Section 2.04(e); PROVIDED that if such Capital shall have been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution, as though it had not been made.

"CITIBANK" means Citibank, N.A., a national banking association.

"CNAI" has the meaning specified in the introductory paragraph hereof.

"COLLECTION AGENT" means at any time the Person then authorized pursuant to Section 6.01 to administer and collect Pool Receivables.

"COLLECTION AGENT FEE" has the meaning specified in Section 2.05(a).

"COLLECTIONS" means, with respect to any Receivable, all cash collections and other cash proceeds of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such

Receivable, and any Collection of such Receivable deemed to have been received pursuant to Section 2.04.

"COMMITMENT TERMINATION DATE" means the earliest of (a) December 8, 2004, UNLESS, prior to such date (or the date so extended pursuant to this clause), upon the Seller's request, made not more than 45 days prior to the then Commitment Termination Date, each Investor and, with respect to each such Investor, one or more of its Related Banks which, immediately after giving effect to such extension would have Bank Commitments in an aggregate amount equal to such Investor's Investor Facility Amount to be in effect immediately

after giving effect to such extension, shall in their sole discretion consent, which consent shall be given within 30 days of such request and not more than 30 days prior to the then Commitment Termination Date, to the extension of the Commitment Termination Date to the date occurring not more than 364 days after the then Commitment Termination Date; PROVIDED, however, that any failure of any Investor or Bank to respond to the Seller's request for such extension shall be deemed a denial of such request by such Bank, (b) the Facility Termination Date (PROVIDED that if the Facility Termination Date shall occur solely under clause (d) of such defined term, the Commitment Termination Date shall occur only with respect to the Investor and Banks for which such Facility Termination Date occurred under clause (d)), (c) the date determined pursuant to Section 7.01, and (d) the date the Purchase Limit reduces to zero pursuant to Section 2.01(b).

"CONCENTRATION LIMIT" for any Obligor means (i) at any time that such Obligor's Debt Rating is at least AA- by S&P and Aa3 by Moody's, 23%, (ii) at any time that such Obligor's Debt Rating is at least BBB- by S&P and Baa3 by Moody's, and clause (i) is not applicable, 11.5%, and (iii) at all other times, 5.75% ("NORMAL CONCENTRATION LIMIT"), or such other higher percentage or dollar amount ("SPECIAL CONCENTRATION LIMIT") for such Obligor designated by the Program Agent and each Investor Agent in a writing delivered to the Seller; PROVIDED that in the case of an Obligor with any Affiliated Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliated Obligor are one Obligor; PROVIDED FURTHER, that the Program Agent or any Investor Agent may for bona fide credit reasons reduce or cancel any Special Concentration Limit for any Obligor upon three Business Days' notice to the Seller (with a copy of each of the other Agents). The foregoing notwithstanding, but subject to the two PROVISOS in the previous sentence, the Special Concentration Limit for ********** shall be the lower of (a) ********** of the Outstanding Balance of all Pool Receivables and (b) **********, and the Special Concentration Limit for ********** shall be the lower of (a) ********** of the Outstanding Balance of all Pool Receivables and (b) **********, PROVIDED, that if the Debt Rating for **********shall be below AA- by S&P or below Aa3 by Moody's, or the Debt Rating for ********** shall be below A- by S&P or below A3 by Moody's, then the Concentration Limit for **********or **********, as the case may be, shall be the applicable Concentration Limit determined pursuant to clauses (ii) and (iii) of the first sentence of this definition.

"CONTRACT" means an agreement between any Originator and an Obligor or an invoice between any Originator and an Obligor pursuant to or under which such Obligor shall be obligated to pay for merchandise from time to time.

"CP FIXED PERIOD DATE" means, for any Receivable Interest, the date of purchase of such Receivable Interest and thereafter the last day of each Fiscal Month or any other day as shall have been agreed to in writing by the Program Agent, the Investor Agents and the Seller prior to the first day of the preceding Fixed Period for such Receivable Interest or, if there is no preceding Fixed Period, prior to the first day of such Fixed Period.

"CREDIT AND COLLECTION POLICY" means those receivables credit and collection policies and practices of the Seller and the Originators in effect on the date of this Agreement and described in Schedule II hereto, as modified in compliance with this Agreement.

"DAILY REPORT" means a report in substantially the form of Annex A-3 hereto and containing such additional information as any Agent may reasonably request from time to time, furnished by the Collection Agent pursuant to Section 6.02(g)(iii) or 6.02(g)(iv).

"DEBT" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, and (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above.

"DEBT RATING" for any Person, means the rating by S&P, Moody's or Fitch of such Person's long-term public senior unsecured non-credit enhanced debt.

"DEFAULT RATIO" means the ratio (expressed as a percentage) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Originator Receivables that were Defaulted Receivables on such day or that would have been Defaulted Receivables on such day had they not been written off the books of the applicable Originator or the Seller during such Fiscal Month by (ii) the aggregate Outstanding Balance of all Originator Receivables on such day.

"DEFAULTED RECEIVABLE" means an Originator Receivable:

(i) as to which any payment, or part thereof, remains unpaid for 91 or more days from the original due date for such payment;

(ii) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.01(g); or

(iii) which, consistent with the Credit and Collection Policy, would be written off the applicable Originator's or the Seller's books as uncollectible.

"DEFERRED PURCHASE PRICE" has the meaning specified in the Originator Purchase Agreement.

"DELINQUENCY RATIO" means the ratio (expressed as a percentage) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Originator Receivables that were Delinquent Receivables on such day by (ii) the aggregate Outstanding Balance of all Originator Receivables on such day.

"DELINQUENT RECEIVABLE" means an Originator Receivable that is not a Defaulted Receivable and:

(i) as to which any payment, or part thereof, remains unpaid for 61 or more days, but less than 91 days, from the original due date for such payment; or

(ii) which, consistent with the Credit and Collection Policy, would be classified as delinquent by the applicable Originator or the Seller.

"DEPARTING GROUP" has the meaning specified within the definition of "Bank Commitment" in this Section 1.01.

"DILUTED RECEIVABLE" means that portion (and only that portion) of any Originator Receivable which is either (a) reduced or canceled as a result of (i) any defective, rejected or returned merchandise or services or any failure by an Originator to deliver any merchandise or provide any services or otherwise to perform under the underlying Contract, (ii) any change in the terms of or cancellation of, a Contract or any cash discount, discount for quick payment or other adjustment by an Originator which reduces the amount payable by the Obligor on the related Originator Receivable (except any such change or cancellation resulting from or relating to the financial inability to pay or insolvency of the Obligor of such Originator Receivable), (iii) any set-off by an Obligor in respect of any claim by such Obligor as to amounts owed by it on the related Originator Receivable (whether such claim arises out of the same or a related transaction or an unrelated transaction) or (iv) any allowance given in connection with the applicable Originator's sales incentives and product return programs which are accounted for as "credits" to the relevant Outstanding Balance or (b) subject to any specific dispute, offset, counterclaim or defense whatsoever (except the discharge in bankruptcy of the Obligor thereof); PROVIDED that Diluted Receivables are calculated assuming that all charge backs are resolved in the Obligor's favor.

"DILUTION HORIZON FACTOR" means, as of any date, a ratio computed by dividing (i) the aggregate original Outstanding Balance of all Originator Receivables created by the Originators during the number of Fiscal Months determined pursuant to the definition of Liquidation Period by (ii) the Outstanding Balance of Originator Receivables (other than Defaulted Receivables), less Collections on hand but not yet applied to reduce the Outstanding Balance of Originator Receivables, in each case as at the last day of the most recently ended Fiscal Month.

"DILUTION PERCENTAGE" means, as of any date, the product of (a) the sum of (i) the product of (x) two, multiplied by (y) the average of the Dilution Ratios for each of the twelve most recently ended Fiscal Months, plus (ii) the Dilution Volatility Ratio as at the last day of the most recently ended Fiscal Month, multiplied by (b) the Dilution Horizon Factor as of such date.

"DILUTION RATIO" means, as of any date, the ratio (expressed as a percentage) computed for the most recently ended Fiscal Month by dividing (i) the aggregate amount of Diluted Receivables during such Fiscal Month by (ii) the aggregate Outstanding Balance (in each case, at the time of creation) of all Originator Receivables created during the sixth Fiscal Month immediately preceding such Fiscal Month.

"DILUTION RESERVE" means, for any Receivable Interest on any date, an amount equal to the greater of:

(a) DP X (C + YFR)

where:

DP = the Dilution Percentage on such date.

C = the Capital of such Receivable Interest on such date.

YFR = the Yield and Fee Reserve for such Receivable

Interest on such date.

or (b) PD X 2.0

where:

PD = the Projected Dilution for the most recent Fiscal Month.

"DILUTION VOLATILITY RATIO" means, as of any date, a ratio (expressed as a percentage) equal to the product of (a) the highest of the average of the Dilution Ratios for the most recently ended Fiscal Month and the two immediately preceding Fiscal Months calculated for each of the twelve most recently ended Fiscal Months minus the average of the Dilution Ratios for each of the twelve most recently ended Fiscal Months, and (b) a ratio calculated by dividing the highest of the average of the Dilution Ratios for the most recently ended Fiscal Month and the two immediately preceding Fiscal Months calculated for each of the twelve most recently ended Fiscal Months by the average of the Dilution Ratios for each of the twelve most recently ended Fiscal Months.

"E-MAIL SELLER REPORT" has the meaning specified in Section 6.02(g).

"ELIGIBLE ASSIGNEE" means (a) with respect to the Group which includes CAFCO, (i) CNAI or any of its Affiliates, (ii) any Person managed or sponsored by Citibank, CNAI or any of their Affiliates or (iii) any financial or other institution acceptable to the Investor Agent for such Group and approved by the Seller (which approval by the Seller shall not be unreasonably withheld or delayed and shall not be required if an Event of Termination or an Incipient Event of Termination has occurred and is continuing) and (b) with respect to the Group which includes Starbird, (i) BNP Paribas or any of its Affiliates, (ii) any Person managed or sponsored by BNP Paribas or any of its Affiliates or (iii) any financial or other institution acceptable to the Investor Agent for such Group and approved by the Seller (which approval by the Seller shall not be unreasonably withheld or delayed and shall not be required if an Event of Termination or an Incipient Event of Termination has occurred and is continuing).

"ELIGIBLE RECEIVABLE" means, at any time, a Receivable:

(i) the Obligor of which is not an Affiliate of any Originator or the Seller and is either (a) a resident of the United States or Canada or (b) ******** or ********, PROVIDED, that no Receivables of ******** or ******** which otherwise meet the requirements of this definition shall be Eligible Receivables until such time as the Program Agent has received an opinion of ******** counsel or other evidence satisfactory to it confirming that the Program Agent (on behalf of the Investors and the Banks) has acquired a valid and perfected first priority ownership or security interest in and other enforceable rights with respect to such Receivables, which interest and rights are substantially as protected and

favorable as the Program Agent's rights under the UCC with respect to Receivables of United States Obligors;

(ii) which is not a Defaulted Receivable and the Obligor of which is not the Obligor of any Defaulted Receivables which in the aggregate constitute 10% or more of the aggregate Outstanding Balance of all Receivables of such Obligor;

(iii) which, according to the Contract related thereto, is required to be paid in full within ********** of the original billing date therefor;

(iv) which is an obligation representing all or part of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended;

(v) which is an "account" within the meaning of Article 9 of the UCC of the applicable jurisdictions governing the perfection of the interest created by a Receivable Interest;

(vi) which is denominated and payable only in United States dollars in the United States;

(vii) which arises under a Contract which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable and is not subject to any Adverse Claim or any dispute, offset, counterclaim or defense whatsoever (except (A) the potential discharge in bankruptcy of such Obligor and (B) allowances given in connection with the applicable Originator's sales incentives and product return programs which are accounted for as "credits" to the relevant Outstanding Balance);

(viii) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which none of the Seller, any Originator, the Collection Agent or the Obligor is in violation of any such law, rule or regulation in any material respect;

(ix) which arises under a Contract which (A) does not require

the Obligor thereunder to consent to the transfer, sale or assignment of the rights and duties of the Seller or the applicable Originator thereunder and (B) does not contain a confidentiality provision that purports to restrict the ability of any Agent, the Investors or the Banks to exercise their rights under this Agreement, including, without limitation, their right to review the Contract;

(x) which was generated in the ordinary course of the applicable Originator's business;

(xi) which has not been extended, rewritten or otherwise modified from the original terms thereof (except as permitted by Section 6.02(c)) due to the Obligor's financial inability to pay;

(xii) the transfer, sale or assignment of which does not contravene any applicable law, rule or regulation;

(xiii) which satisfies in all material respects all applicable requirements of the Credit and Collection Policy;

(xiv) as to which, at or prior to the later of the date of this Agreement and the date such Receivable is created, an Investor Agent has not notified the Seller that such Receivable (or the Obligor of such Receivable) is, based on bona fide credit reasons, no longer acceptable for purchase hereunder by the Investor or any Bank for which such Investor Agent is acting as Investor Agent;

(xv) which arises under a Contract which is not an executory contract;

(xvi) as to which the relevant Originator has satisfied and fully performed all obligations required to be fulfilled by it (other than customary warranty obligations and errors not of a material nature arising in the ordinary course of business), and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor; and

(xvii) which does not arise from the sale of consigned goods, unless the Investor Agents shall have otherwise consented thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA AFFILIATE" means any Person which is treated as a single employer with the Parent under Section 414 of the Internal Revenue Code of 1986, as amended.

"ERISA REPORTABLE EVENT" means a reportable event with respect to a Guaranteed Pension Plan within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder.

"EUROCURRENCY LIABILITIES" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"EURODOLLAR RATE" means, for any Fixed Period for each Bank or Investor in any Group, an interest rate per annum equal to the rate per annum at which deposits in U.S. dollars are offered by the principal office of Citibank (if the Investor Agent for such Group is CNAI) or BNP Paribas (if the Investor Agent for such Group is BNP Paribas) in each case in London,

England to prime banks in the London interbank market at 11:00 A.M. (London Time) two Business Days before the first day of such Fixed Period in an amount substantially equal to the Capital associated with such Fixed Period on such first day and for a period equal to such Fixed Period.

"EURODOLLAR RATE RESERVE PERCENTAGE" of any Investor or Bank for any Fixed Period in respect of which Yield is computed by reference to the Eurodollar Rate means the reserve percentage (expressed as a decimal and rounded upward to the nearest 1/100th of 1%) applicable two Business Days before the first day of such Fixed Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) (or if more than one such percentage shall be applicable, the daily average of such percentages for those days in such Fixed Period during which any such percentage shall be so applicable) for determining the maximum reserve requirement (including, without limitation, any basic emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for such Investor or Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Liabilities is determined) having a term equal to such Fixed Period.

"EVENT OF TERMINATION" has the meaning specified in Section 7.01.

"FACILITY TERMINATION DATE" means the earliest of (a) December 6, 2006 or (b) the date determined pursuant to Section 7.01 or (c) the date the Purchase Limit reduces to zero pursuant to Section 2.01(b) or (d) the date the Asset Purchase Agreement of any Bank expires without being renewed (it being understood and agreed that the initial expiration date of the Asset Purchase Agreement of each Bank shall be the Commitment Termination Date and concurrently

with any subsequent extension by such Bank of the Commitment Termination Date, the Asset Purchase Agreement of such Bank will be extended for an identical time period) (PROVIDED that, under this clause (d), the Facility Termination Date shall occur solely with respect to the Investors and Banks in such Bank's Group).

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Program Agent from three Federal funds brokers of recognized standing selected by it.

"FEE AGREEMENTS" has the meaning specified in Section 2.05(b).

"FEES" has the meaning specified in Section 2.05(b).

"FISCAL MONTH" means a fiscal month of the Originators as set forth on Schedule III hereto, as such schedule shall be updated from time to time in accordance with the terms hereof.

"FITCH" means Fitch, Inc.

"FIXED PERIOD" means, with respect to any Receivable Interest:

(a) in the case of any Fixed Period in respect of which Yield is computed by reference to the Investor Rate, each successive period commencing on each CP Fixed Period Date for such Receivable Interest and ending on the next succeeding CP Fixed Period Date for such Receivable Interest; and

(b) in the case of any Fixed Period in respect of which Yield is computed by reference to the Assignee Rate, each successive period of from one to and including 29 days, or a period of one month, as the Seller shall select and the Investor Agent for the relevant Investor or Bank may approve on notice by the Seller received by such Investor Agent (including notice by telephone, confirmed in writing) not later than 11:00 A.M. (New York City time) on (A) the day which occurs two Business Days before the first day of such Fixed Period (in the case of Fixed Periods in respect of which Yield in computed by reference to the Eurodollar Rate) or (B) the first day of such Fixed Period (in the case of Fixed Periods in respect of which Yield is computed by reference to the Alternate Base Rate), each such Fixed Period for such Receivable Interest to commence on the last day of the immediately preceding Fixed Period for such Receivable Interest (or, if there is no such Fixed Period, on the date of purchase of such Receivable Interest), EXCEPT that if such Investor Agent shall not have received such notice, or such Investor Agent and the Seller shall not have so mutually agreed, before 11:00 A.M. (New York City time) on such day, such Fixed Period shall be one day;

PROVIDED, HOWEVER, that:

(i) any Fixed Period (other than of one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day (PROVIDED, HOWEVER, if Yield in respect of such Fixed Period is computed by reference to the Eurodollar Rate, and such Fixed Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Fixed Period shall end on the next preceding Business Day);

(ii) in the case of any Fixed Period of one day, (A) if such Fixed Period is the initial Fixed Period for a Receivable Interest, such Fixed Period shall be the day of the purchase of such Receivable Interest; (B) any subsequently occurring Fixed Period which is one day shall, if the immediately preceding Fixed Period is more than one day, be the last day of such immediately preceding Fixed Period and, if the immediately preceding Fixed Period is one day, be the day next following such immediately preceding Fixed Period; and (C) if such Fixed Period occurs on a day immediately preceding a day which is not a Business Day, such Fixed Period shall be extended to the next succeeding Business Day; and

(iii) in the case of any Fixed Period for any Receivable Interest which commences before the Termination Date for such Receivable Interest and would otherwise end on a date occurring after such Termination Date, such Fixed Period shall end on such Termination Date and the duration of each Fixed Period which commences on or after the Termination Date for such Receivable Interest shall be of such duration (including, without limitation, one day) as shall be selected by the Program Agent with the consent of the Investor Agents (or, if such Termination Date occurs solely as a result of the occurrence of a Facility Termination Date under clause (d) of the defined term Facility Termination Date for less than all the Groups, as shall be selected by the Investor Agent for the Investor and Banks for which such Facility Termination Date under clause (d) is applicable) or, in the absence of any such selection, each period of thirty days from the last day of the immediately preceding Fixed Period.

"FUNDS TRANSFER LETTER" means a letter in substantially the form of Annex E hereto executed and delivered by the Seller to the Program Agent and the Investor Agents, as the same may be amended or restated in accordance with the terms thereof.

"GROUP" means (a) with respect to CAFCO, its Investor Agent, its Related Banks and CAFCO, and (b) with respect to Starbird, its Investor Agent, its Related Banks and Starbird.

"GUARANTEED PENSION PLAN" means any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Parent or any ERISA Affiliate, the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

********** **********

"INCIPIENT BANKRUPTCY EVENT OF TERMINATION" means an event under Section 7.01(g) that but for notice or lapse of time or both would constitute an Event of Termination.

"INCIPIENT EVENT OF TERMINATION" means an event that but for notice or lapse of time or both would constitute an Event of Termination.

"INDEMNIFIED PARTY" has the meaning specified in Section 10.01.

"INVESTOR" means CAFCO, Starbird and all other owners by assignment or otherwise of a Receivable Interest originally purchased by CAFCO or Starbird and, to the extent of the undivided interests so purchased, shall include any participants.

"INVESTOR AGENT" means (a) with respect to CAFCO and its Related Banks, CNAI or any successor investor agent designated by such parties, and (b) with respect to Starbird and its Related Banks, BNP Paribas or any successor investor agent designated by such parties.

"INVESTOR AGENT'S ACCOUNT" means (a) with respect to CAFCO and its Related Banks, the special account (account number ********) of their Investor Agent maintained at the office of Citibank at 399 Park Avenue, New York, New York, or such other account as such

Investor Agent shall designate in writing to the Seller, the Collection Agent and the Program Agent, and (b) with respect to Starbird and its Related Banks, the special account (account number ******** of their Investor Agent maintained at the office of BNP Paribas in New York, New York, or such other account as such Investor Agent shall designate in writing to the Seller, the Collection Agent and the Program Agent.

"INVESTOR PURCHASE LIMIT" means (a) with respect to the Group consisting of CAFCO and its Related Banks, $125,000,000, and (b) with respect to the Group consisting of Starbird and its Related Banks, $125,000,000. Any reduction (or termination) of the Purchase Limit pursuant to the terms of this Agreement shall reduce ratably (or terminate) each Group's Investor Purchase Limit; PROVIDED, that if any Departing Group shall determine not to extend the Commitment Termination Date or shall approve an extension of the Commitment Termination Date based on a reduced Investor Purchase Limit for their Group, then, if the Investors and Banks in the other Groups shall nonetheless determine to extend the Commitment Termination Date, effective from such Commitment Termination Date, the Investor Purchase Limit of the Departing Group shall be so reduced or terminated.

"INVESTOR RATE" means for any Fixed Period for any Receivable Interest:

(a) with respect to CAFCO, the per annum rate equivalent to the weighted average of the per annum rates paid or payable by such Investor from time to time as interest on or otherwise (by means of interest rate hedges or otherwise) in respect of those Promissory Notes issued by such Investor that are allocated, in whole or in part, by such Investor's Investor Agent (on behalf of such Investor) to fund the purchase or maintenance of such Receivable Interest during such Fixed Period as determined by such Investor Agent (on behalf of such Investor) and reported to the Seller, the Program Agent and, if the Collection Agent is not the Seller, the Collection Agent, which rates shall reflect and give effect to the commissions of placement agents and dealers in respect of such Promissory Notes, to the extent such commissions are allocated, in whole or in part, to such Promissory Notes by such Investor Agent (on behalf of such Investor); PROVIDED, HOWEVER, that (a) if any component of such rate is a discount rate, in calculating the "INVESTOR RATE" for such Fixed Period such Investor Agent shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum; (b) the Investor Rate with respect to Receivable Interests funded by CAFCO's Participants shall be the same rate as in effect from time to time on Receivable Interests or portions thereof that are not funded by one of its Participants; and (c) if all of the Receivable Interests maintained by CAFCO are funded by its Participants, then the Investor Rate shall be CAFCO's pool funding rate in effect from time to time for its largest size pool of transactions which settles monthly.

(b) with respect to Starbird, an interest rate per annum equal to the sum of (i) the rate or, if more than one rate, the weighted average of the rates, determined by converting to an

interest-bearing equivalent rate per annum the discount rate (or rates) at which commercial paper notes of Starbird on each day during such Fixed Period have been sold by any placement agent or commercial

paper dealer selected by Starbird, plus (ii) to the extent not reflected in the rate described in clause (i) above, applicable commissions and charges charged by such placement agent or commercial paper dealer with respect to such commercial paper notes, expressed as a percentage of such face amount and converted to an interest-bearing equivalent rate per annum, plus (iii) certain documentation and transaction costs directly associated with the issuance of such commercial paper notes, as are customarily charged by Starbird to its customers in similar transactions, plus (iv) costs of other related borrowings by Starbird, including borrowings to fund small or odd dollar amounts that are not easily accommodated in the commercial paper market, expressed as a percentage of the face amount of such commercial paper notes and converted to an interest-bearing equivalent rate per annum; PROVIDED, HOWEVER that if any component of such rate is a discount rate, in calculating the "Investor Rate", Starbird shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

****

"LIQUIDATION DAY" means, for any Receivable Interest, (i) each day during a Fixed Period for such Receivable Interest on which the conditions set forth in Section 3.02 are not satisfied and (ii) each day which occurs on or after the Termination Date for such Receivable Interest.

"LIQUIDATION FEE" means, for (i) any Fixed Period for which Yield is computed by reference to the Investor Rate and a reduction of Capital is made for any reason on any day with less than two Business Days' prior notice or (ii) any Fixed Period for which Yield is computed by reference to the Eurodollar Rate and a reduction of Capital is made for any reason on any day other than the last day of such Fixed Period, the amount, if any, by which (A) the additional Yield (calculated without taking into account any Liquidation Fee or any shortened duration of such Fixed Period pursuant to clause (iii) of the definition thereof) which would have accrued from the date of such repayment to the last day of such Fixed Period (or, in the case of clause (i) above, the maturity of the underlying commercial paper tranches) on the reductions of Capital of the Receivable Interest relating to such Fixed Period had such reductions remained as Capital, exceeds (B) the income, if any, received by the Investors or the Banks which hold such Receivable Interest from the investment of the proceeds of such reductions of Capital.

"LIQUIDATION PERIOD" means, at any time, the number of Fiscal Months (rounded to the next highest whole Fiscal Month) arrived at by dividing (a) the sum of the then Maximum Available Capital plus Yield and Fee Reserve in respect of such Maximum Available Capital by (b) Net Collections for the most recent Fiscal Month.

"LOCK-BOX ACCOUNT" means a post office box administered by a Lock-Box Bank or an account maintained at a Lock-Box Bank, in each case for the purpose of receiving Collections.

"LOCK-BOX AGREEMENT" means an agreement, in substantially the form of Annex B.

"LOCK-BOX BANK" means any of the banks holding one or more Lock-Box Accounts.

"LOSS HORIZON FACTOR" means, as of any date, a ratio computed by dividing (i) the aggregate Outstanding Balance (in each case, at the time of creation) of all Originator Receivables created by the Originators during the four most recently ended Fiscal Months by (ii) the Outstanding Balance of Originator Receivables (other than Defaulted Receivables), less Collections on hand but not yet applied to reduce the Outstanding Balance of Originator Receivables, in each case as at the last day of the most recently ended Fiscal Month.

"LOSS PERCENTAGE" means, as of any date, the greatest of (a) the product of (i) two multiplied by (ii) the Loss Horizon Factor as of the last day of the most recently ended Fiscal Month multiplied by (iii) the highest of the Loss Ratios for the twelve most recently ended Fiscal Months, (b) four times the Normal Concentration Limit referred to in clause (iii) of the definition of Concentration Limit and (c) 10%.

"LOSS RATIO" means, as of any date, the average of the ratios (each expressed as a percentage) for each of the three most recently ended Fiscal Months computed for each such month by dividing (a) the sum of the aggregate Outstanding Balance of Originator Receivables which were 91-120 days past due (or otherwise would have been classified during such Fiscal Month as Defaulted Receivables in accordance with clauses (ii) or (iii) of the definition of "Defaulted Receivables") as at the last day of such Fiscal Month plus (without duplication) write-offs during such Fiscal Month of Originator Receivables not yet 91 days past due, by (b) the aggregate Outstanding Balance (in each case, at the time of creation) of Originator Receivables created during the fourth preceding Fiscal Month.

"LOSS RESERVE" means, for any Receivable Interest on any date, an amount equal to:

LP X (C+ YFR)

where:

LP = the Loss Percentage on such date.

C = the Capital of such Receivable Interest on such date.

YFR = the Yield and Fee Reserve for such Receivable Interest on such date.

"LOSS-TO-LIQUIDATION RATIO" means the ratio (expressed as a percentage) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Originator Receivables written off by the Originators or the Seller, or which should have been written off by the Originators or the Seller in accordance with the Credit and Collection Policy, during the most recently ended 12 Fiscal Months by (ii) the aggregate amount of Collections of Originator Receivables actually received during such period.

"MAXIMUM AVAILABLE CAPITAL" means, at any time, the maximum amount of Capital (not in excess of the Purchase Limit) which would be available at the time of computation without violating the provisions of Section 7.01(i).

"MAXIMUM RECEIVABLE INTEREST" means (i) at any time when only Monthly Reports are required to be furnished hereunder, 95%, (ii) at any time when Weekly Reports are required to be furnished hereunder during the period referred to in clause (a) of the definition of Weekly Reporting Period, 95% and at all other times when Weekly Reports are required to be furnished hereunder, 98.75%, and (iii) at any time when Daily Reports are required to be furnished hereunder during the period referred to in clause (a) of the definition of Weekly Reporting Period, 99% and at all other times when Daily Reports are required to be furnished hereunder, 99.75%.

"MONTHLY REPORT" means a report in substantially the form of Annex A-1 hereto and containing such additional information as any Agent may reasonably request from time to time, furnished by the Collection Agent pursuant to Section 6.02(g)(i).

"MOODY'S" means Moody's Investors Service, Inc.

"MULTIEMPLOYER PLAN" means any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by the Parent or any ERISA Affiliate.

"NET COLLECTIONS" means, for any Fiscal Month, an amount equal to

$$\frac{MC \times (ER-EOC)}{ER}$$

where:

MC = Collections received during such Fiscal Month.

EOC = the amount determined pursuant to clause (i) of the definition of Net Receivables Pool Balance (without giving effect to excess concentrations of ********or ********), when Net Receivables Pool Balance is calculated as of the last day of such Fiscal Month.

ER = the Outstanding Balance of Eligible Receivables in the Receivables Pool at the end of such Fiscal Month.

"NET RECEIVABLES POOL BALANCE" means at any time the Outstanding Balance of Eligible Receivables then in the Receivables Pool reduced by the sum of (without duplication) (i) the aggregate amount by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds the product of (A) the Concentration Limit for such Obligor multiplied by (B) the aggregate outstanding Capital of all Receivable Interests (PROVIDED, that if such Concentration Limit is calculated as a dollar amount, then such dollar

amount shall be used in lieu of the product of clauses (A) and (B)), (ii) the aggregate amount of Collections on hand at such time but not yet applied to reduce the Outstanding Balance of a Pool Receivable, (iii) to the extent credit memos have not already been excluded from the Receivables Pool, the aggregate Outstanding Balance of all Eligible Receivables in respect of which any credit memo issued by an Originator or the Seller is outstanding at such time to the extent not yet applied to reduce the Outstanding Balance of a Pool Receivable, (iv) the amount, if any, by which (A) the aggregate Outstanding Balance of all Eligible Receivables then in the Receivables Pool having original due dates more than 120 days after the original billing date therefor exceeds (B) 35% of the aggregate Outstanding Balance of all Receivables then in the Receivables Pool, (v) the amount by which the aggregate Outstanding Balance of Receivables for which the Obligor is a U.S. or state government or a U.S. or state governmental

subdivision or agency exceeds 2% of the aggregate Outstanding Balance of all Receivables then in the Receivables Pool, (vi) the amount by which the aggregate Outstanding Balance of Receivables for which the Obligor is a Canadian resident, ******** or ******** exceeds 5% of the aggregate Outstanding Balance of all Receivables then in the Receivables Pool, (vii) the amount by which the aggregate Outstanding Balance of Receivables for which the Obligor is a Quebec resident exceeds ********, and (viii) from and after the date on which the proviso in clause (i) of the definition of "Eligible Receivable" is satisfied, the amount by which the aggregate Outstanding Balance of Receivables for which the Obligor is ******** exceeds 1% of the aggregate Outstanding Balance of all Receivables then in the Receivables Pool.

"OBLIGOR" means a Person obligated to make payments to any Originator pursuant to a Contract.

"ORIGINATOR" means each of Wizards of the Coast, Inc., a Washington corporation, OddzOn, Inc., a Delaware corporation and the Parent.

"ORIGINATOR PURCHASE AGREEMENT" means the Purchase and Contribution Agreement dated as of the date of this Agreement between the Originators, as sellers, and the Seller, as purchaser, as the same may be amended, modified or restated from time to time.

"ORIGINATOR RECEIVABLE" means the indebtedness of any Obligor resulting from the provision or sale of merchandise by any Originator under a Contract (whether constituting an account, instrument, chattel paper or general intangible), and includes the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto, but shall not include receivables bearing general ledger account codes ******** (non-trade), ******** (direct to retail), ********or ******** (intercompany) or Wizards of the Coast Company Code ********** (retail stores dba Wizards and Gamekeeper).

"OTHER COMPANIES" means the Originators and all of their Subsidiaries except the Seller.

"OTHER TAXES" has the meaning specified in Section 2.10(b).

"OUTSTANDING BALANCE" of any Receivable at any time means the then outstanding principal balance thereof. Sales or use tax and any other taxes which may be billed in connection with a Receivable are not included in the Outstanding Balance.

"PARENT" means Hasbro, Inc., a Rhode Island corporation.

"PARENT UNDERTAKING" means the Undertaking Agreement made in favor of the Seller and relating to obligations of the Originators other than the Parent substantially in the form of Annex G hereto, as the same may be amended, modified or restated from time to time.

"PARTICIPANT" shall have the meaning assigned to such term in Section 11.03(h).

"PBGC" means the Pension Benefit Guaranty Corporation created by Section 4002 of ERISA and any successor entity or entities having similar responsibilities.

"PERCENTAGE" of any Bank means, (a) with respect to Citibank, the percentage set forth on the signature page to this Agreement, or such amount as reduced or increased by any Assignment and Acceptance entered into with an Eligible Assignee, (b) with respect to BNP Paribas, the percentage set forth on the signature page to this Agreement, or such amount as reduced by any Assignment and Acceptance entered into with an Eligible Assignee, or (c) with respect to a Bank that has entered into an Assignment and Acceptance, the amount set forth therein as such Bank's Percentage, or such amount as reduced or increased by an Assignment and Acceptance entered into between such Bank and an Eligible Assignee.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"POOL NON-COMPLIANCE DATE" means any day on which the sum of the Receivable Interests as shown in the most recent Monthly Report, Weekly Report (if required by Section 6.02(g)(ii)) or Daily Report (if required by Section 6.02(g)(iii)) is greater than the Maximum Receivable Interest.

"POOL RECEIVABLE" means a Receivable in the Receivables Pool.

"PROGRAM AGENT" has the meaning specified in the introductory paragraph hereof.

"PROGRAM AGENT ACCOUNT" means the bank account (account number ********) under the control of the Program Agent maintained at the Program Agent Account Bank, or such other account as the Program Agent shall designate in writing to the Seller, the Collection Agent and the Investor Agents from time to time, PROVIDED that such account shall be subject to a Program Agent Account Control Agreement.

"PROGRAM AGENT ACCOUNT BANK" means Bank of America, N.A., or such other bank, satisfactory to each of the Agents, as the Program Agent shall designate in writing to each of the Seller, the Collection Agent and the Investor Agents from time to time.

"PROGRAM AGENT ACCOUNT CONTROL AGREEMENT" means an agreement among the Seller, the Collection Agent, the Program Agent and the Program Agent Account Bank, in form and substance satisfactory to each of the Agents.

"PROJECTED DILUTION" means, for any Fiscal Month (the "RELEVANT FISCAL MONTH") an amount equal to the aggregate amount of Diluted Receivables which occurred during the period of "X" Fiscal Months beginning 11 Fiscal Months prior to the relevant Fiscal Month, where "X" is the highest Liquidation Period during the 12-month period ending with the relevant Fiscal Month.

"PROMISSORY NOTES" means, collectively, (i) promissory notes issued by CAFCO and (ii) participations sold by CAFCO pursuant to Section 10.03(h); PROVIDED that the term "Promissory Notes" shall not include the interests sold by CAFCO to a Bank or its designee under an Asset Purchase Agreement.

"PURCHASE LIMIT" means $250,000,000, as such amount may be reduced pursuant to the immediately succeeding sentence or Section 2.01(b). In the event that the Facility Termination Date shall occur solely under clause (d) of such defined term, then on such Facility Termination Date the Purchase Limit shall be reduced by the aggregate Bank Commitments of the Banks in the Group for which such Facility Termination Date has occurred (as such Bank Commitments were in effect immediately prior to such Facility Termination Date). References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit, as then reduced pursuant to Section 2.01(b), minus the then outstanding Capital of Receivable Interests under this Agreement.

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"RECEIVABLE" means any Originator Receivable which has been acquired by the Seller by purchase or by capital contribution pursuant to the Originator Purchase Agreement.

"RECEIVABLE INTEREST" means, at any time, an undivided percentage ownership interest in (i) all then outstanding Pool Receivables arising prior to the time of the most recent computation or recomputation of such undivided percentage interest pursuant to Section 2.03, (ii) all Related Security with respect to such Pool Receivables, and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables. Such undivided percentage interest shall be computed as

$$\frac{C + YFR + LR+DR}{NRPB}$$

where:

C = the Capital of such Receivable Interest at the time of computation.

YFR = the Yield and Fee Reserve of such Receivable Interest at the time of computation.

LR = the Loss Reserve of such Receivable Interest at the time of computation.

DR = the Dilution Reserve of such Receivable Interest at the time of computation.

NRPB = the Net Receivables Pool Balance at the time of computation.

Each Receivable Interest shall be determined from time to time pursuant to the provisions of Section 2.03; PROVIDED, HOWEVER, that solely for the purpose of determining the sum of the Receivable Interests in the second sentence of Section 2.04(d), the first sentence of Section 4.02(g) and Section 7.01, Capital shall be reduced by the aggregate amount of funds (if any) then held in the Program Agent Account for distribution on account of Capital (which funds have not yet been applied to reduce Capital), and the Reserves shall be computed on such reduced Capital.

"RECEIVABLES POOL" means at any time the aggregation of each then outstanding Receivable.

"REGISTER" has the meaning specified in Section 11.03(c).

"RELATED BANK" means (a) with respect to CAFCO, Citibank, each Bank which has entered into an Assignment and Acceptance with Citibank, and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance, and (b) with respect to Starbird, BNP Paribas, each Bank which has entered into an Assignment and Acceptance with BNP Paribas, and each assignee (directly or indirectly) of any such Bank, which assignee has entered into an Assignment and Acceptance.

"RELATED SECURITY" means with respect to any Receivable

(i) all of the Seller's interest in any merchandise (including returned merchandise) relating to any sale giving rise to such Receivable;

(ii) all security interests or liens and property subject

thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract relating to such Receivable or otherwise, together with all financing statements filed against an Obligor describing any collateral securing such Receivable;

(iii) all guaranties, insurance and other agreements or arrangements of whatever character (but excluding the ********and any letter of credit supporting payment under the ********) from time to time supporting or securing payment of such Receivable whether pursuant to the Contract relating to such Receivable or otherwise; and

(iv) the Contract and all other books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) relating to such Receivable and the related Obligor.

"RESERVES" means, with respect to any Receivable Interest as of any day, the sum of the Yield and Fee Reserve, the Loss Reserve and the Dilution Reserve for such Receivable Interest as of such day.

"S&P" means Standard and Poor's, a division of The McGraw-Hill Companies, Inc.

"SEC" means the Securities and Exchange Commission.

"SELLER REPORT" means a Monthly Report, a Weekly Report or a Daily Report.

"SETTLEMENT DATE" for any Receivable Interest means the last day of each Fixed Period for such Receivable Interest ; PROVIDED, HOWEVER, that if Yield with respect to such Receivable Interest is computed with reference to the Investor Rate and no Liquidation Day exists on the last day of a Fixed Period for such Receivable Interest, the Settlement Date for such Receivable Interest for such Fixed Period shall be the second Business Day after the due date of the Monthly Report for such Fixed Period.

"STARBIRD" means Starbird Funding Corporation and any successor or assign of Starbird that is a receivables investment company which in the ordinary course of its business issues commercial paper or other securities to fund its acquisition and maintenance of receivables.

"SUBSIDIARY" means any corporation or other entity of which securities having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Seller or an Originator, as the case may be, or one or more Subsidiaries, or by the Seller or an Originator, as the case may be, and one or more Subsidiaries.

"TANGIBLE NET WORTH" means at any time the excess of (i) the sum of (a) the product of (x) 100% minus the Discount (as such term is defined in the Originator Purchase Agreement) multiplied by (y) the Outstanding Balance of all Receivables other than Defaulted Receivables plus (b) cash and cash equivalents of the Seller, minus (ii) the sum of (a) Capital plus (b) the Deferred Purchase Price.

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"TAXES" has the meaning specified in Section 2.10(a).

"TERMINATION DATE" for any Receivable Interest means (i) in the case of a Receivable Interest owned by an Investor, the earlier of (a) the Business Day which the Seller or the Investor Agent for such Investor so designates by notice to the other (with a copy to the Program Agent and the other Investor Agents) at least one Business Day in advance for such Receivable Interest and (b) the Facility Termination Date and (ii) in the case of a Receivable Interest owned by a Bank, the earlier of (a) the Business Day which the Seller so designates by notice to the Program Agent and the Investor Agents at least one Business Day in advance for such Receivable Interest and (b) the Commitment Termination Date.

"TRANSACTION DOCUMENT" means any of this Agreement, the Originator Purchase Agreement, the Parent Undertaking, the Lock-Box Agreements, the Program Agent Account Control Agreement, the Fee Agreements and all other agreements and documents delivered and/or related hereto or thereto.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

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"WEEK" means each calendar week beginning on Saturday and ending on (and including) the close of business on the following Friday.

"WEEKLY REPORT" means a report in substantially the form of Annex A-2 hereto and containing such additional information as any Agent may reasonably request from time to time, furnished by the Collection Agent pursuant to Section 6.02(g)(ii).

"WEEKLY REPORTING PERIOD" means (a) the period beginning on December 1 of each year and ending on the last day of February of the next year and (b) any

period during which the Parent's Debt Rating is less than BB by S&P or less than Ba3 by Moody's (but no Event of Termination pursuant to Section 7.01(n) then exists).

"WEEKLY SETTLEMENT DATE" means the second Business Day of each Week occurring during any Weekly Reporting Period.

"WEIGHTED AVERAGE DELINQUENCY" means, as of any date, an amount calculated by multiplying (a) the number of days equivalent to the mid-point in each of columns two through seven in part VII (Historical Data) of the part of the Monthly Report under "Portfolio Performance Tests and Compliance" (except that for the column entitled "Current", the mid-point number of days shall be zero and for the column entitled "121 + dpd", the mid-point shall be 130) times (b) the aggregate Outstanding Balance of all Receivables in each such column and dividing the result by (c) the aggregate Outstanding Balance of all Receivables in all columns, in each case as calculated by the Collection Agent in the then most recent Monthly Report; PROVIDED, that if the Program Agent should disagree with any such calculation, the Program Agent may calculate such Weighted Average Delinquency.

"WEIGHTED AVERAGE MATURITY" means, for any Fiscal Month, an amount calculated by multiplying (a) the average maturity shown in each column in part V (Payment Term Detail) of the part of the Monthly Report for which "Portfolio Aging" is Part I times (b) the aggregate Outstanding Balance of all Receivables in each such column and dividing the result by (c) the total Outstanding Balance of all Receivables in all payment term categories, in each case as calculated by the Collection Agent in the most recent Monthly Report; PROVIDED, that if the Program Agent should disagree with any such calculation, the Program Agent may calculate such Weighted Average Maturity.

"YIELD" means for each Receivable Interest for each Fixed Period:

(i) for each day during each Fixed Period to the extent an Investor will be funding its portion of such Receivable Interest through the issuance of Promissory Notes, commercial paper or other promissory notes, as the case may be, and no Event of Termination has occurred and is continuing,

$$\frac{IR \times C \times ED + LF}{360}$$

(ii) for each day during such Fixed Period to the extent (x) an Investor will not be funding its portion of such Receivable Interest through the issuance of Promissory Notes, commercial paper or other promissory notes, as the case may be, or (y) a Bank will be funding its portion of such Receivable Interest, or (z) an Event of Termination has occurred and is continuing,

$$\frac{AR \times C \times ED + LF}{360}$$

where:

AR = the Assignee Rate for such portion of such Receivable Interest for such Fixed Period;

C = the Capital of such portion of such Receivable Interest during such Fixed Period;

IR = the Investor Rate for such portion of such Receivable Interest for such Fixed Period;

ED = the actual number of days elapsed during such portion of such Fixed Period;

LF = the Liquidation Fee, if any, for such portion of such Receivable Interest for such Fixed Period;

PROVIDED that no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law; and PROVIDED FURTHER that Yield for any Receivable Interest shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"YIELD AND FEE RESERVE" means, on any date, an amount equal to

$$(C \times YFRP) + AUYF$$

where:

C = the Capital of such Receivable Interest at the close of business of the Collection Agent on such date.

YFRP = the Yield and Fee Reserve Percentage on such date.

AUYF = accrued and unpaid Yield, Collection Agent Fee and Fees on such date, in each case for such Receivable Interest.

"YIELD AND FEE RESERVE PERCENTAGE" means, on any date, a percentage equal to

$$\frac{[(AER \times 1.5) + AM + CAF] \times [WAD + WAM]}{360}$$

where:

AER = the one-month Adjusted Eurodollar Rate in effect on such date.

AM = the Applicable Margin used in the calculation of the Assignee Rate in effect on such date.

CAF = the percentage per annum used in the calculation of the Collection Agent Fee in effect on such date.

WAD = the maximum Weighted Average Delinquency for the immediately preceding 12 Fiscal Months.

WAM = the Weighted Average Maturity for the most recent Fiscal Month.

SECTION 1.02. OTHER TERMS . All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

ARTICLE II

AMOUNTS AND TERMS OF THE PURCHASES

SECTION 2.01. PURCHASE FACILITY . (a) On the terms and conditions hereinafter set forth, each of CAFCO and Starbird may, in its sole discretion, ratably in accordance with the Investor Purchase Limit of its Group, and, if and to the extent CAFCO or Starbird does not make a purchase, the Related Banks for such Investor shall, ratably in accordance with their respective Bank Commitments, purchase Receivable Interests from the Seller from time to time during the period from the date hereof to the Facility Termination Date (in the case of the Investors) and to the Commitment Termination Date (in the case of the Banks). Under no circumstances shall the Investors make any such purchase, or the Banks be obligated to make any such purchase, if after giving effect to such purchase, the aggregate outstanding Capital of Receivable Interests would exceed the Purchase Limit.

(b) The Seller may at any time, upon at least five Business Days' notice to the Program Agent and the Investor Agents, terminate the facility provided for in this Agreement in whole or, from time to time, reduce in part the unused portion of the Purchase Limit; PROVIDED that each partial reduction shall be in the amount of at least $1,000,000 or an integral multiple thereof.

(c) Until the Program Agent (or any Investor Agent with respect to its Investor) gives the Seller the notice provided in Section 3.02(c)(iii), the Program Agent, on behalf of the Investors which own Receivable Interests, may have the Collections attributable to such Receivable Interests automatically reinvested pursuant to Section 2.04 in additional undivided percentage interests in the Pool Receivables by making an appropriate readjustment of such Receivable Interests. The Program Agent, on behalf of the Banks which own Receivable Interests, shall have the Collections attributable to such Receivable Interests automatically reinvested pursuant to Section 2.04 in additional undivided percentage interests in the Pool Receivables by making an appropriate readjustment of such Receivable Interests.

SECTION 2.02. MAKING PURCHASES . (a) Each purchase by any of the Investors or the Banks shall be made on notice given no later than 3:00 P.M. (New York City time) at least two Business Days' in advance from the Seller to the Program Agent and each Investor Agent, PROVIDED that no more than one purchase shall be made in any Week. Each such notice of a purchase shall specify (i) the amount requested to be paid to the Seller (such amount, which shall not be less than $3,000,000, being referred to herein as the initial "Capital" of the Receivable Interest then being purchased), (ii) the allocation of such amount among each of the Groups (which shall be proportional to the Investor Purchase Limit of each Group) and (iii) the date of such purchase (which shall be a Business Day). Each Investor shall promptly notify the Program Agent whether such Investor has determined to make the requested purchase on the terms specified by the Seller. The Program Agent shall promptly thereafter notify the Seller whether the Investors have determined to make the requested purchase and, if so, whether all of the terms specified by the Seller are acceptable to the Investors.

If any Investor has determined not to make the entire amount of a proposed purchase requested to be made by it, the Investor Agent for such Investor shall promptly send notice of the proposed purchase to all of the Related Banks for such Investor concurrently by telecopier, telex or cable specifying the date of such purchase, the aggregate amount of Capital of the Receivable Interest being purchased by such Related Banks (which amount shall be equal to the portion of the initial Capital requested to be funded by such Investor, which such Investor determined not to fund), each such Related Bank's portion thereof (determined ratably in accordance with its respective Bank Commitment), whether the Yield for the Fixed Period for such Receivable Interest is calculated based on the Eurodollar Rate (which may be selected only if such notice is given at least two Business Days prior to the purchase date) or the

Alternate Base Rate, and the duration of the Fixed Period for such Receivable Interest (which shall be one day if the Seller has not selected another period).

(b) On the date of each such purchase of a Receivable Interest, the applicable Investors and/or Banks, as the case may be, shall, upon satisfaction of the applicable conditions set forth in this Article II and Article III, make available to the Seller in same day funds, at the account set forth in the Funds Transfer Letter, an aggregate amount equal to the initial Capital of

such Receivable Interest; PROVIDED, HOWEVER, if such purchase is being made by the applicable Banks following the designation by the Investor Agent for an Investor of a Termination Date for a Receivable Interest owned by such Investor pursuant to clause (i)(a) of the definition of Termination Date and any Capital of such Receivable Interest is outstanding on such date of purchase, the Seller hereby directs the applicable Banks to pay the proceeds of such purchase (to the extent of the outstanding Capital and accrued Yield on such Receivable Interest of such Investor) to the relevant Investor Agent's Account, for application to the reduction of the outstanding Capital and accrued Yield on such Receivable Interest of such Investor.

(c) Effective on the date of each purchase pursuant to this Section 2.02 and each reinvestment pursuant to Section 2.04, the Seller hereby sells and assigns to the Program Agent, for the benefit of the parties making such purchase, an undivided percentage ownership interest, to the extent of the Receivable Interest then being purchased, in each Pool Receivable then existing and in the Related Security and Collections with respect thereto.

(d) Notwithstanding the foregoing, (i) neither CAFCO nor Starbird shall make purchases under this Section 2.02 at any time in an amount which would exceed the Investor Purchase Limit of such Investor's Group and (ii) a Bank shall not be obligated to make purchases under this Section 2.02 at any time in an amount which would exceed such Bank's Bank Commitment less the sum of (A) the aggregate outstanding and unpaid amount of any purchases made by such Bank under such Bank's Asset Purchase Agreement plus (B) such Bank's ratable share of the aggregate outstanding portion of Capital held by the Investor in such Bank's Group (whether or not any portion thereof has been assigned under an Asset Purchase Agreement), after giving effect to reductions of the Capital held by the Investor in such Bank's Group to be made on the date of such purchase (whether from the distribution of Collections or from the proceeds of purchases by such Bank). Each Bank's obligation shall be several, such that the failure of any Bank to make available to the Seller any funds in connection with any purchase shall not relieve any other Bank of its obligation, if any, hereunder to make funds available on the date of such purchase, but no Bank shall be responsible for the failure of any other Bank to make funds available in connection with any purchase.

SECTION 2.03. RECEIVABLE INTEREST COMPUTATION . Each Receivable Interest shall be initially computed on its date of purchase. Thereafter until the Termination Date for such Receivable Interest, such Receivable Interest shall be automatically recomputed (or deemed to be recomputed) on each day other than a Liquidation Day. Any Receivable Interest, as computed (or deemed recomputed) as of the day immediately preceding the Termination Date for such Receivable Interest, shall thereafter remain constant; PROVIDED, HOWEVER, that from and after the date on which the Termination Date shall have occurred for all Receivable Interests and until each Receivable Interest becomes zero in accordance with the next sentence, each Receivable Interest shall be calculated as the percentage equivalent of a fraction the numerator of which is the percentage representing such Receivable Interest immediately prior to such date and the denominator of which is the sum of the percentages representing all Receivable Interests which were outstanding immediately prior to such date. Each Receivable Interest shall become zero when Capital thereof and Yield thereon shall have been paid in full, and all Fees and other amounts owed by the Seller hereunder to the Investors, the Banks, the Investor Agents or the Program Agent are paid and the Collection Agent shall have received the accrued Collection Agent Fee thereon.

SECTION 2.04. SETTLEMENT PROCEDURES . (a) Collection of the Pool Receivables shall be administered by a Collection Agent, in accordance with the terms of Article VI of this Agreement. The Seller shall provide to the Collection Agent (if other than the Seller) on a timely basis all information needed for such administration, including notice of the occurrence of any Liquidation Day, a Pool Non-Compliance Date and current computations of each Receivable Interest.

(b) So long as the Parent's Debt Ratings are equal to or higher than BB by S&P and equal to or higher than Ba3 by Moody's, the Collection Agent shall, on each day on which Collections of Pool Receivables are received by it:

(i) with respect to each Receivable Interest, set aside and hold in trust (and, at the request of the Program Agent following an Event of Termination, segregate) for the Investors or the Banks that hold such Receivable Interest and for the Investor Agents, out of the percentage of such Collections represented by such Receivable Interest, an amount equal to the Yield, Fees and Collection Agent Fee accrued through such day for such Receivable Interest and not previously set aside;

(ii) with respect to each Receivable Interest, if such day is not a Liquidation Day for such Receivable Interest, reinvest with the Seller on behalf of the Investors or the Banks that hold such Receivable Interest the percentage of such Collections represented by such Receivable Interest, to the extent representing a return of

Capital, by recomputation of such Receivable Interest pursuant to Section 2.03;

(iii) if such day is a Liquidation Day for any one or more Receivable Interests, set aside and hold in trust (and, at the request of the Program Agent following an Event of Termination, segregate) for the Investors and/or the Banks that hold such Receivable Interests and for the Investor Agents (x) if such day is a Liquidation Day for less then all of the Receivable Interests, the percentage of such Collections represented by such Receivable Interests and (y) if such day is a Liquidation Day for all of the Receivable Interests, all of the remaining Collections (but not in excess of the aggregate Capital of such Receivable Interests and any other amounts payable by the Seller hereunder); PROVIDED that if amounts are set aside and held in trust on any Liquidation Day occurring prior to the Termination Date, and thereafter prior to the Settlement Date for such Fixed Period the conditions set forth in Section 3.02 are satisfied or waived by the Program Agent and the Investor Agents, such previously set aside amounts shall, to the extent representing a return of Capital, be reinvested in accordance with the preceding subsection (ii) on the day of such subsequent satisfaction or waiver of conditions; PROVIDED, FURTHER, if such day is a Liquidation Day for one or more Receivable Interests solely by reason of the designation by the Investor Agent for an Investor of a Termination Date for a Receivable Interest pursuant to clause (i)(a) of the definition of Termination Date (and no other event or condition qualifying as a Liquidation Day has occurred), then the Collection Agent shall periodically notify such Investor Agent of the amounts set aside and

held in trust pursuant to this clause (iii) on account of such Receivable Interests (which notice shall be given at such times as the Collection Agent and such Investor Agent may agree, but no less frequently than weekly), the Banks in such Investor Agent's Group shall make periodic purchases of the Receivable Interests from the Seller having initial Capital equal to the amounts so set aside and held in trust, the Seller hereby directs such Banks to pay the proceeds of such purchases to the applicable Investor Agent's Account, for application to the reduction of the outstanding Capital on such Receivable Interests of such Investor, and the amounts so set aside and held in trust shall be paid by the Collection Agent to the Seller on account of the purchase price of the Receivable Interests so purchased by such Banks; and

(iv) release to the Seller for its own account any Collections in excess of the amounts that are required to be set aside pursuant to subsection (i) above.

(c) At any time when the Parent's Debt Rating is downgraded to less than BB by S&P or less than Ba3 by Moody's, the Program Agent shall direct each Lock-Box Bank to remit all Collections deposited in the Lock-Box Accounts to the Program Agent Account at least once each Business Day, and thereafter the Collection Agent shall not be permitted to withdraw any funds from the Program Agent Account on any day unless (i) the Collection Agent shall have provided the Agents with each Seller Report then due, (ii) the most recent Seller Report shall show that no Pool Non-Compliance Date exists or shall show that after taking into account the withdrawal of a portion (but not all) of the funds in the Program Agent Account, no Pool Non-Compliance Date will exist (in which case, only such portion of funds may be withdrawn) and (iii) no other Event of Termination shall exist. If the Collection Agent is permitted to withdraw funds from the Program Agent Account pursuant to the preceding sentence, such funds shall be applied as provided in Section 2.04(b). If the Collection Agent is not permitted to withdraw all of the funds from the Program Agent Account pursuant to the first sentence of this Section 2.04(c), then on any subsequent Business Day on which funds are on deposit in the Program Agent Account, the Collection Agent may, following delivery of a Seller Report to each Agent, withdraw from the Program Agent Account all or a portion of the funds in the Program Agent Account and apply such funds as provided in Section 2.04(b); PROVIDED, that such Seller Report shall state that, after taking account of the proposed withdrawal, a Pool Non-Compliance Date does not exist, such Seller Report shall set forth the calculation supporting such statement and no other Event of Termination shall exist. On any Business Day which is a Settlement Date or a Weekly Settlement Date, the Program Agent shall, and on any Business Day on which an Event of Termination exists, the Program Agent may, direct the Program Agent Account Bank to remit all funds then in the Program Agent Account to the Investor Agent's Account of each Investor Agent (ratably according to the aggregate Capital of Receivable Interests held by the Investors and Banks in such Investor Agent's Group).

(d) The Collection Agent shall deposit into the Investor Agent's Account of each Investor Agent, on the Settlement Date for each Receivable Interest, Collections held for such Investor Agent and/or the Investors or the Banks in its Group that relate to such Receivable Interest pursuant to Section 2.04(b). In addition, on the day of delivery of any Monthly Report or Weekly Report which sets forth a Pool Non-Compliance Date as of the close of business on the last Business Day of the preceding Fiscal Month or Week, and on each Business Day

thereafter until a Pool Non-Compliance Date no longer exists, the Collection Agent shall deposit into the Investor Agent's Account of each Investor Agent (ratably according to the aggregate Capital of Receivable Interests held by the Investors and Banks in such Investor Agent's Group) Collections set aside pursuant to clause (iii) of Section 2.04(b); PROVIDED that the aggregate amount

deposited pursuant to this sentence with respect to any Monthly Report or Weekly Report shall not exceed an amount such that, after giving effect to the application of such amount to the reduction of Capital, the sum of the Receivable Interests is equal to the Maximum Receivable Interest.

(e) Upon receipt of funds deposited into the Investor Agent's Account, the relevant Investor Agent shall distribute them as follows:

(i) if such distribution occurs on a day that is not a Liquidation Day (and does not consist of funds remitted directly from the Program Agent Account pursuant to the last sentence of Section 2.04(c)), first to the Collection Agent in payment in full of all accrued Collection Agent Fee payable by the Investors and Banks in its Group and then to the Investors or the Banks in its Group that hold the relevant Receivable Interest and to such Investor Agent in payment in full of all accrued Yield and Fees.

(ii) if such distribution consists of (x) funds remitted directly from the Program Agent Account pursuant to the last sentence of Section 2.04(c) or (y) funds deposited pursuant to the second sentence of Section 2.04(d), and, in either case, no Event of Termination then exists, to the Investors or the Banks in its Group that hold the Receivable Interests in reduction of the Capital of such Receivable Interests.

(iii) if such distribution occurs on a Liquidation Day, first to the Collection Agent in payment in full of all accrued Collection Agent Fee payable by the Investors and Banks in its Group, second to the Investors or the Banks in its Group that hold the relevant Receivable Interest and to such Investor Agent in payment in full of all accrued Yield and Fees, third to such Investors and/or Banks in reduction to zero of all Capital and fourth to such Investors, Banks or such Investor Agent in payment of any other amounts owed by the Seller hereunder.

After the Capital, Yield, Fees and Collection Agent Fee with respect to a Receivable Interest, and any other amounts payable by the Seller to the Investors, the Banks, the Investor Agents or the Program Agent hereunder have been paid in full, all additional Collections with respect to such Receivable Interest shall be paid to the Seller for its own account.

(f) For the purposes of this Section 2.04:

(i) if on any day any Pool Receivable becomes (in whole or in part) a Diluted Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such Diluted Receivable

which shall be payable by the Seller on the earlier of (x) the first day thereafter on which a Seller Report is due and (y) the occurrence of an Event of Termination;

(ii) if on any day any of the representations or warranties contained in Section 4.01(h) is no longer true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full;

(iii) except as provided in subsection (i) or (ii) of this Section 2.04(f), or as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivables shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates its payment for application to specific Receivables; and

(iv) if and to the extent the Program Agent or any of the Investor Agents, the Investors or the Banks shall be required for any reason to pay over to an Obligor any amount received on its behalf hereunder, such amount shall be deemed not to have been so received but rather to have been retained by the Seller and, accordingly, the Program Agent or such Investor Agent, the Investors or the Banks, as the case may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(g) On the fifth Business Day after the end of each calendar month in respect of which Yield is computed by reference to the Investor Rate, each Investor Agent shall furnish the Seller with an invoice setting forth the amount of the accrued and unpaid Yield and Fees for such Fixed Period with respect to the Receivable Interests held by the Investors and the Banks in such Investor Agent's Group.

SECTION 2.05. FEES . (a) Each Investor and Bank shall pay to the Collection Agent a fee (the "COLLECTION AGENT FEE") of 2.7% per annum on the average daily unpaid Capital of each Receivable Interest owned by such Investor or Bank, from the date of purchase of such Receivable Interest until the later of the Termination Date for such Receivable Interest or the date on which such Capital is reduced to zero, payable on the Settlement Date for such Receivable Interest. Upon three Business Days' notice to the Program Agent and each Investor Agent, the Collection Agent (if not the Originator, the Seller or its designee or an Affiliate of the Seller) may elect to be paid, as such fee, another percentage per annum on the average daily Capital of such Receivable Interest, but in no event in excess for all Receivable Interests relating to the Receivables Pool of 110% of the reasonable costs and expenses of the Collection Agent in administering and collecting the Receivables in the Receivables Pool.

The Collection Agent Fee shall be payable only from Collections pursuant to, and subject to the priority of payment set forth in, Section 2.04. So long as the Parent is acting as the Collection Agent hereunder, amounts paid as the Collection Agent Fee pursuant to this Section 2.05(a) shall reduce, on a dollar-for-dollar basis, the obligation of the Seller to pay the "Collection Agent Fee" pursuant to Section 6.03 of the Originator Purchase Agreement, PROVIDED that such obligation of the Seller shall in no event be reduced below zero.

(b) The Seller shall pay to the Program Agent and the Investor Agents certain fees (collectively, the "FEES") in the amounts and on the dates set forth in separate fee agreements of even date (i) among the Seller, the Program Agent and the Investor Agent for the Group which includes CAFCO and (ii) between the Seller and the Investor Agent for the Group which includes Starbird, as the same may be amended or restated from time to time (the "FEE AGREEMENTS").

SECTION 2.06. PAYMENTS AND COMPUTATIONS, ETC . (a) All amounts to be paid or deposited by the Seller or the Collection Agent hereunder shall be paid or deposited no later than 11:00 A.M. (New York City time) on the day when due in same day funds to the applicable Investor Agent's Account.

(b) Each of the Seller and the Collection Agent shall, to the extent permitted by law, pay interest on any amount not paid or deposited by it when due hereunder, at an interest rate per annum equal to 2% per annum above the Alternate Base Rate, payable on demand.

(c) All computations of interest under subsection (b) above and all computations of Yield, fees, and other amounts hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

SECTION 2.07. DIVIDING OR COMBINING RECEIVABLE INTERESTS . Either the Seller or any Investor Agent may, upon notice to the other party (with a copy of such notice to the Program Agent) received at least three Business Days prior to the last day of any Fixed Period in the case of the Seller giving notice, or up to the last day of such Fixed Period in the case of an Investor Agent giving notice, either (i) divide any portion of a Receivable Interest held by one or more Investors and/or Banks in its Group into two or more Receivable Interests of such Investors and/or Banks having aggregate Capital equal to the Capital of such divided portion of such Receivable Interest, or (ii) combine any two or more portions of Receivable Interests held by one or more Investors and/or Banks in its Group originating on such last day or having Fixed Periods ending on such last day into a single Receivable Interest having Capital equal to the aggregate Capital of such Receivable Interests, PROVIDED, HOWEVER, that no Receivable Interest owned by an Investor may be combined with a Receivable Interest owned by any Bank.

SECTION 2.08. INCREASED COSTS . (a) If CNAI, any Investor, any Investor Agent, any Bank, any entity (including any bank or other financial institution providing liquidity and/or credit support to any Investor in connection with such Investor's commercial paper program) which purchases or enters into a commitment to purchase Receivable Interests or interests therein, or any of their respective Affiliates (each an "AFFECTED PERSON") determines that (i) due to any change in any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law), in each case made or issued after the date of this Agreement, the amount of the capital required or expected to be maintained by such Affected Person is or would be affected and such Affected Person determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of or otherwise maintain the investment in Pool Receivables or interests therein related

to this Agreement or to the funding thereof and other commitments of the same type or (ii) compliance with any U.S. or international generally accepted accounting principles applicable to such Affected Person (whether issued by the Financial Accounting Standards Board, the International Accounting Standards Board or any other accounting or governmental board or authority, whether foreign or domestic) would require the consolidation of some or all of the assets and liabilities of CAFCO and/or Starbird, including the assets and liabilities which are the subject of this Agreement and the other Transaction Documents, with those of such Affected Person, then, upon demand by such Affected Person (with a copy to the Program Agent and the Investor Agent for such Affected Person's Group), the Seller shall immediately pay to the Investor Agent for such Affected Person's Group for the account of such Affected Person (as a third-party beneficiary), from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, in the case of clause (i), to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments, and in the case of clause (ii), to the extent of any increased cost or reduced return resulting from the consolidation of the assets and liabilities which are the subject of this Agreement and the other Transaction Documents, as reasonably determined by such Affected Person. A certificate as to such amounts submitted to the Seller and the Program Agent and the Investor Agent for such Affected Person's Group by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements

referred to in Section 2.09) in or in the interpretation of any law or regulation or (ii) compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing or maintaining the ownership of Receivable Interests in respect of which Yield is computed by reference to the Eurodollar Rate, then, upon demand by such Affected Person (with a copy to the Program Agent and the Investor Agent for such Affected Person), the Seller shall immediately pay to such Investor Agent, for the account of such Affected Person (as a third-party beneficiary), from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person for such increased costs. A certificate as to such amounts submitted to the Seller and the Program Agent and the Investor Agent for such Affected Person's Group by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(c) In determining amounts payable under Section 2.08(a) or (b), the applicable Affected Person may use any reasonable averaging and allocation method as long as such method is consistent with such Affected Person's treatment of customers similar to the Seller that are parties to facilities similar to the facility contemplated by this Agreement containing provisions substantially similar to Sections 2.08(a) and (b), PROVIDED, that in no event shall the Seller be liable for more than its PRO RATA share.

(d) Failure or delay on the part of any Affected Person to demand compensation pursuant to this Section 2.08 shall not constitute a waiver of such Affected Person's right to demand such compensation; provided that the Seller shall not be required to compensate an Affected Person pursuant to this Section 2.08 for any increased costs incurred more than 90 days prior to the date that such Affected Person notifies the Seller of the applicable

law, regulation, guideline or request giving rise to such increased costs and of such Affected Person's intention to claim compensation therefor; and PROVIDED FURTHER that, if the applicable law, regulation, guideline or request giving rise to such increased costs is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) If the Seller shall become obligated to pay amounts under this Section 2.08 on account of increased costs attributable to any Affected Person, the Seller shall have the right to require such Affected Person to sell and assign, and upon request by the Seller to such effect, such Affected Person shall sell and assign, all of its interests, rights and obligations under this Agreement to an Eligible Assignee (but no Eligible Assignee shall have any obligation to make any such purchase) or assignee identified by the Seller and approved by the Program Agent and the relevant Investor Agent, which approval shall not be unreasonably withheld; PROVIDED, HOWEVER, that (i) such assignment shall not conflict with any statute, law, rule, regulation, order or decree of any governmental authority, (ii) the assigning Affected Person shall have received from such Eligible Assignee or such assignee full payment in immediately available funds of all amounts payable to it in respect of Capital accrued Yield and Fees and other amounts owing to it under or in connection with this Agreement, (iii) the assigning Affected Person shall have been released of any and all liabilities and obligations under this Agreement, (iv) such assignment shall be without recourse to the assigning Affected Person and shall be at the sole expense of the Seller and (v) the assigning Affected Person shall continue to have the benefit of all indemnities and other agreements under this Agreement which survive the termination of this Agreement.

SECTION 2.09. ADDITIONAL YIELD ON RECEIVABLE INTERESTS BEARING A EURODOLLAR RATE . The Seller shall pay to any Investor or Bank, so long as such Investor or Bank shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional Yield on the unpaid Capital of each Receivable Interest of such Investor or Bank during each Fixed Period relating to any portion of the Capital of such Investor or Bank in respect of which Yield is computed by reference to the Eurodollar Rate, for such Fixed Period, at a rate per annum equal at all times during such Fixed Period to the remainder obtained by subtracting (i) the Eurodollar Rate for such Fixed Period from (ii) the rate obtained by dividing such Eurodollar Rate referred to in clause (i) above by that percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Investor or Bank for such Fixed Period, payable on each date on which Yield is payable on such Receivable Interest. Such additional Yield shall be determined by such Investor or Bank and notice thereof given to the Seller through the Investor Agent for such Investor or Bank (with a copy to the Program Agent) within 30 days after any Yield payment is made with respect to which such additional Yield is requested. A certificate as to such additional Yield submitted to the Seller and the Program Agent by such Investor or Bank shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.10. TAXES . (a) Any and all payments and deposits required to be made hereunder or under any other Transaction Document by the Collection Agent or the Seller shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, EXCLUDING net income taxes that are imposed by the United States and franchise taxes and net

income taxes that are imposed on an Affected Person by the state or foreign jurisdiction under the laws of which such Affected Person is organized or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Seller or the Collection Agent shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Affected

Person, (i) the Seller shall make an additional payment to such Affected Person, in an amount sufficient so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 2.10), such Affected Person receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Seller or the Collection Agent, as the case may be, shall make such deductions and (iii) the Seller or the Collection Agent, as the case may be, shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Seller agrees to pay any present or future stamp or other documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any other Transaction Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Transaction Document (hereinafter referred to as "OTHER TAXES").

(c) The Seller will indemnify each Affected Person for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.10) paid by such Affected Person and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty days from the date the Affected Person makes written demand therefor (and a copy of such demand shall be delivered to the Program Agent and the Investor Agent for such Affected Person's Group). A certificate as to the amount of such indemnification submitted to the Seller, the Program Agent and the Investor Agent for such Affected Person's Group by such Affected Person, setting forth, in reasonable detail, the basis for and the calculation thereof, shall be conclusive and binding for all purposes absent manifest error.

(d) Each Affected Person which is organized outside the United States and which is entitled to an exemption from, or reduction of, withholding tax under the laws of the United States as in effect on the date hereof (or, in the case of any Person which becomes an Affected Person after the date hereof, on the date on which it so becomes an Affected Person with respect to any payments under this Agreement) shall, on or prior to the date hereof (or, in the case of any Person who becomes an Affected Person after the date hereof, on or prior to the date on which it so becomes an Affected Person), deliver to the Seller such certificates, documents or other evidence, as required by the Internal Revenue Code of 1986, as amended or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form W-8BEN or Form W-8ECI and any other certificate or statement of exemption required by Treasury Regulation Section 1.1441 or any subsequent version thereof, properly completed and duly executed by such Affected Person as will permit such payments to be made without withholding or at a reduced rate. Each such Affected Person shall from time to time thereafter, upon written request from the Seller, deliver to the Seller any new certificates, documents or other evidence as described in the preceding sentence as will permit payments under this

Agreement to be made without withholding or at a reduced rate (but only so long as such Affected Person is legally able to do so).

(e) The Seller shall not be required to pay any amounts to any Affected Person in respect of Taxes and Other Taxes pursuant to paragraphs (a), (b) and (c) above if the obligation to pay such amounts is attributable to the failure by such Affected Person to comply with the provisions of paragraph (d) above; PROVIDED, HOWEVER, that should an Affected Person become subject to Taxes because of its failure to deliver a form required hereunder, the Seller shall, at such Affected Person's cost and expense, take such steps as such Affected Person shall reasonably request to assist such Affected Person to recover such Taxes.

SECTION 2.11. SECURITY INTEREST . As collateral security for the performance by the Seller of all the terms, covenants and agreements on the part of the Seller (whether as Seller or otherwise) to be performed under this Agreement or any document delivered in connection with this Agreement in accordance with the terms thereof, including the punctual payment when due to the Investors, the Banks, the Investor Agents and the Program Agent hereunder of all obligations of the Seller hereunder or thereunder, whether for indemnification payments, fees, expenses or otherwise, the Seller hereby assigns to the Program Agent for its benefit and the ratable benefit of the Investors, the Banks and the Investor Agents, and hereby grants to the Program Agent for its benefit and the ratable benefit of the Investors, the Banks and the Investor Agents, a security interest in, all of the Seller's right, title and interest in and to: (A) the Originator Purchase Agreement and the Parent Undertaking, including, without limitation, (i) all rights of the Seller to receive moneys due or to become due under or pursuant to such agreements, (ii) all security interests and property subject thereto from time to time purporting to secure payment of monies due or to become due under or pursuant to such agreements, (iii) all rights of the Seller to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to such agreements, (iv) claims of the Seller for damages arising out of or for breach of or default under such agreements, and (v) the right of the Seller to compel performance and otherwise exercise all remedies thereunder, (B) all Receivables, whether now owned and existing or hereafter acquired or arising, the Related Security with respect thereto and the Collections and all other assets, including, without limitation, accounts, chattel paper, instruments and general intangibles (as those terms are defined in the UCC), including undivided interests in any of the foregoing, (C) the Lock-Box Accounts, the related lock-boxes and the Program Agent Account and (D) to the extent not included in the foregoing, all proceeds of any and all of the foregoing.

SECTION 2.12. SHARING OF PAYMENTS . If any Investor or any Bank (for purposes of this Section only, referred to as a "RECIPIENT") shall obtain

payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Capital of, or Yield on, any Receivable Interest or portion thereof owned by it in excess of its ratable share of payments made on account of the Capital of, or Yield on, all of the Receivable Interests owned by the Investors and the Banks (other than as a result of a payment of Liquidation Fee or different methods for calculating Yield or payments made to less than all of the Groups as a result of the occurrence of a Facility Termination Date under clause (d) of the defined term Facility Termination Date for less than all of the Groups), such Recipient shall forthwith purchase from the Investors or the Banks which received less than their ratable share participations in the Receivable Interests owned by such Persons as shall be necessary to cause such Recipient to share the excess payment ratably with each such other Person; PROVIDED,

HOWEVER, that if all or any portion of such excess payment is thereafter recovered from such Recipient, such purchase from each such other Person shall be rescinded and each such other Person shall repay to the Recipient the purchase price paid by such Recipient for such participation to the extent of such recovery, together with an amount equal to such other Person's ratable share (according to the proportion of (a) the amount of such other Person's required payment to (b) the total amount so recovered from the Recipient) of any interest or other amount paid or payable by the Recipient in respect of the total amount so recovered.

SECTION 2.13. RIGHT OF SETOFF . Without in any way limiting the provisions of Section 2.12, each Agent and each Investor and each Bank is hereby authorized (in addition to any other rights it may have) at any time after the occurrence and during the continuance of an Event of Termination or an Incipient Event of Termination to set-off, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Agent or such Investor or such Bank to, or for the account of, the Seller, the Collection Agent or any Originator against any amount owing by the Seller, the Collection Agent or such Originator, respectively, to such Person or to such Agent on behalf of such Person (even if contingent or unmatured).

ARTICLE III

CONDITIONS OF PURCHASES

SECTION 3.01. CONDITIONS PRECEDENT TO INITIAL PURCHASE . The initial purchase of a Receivable Interest under this Agreement is subject to the conditions precedent that the Program Agent and each Investor Agent shall have received on or before the date of such purchase the following, each (unless otherwise indicated) dated such date, in form and substance satisfactory to the Program Agent and each Investor Agent:

(a) Certified copies of the resolutions (or similar authorization, if not a corporation) of the Board of Directors (or similar governing body or Persons, if not a corporation) of the Seller, the Parent and the other Originators approving this Agreement, the Originator Purchase Agreement and any other Transaction Documents to which it is a party and certified copies of all documents evidencing other necessary corporate or limited liability company, as the case may be, action and governmental approvals, if any, with respect to this Agreement, the Originator Purchase Agreement and any such Transaction Documents.

(b) A certificate of the Secretary or Assistant Secretary of the Seller, the Parent and the other Originators certifying the names and true signatures of the officers of the Seller, the Parent and the other Originators authorized to sign this Agreement, the Originator Purchase Agreement and the other Transaction Documents to be delivered by it hereunder and thereunder.

(c) Evidence of the filing of proper financing statements on or before the date of such initial purchase under the UCC of all jurisdictions that the Program Agent may deem necessary or desirable in order to perfect the ownership and security interests contemplated by this Agreement and the Originator Purchase Agreement.

(d) Evidence of the filing of proper financing statements, if any, necessary to release all security interests and other rights of any Person in (i) the Receivables, Contracts or Related Security previously granted by the Seller or any Originator and (ii) the collateral security referred to in Section 2.11 previously granted by the Seller.

(e) Completed requests for information, dated on or before the date of such initial purchase, listing all effective financing statements filed in the jurisdictions referred to in subsection (c) above and in any other jurisdictions reasonably requested by the Program Agent that name the Seller or any Originator as debtor, together with copies of such financing statements (none of which shall cover any Receivables, Contracts, Related Security or the collateral security referred to in Section 2.11).

(f) Executed copies of Lock-Box Agreements with each Lock-Box Bank.

(g) Opinions of (i) Mayer, Brown, Rowe & Maw LLP, counsel for the Seller, the Parent and the other Originators, (ii) Tarrant Sibley, Senior Counsel, Corporate and Securities of the Parent, and (iii) Kate Ross, Division General Counsel of WOTC, substantially in the form of Annex C-1, C-2 and C-3 hereto, respectively, and as to such other matters as the Program Agent or any Investor Agent may reasonably request.

(h) The Fee Agreements.

(i) The Funds Transfer Letter.

(j) An executed copy of the Originator Purchase Agreement.

(k) An executed copy of the Parent Undertaking.

(l) An executed copy of the Program Agent Account Control Agreement.

(m) A copy of the limited liability company agreement or the by-laws of the Seller, the Parent and the other Originators, certified by the Secretary or Assistant Secretary of the Seller, the Parent or such other Originators, as the case may be.

(n) A copy of the certificate of formation or articles of incorporation of each of the Seller, the Parent and the other Originators certified as of a recent date by its Secretary or by the Secretary of State or other appropriate official of the state of its organization, and a certificate as to the good standing of each of the Seller, the Parent and the other Originators from such Secretary of State or other official, dated as of a recent date.

(o) The opening pro forma balance sheet of the Seller referred to in Section 4.01(e).

(p) Evidence satisfactory to the Program Agent and each Investor Agent of the payment of (i) the up-front structuring fee referred to in the Fee Agreements and (ii) all out-of-pocket expenses then incurred by the Program Agent and the Investor Agents, including, without limitation, audit and legal fees.

SECTION 3.02. CONDITIONS PRECEDENT TO ALL PURCHASES AND REINVESTMENTS. Each purchase (including the initial purchase) and each reinvestment shall be subject to the further conditions precedent that (a) in the case of each purchase, the Collection Agent shall have delivered to each Agent, in form and substance satisfactory to each Agent (i) at least one Business Day prior to such purchase, the latest completed Monthly Report which was then required to be delivered hereunder and (ii) by no later than 3:00 P.M. (New York City time) on the date prior to such purchase, a completed Daily Report, in each case containing information covering the most recently ended reporting period for which information is required pursuant to Section 6.02(g)(i), (ii) or (iv), as the case may be, and demonstrating that after giving effect to such purchase no Event of Termination or Incipient Event of Termination under Section 7.01(i) would occur, (b) in the case of each reinvestment, the Collection Agent shall have delivered to the Program Agent and each Investor Agent on or prior to the date of such reinvestment, in form and substance satisfactory to the Program Agent, a completed Monthly Report or, if required by Section 6.02(g)(ii), a completed Weekly Report, in each case containing information covering the most recently ended reporting period for which information is required pursuant to Section 6.02(g)(i) or (ii), as the case may be, (c) on the date of such purchase or reinvestment the following statements shall be true, except that the statement in clause (iii) below is required to be true only if such purchase or reinvestment is by an Investor (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller and the Collection Agent (each as to itself) that each such statement is then true):

(i) The representations and warranties contained in Sections 4.01 and 4.02 are correct on and as of the date of such purchase or reinvestment as though made on and as of such date,

(ii) No event has occurred and is continuing, or would result from such purchase or reinvestment, that constitutes an Event of Termination or an Incipient Event of Termination, (it being agreed that an Incipient Event of Termination shall exist during any period when the terms of the final PROVISO in Section 7.01(a) [force majeure] are applicable),

(iii) The Program Agent shall not have given the Seller at least one Business Day's notice that the Investors have terminated the reinvestment of Collections in Receivable Interests or, in the case of any reinvestment by a particular Investor, the Investor Agent for such Investor shall not have given the Seller notice that such Investor has terminated the reinvestment of Collections in Receivable Interests (unless such notice has been revoked by such Investor Agent), and

(iv) Each Originator shall have sold or contributed to the Seller, pursuant to the Originator Purchase Agreement, all Originator Receivables originated by it and arising on or prior to such date, and

(d) The Program Agent and the Investor Agents shall have received such other approvals, opinions or documents as the Program Agent or any Investor Agent may reasonably request as a result of changes in factual circumstances affecting the perfection, priority or enforcement of

Receivables or interests therein, or changes in law, in each case occurring after the date of this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE SELLER . The

Seller hereby represents and warrants as follows:

(a) The Seller is a limited liability company duly formed, validly existing and in good standing under the laws of Delaware, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified.

(b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party and the other documents to be delivered by it hereunder, including the Seller's use of the proceeds of purchases and reinvestments, (i) are within the Seller's limited liability company powers, (ii) have been duly authorized by all necessary limited liability company action, (iii) do not contravene (1) the Seller's certificate of formation or limited liability company agreement, (2) any law, rule or regulation applicable to the Seller, (3) any contractual restriction binding on or affecting the Seller or its property or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Seller or its property, and (iv) do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties (except for the interest created pursuant to this Agreement). Each of the Transaction Documents to which the Seller is a party has been duly executed and delivered by the Seller.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Seller of the Transaction Documents to which it is a party or any other document to be delivered thereunder, except for the filing of UCC financing statements which are referred to therein.

(d) Each of the Transaction Documents to which it is a party constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms.

(e) The opening pro forma balance sheet of the Seller as at December 10, 2003, utilizing outstanding Receivables as at November 30, 2003 and giving effect to the initial purchase to be made under this Agreement, a copy of which has been furnished to the Program Agent and each Investor Agent, fairly presents the financial condition of the Seller as at such date, in accordance with generally accepted accounting principles, and since December10, 2003 there has been no material adverse change in the business, operations, property or financial or other condition of the Seller.

(f) There is no pending or, to the Seller's knowledge, threatened action, investigation or proceeding affecting the Seller before any court, governmental agency or

arbitrator which may materially adversely affect the financial condition or operations of the Seller or the ability of the Seller to perform its obligations under any Transaction Document, or which purports to affect the legality, validity or enforceability of any Transaction Document.

(g) No proceeds of any purchase or reinvestment will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) Immediately prior to the purchase by the applicable Investors and/or Banks, as the case may be, the Seller is the legal and beneficial owner of the Pool Receivables and Related Security which are the subject of such purchase free and clear of any Adverse Claim; upon each purchase or reinvestment, the applicable Investors or the Banks, as the case may be, (except, in the case of Receivables of **********, the sale arrangements in Section 2.02(e) of the Originator Purchase Agreement) shall acquire a valid and perfected first priority undivided percentage ownership interest to the extent of the pertinent Receivable Interest in each Pool Receivable then existing or thereafter arising and in the Related Security and Collections with respect thereto. No effective financing statement or other instrument similar in effect covering any Contract or any Pool Receivable or the Related Security or Collections with respect thereto is on file in any recording office, except those filed in favor of the Program Agent relating to this Agreement and those filed by the Seller pursuant to the Originator Purchase Agreement. Each Receivable characterized in any Seller Report or other written statement made by or on behalf of the Seller as an Eligible Receivable or as included in the Net Receivables Pool Balance is, as of the date of such Seller Report or other statement, an Eligible Receivable or properly included in the Net Receivables Pool Balance.

(i) Each Seller Report (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or an Affiliate), written information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Program Agent, the Investor Agents, the Investors or the Banks in connection with this Agreement is or will be accurate in all material respects as of its date or (except (a) as otherwise disclosed to the Program Agent, the Investor Agents, the Investors or the Banks, as the case may be, at such time or (b) with respect to written information, exhibits, financial statements, documents, books, records or reports furnished prior to the date of this Agreement, if such inaccuracy has been corrected before the date of this Agreement) as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact.

(j) The principal place of business and chief executive office of the Seller and the office where the Seller keeps its records concerning the Pool Receivables are located at the address or addresses referred to in Section 5.01(b).

(k) The names and addresses of all the Lock-Box Banks, together with the post office boxes and account numbers of the Lock-Box Accounts of the Seller at such Lock-Box Banks, are as specified in Schedule I hereto, as such Schedule I may be updated from time to time pursuant to Section 5.01(g). The Lock-Box Accounts are the only accounts into which Collections of Receivables are deposited or remitted. The Seller has delivered to the Program Agent a fully executed Lock-Box Agreement with respect to each Lock-Box Account.

(l) (i) Each Receivable is, according to the related Contract, required to be paid in full within 365 days of the original billing date therefor, (ii) neither the Parent nor any of its Subsidiaries issues commercial paper or other short-term indebtedness (having maturities not exceeding nine months) in reliance on the "current transaction" exemption contained in Section 3(a)(3) of the Securities Act of 1933, as amended, and (iii) each Receivable is an obligation representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended.

(m) The Seller is not known by and does not use any tradename or doing-business-as name.

(n) The Seller was formed on December 3, 2003, and the Seller did not engage in any business activities prior to the date of this Agreement. The Seller has no Subsidiaries.

(o) (i) The fair value of the property of the Seller is greater than the total amount of liabilities, including contingent liabilities, of the Seller, (ii) the present fair salable value of the assets of the Seller is not less than the amount that will be required to pay all probable liabilities of the Seller on its debts as they become absolute and matured, (iii) the Seller does not intend to, and does not believe that it will, incur debts or liabilities beyond the Seller's abilities to pay such debts and liabilities as they mature and (iv) the Seller is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which the Seller's property would constitute unreasonably small capital.

(p) With respect to each Pool Receivable, the Seller (i) shall have received such Pool Receivable as a contribution to the capital of the Seller by the Parent or (ii) shall have purchased such Pool Receivable from the Originators in exchange for payment (made by the Seller to such Originator in accordance with the provisions of the Originator Purchase Agreement) of cash, Deferred Purchase Price, or a combination thereof in an amount which constitutes fair consideration and reasonably equivalent value. Each such sale referred to in clause (ii) of the preceding sentence shall not have been made for or on account of an antecedent debt owed by any Originator to the Seller and no such sale is or may be voidable or subject to avoidance under any section of the Federal Bankruptcy Code.

SECTION 4.02. REPRESENTATIONS AND WARRANTIES OF THE COLLECTION AGENT. The Collection Agent hereby represents and warrants as follows:

(a) The Collection Agent is a corporation duly incorporated, validly existing and in good standing under the laws of Rhode Island, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, unless the failure to so qualify would not have a material adverse effect on (i) the interests of the Investors and the Banks hereunder, (ii) the collectibility of the Receivables Pool, or (iii) the ability of the Collection Agent to perform its obligations hereunder.

(b) The execution, delivery and performance by the Collection Agent of this Agreement and any other documents to be delivered by it hereunder (i) are within the Collection Agent's corporate powers, (ii) have been duly authorized by all necessary corporate action,

(iii) do not contravene (1) the Collection Agent's charter or by-laws, (2) any law, rule or regulation applicable to the Collection Agent, (3) any contractual restriction binding on or affecting the Collection Agent or its property or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Collection Agent or its property (except, in the cases of clauses (2), (3) and (4), where any such contravention could not, in the aggregate, reasonably be expected to have any material adverse effect on the ability of the Collection Agent to perform its obligations under this Agreement), and (iv) do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties. This Agreement has been duly executed and delivered by the Collection Agent.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Collection Agent of this Agreement or any other document to be delivered by it hereunder.

(d) This Agreement constitutes the legal, valid and binding obligation of the Collection Agent enforceable against the Collection Agent in accordance with its terms.

(e) The balance sheets of the Collection Agent and its Subsidiaries as at September 28, 2003, and the related statements of earnings and cash flows of the Collection Agent and its Subsidiaries for the nine-month period then ended, copies of which have been furnished to the Program Agent and each Investor Agent, fairly present the financial condition of the Collection Agent

and its Subsidiaries as at such date and the results of the operations of the Collection Agent and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since September 28, 2003 there has been no material adverse change in the business, operations, property or financial or other condition of the Collection Agent (it being understood that reduction by one sub-notch (e.g., from BB+ to BB) in any of the Debt Ratings of the Collection Agent in effect on the date of this Agreement does not, in and of itself, constitute a material adverse change).

(f) There is no pending or, to the Collection Agent's knowledge, threatened action, investigation or proceeding affecting the Collection Agent or any of its Subsidiaries before any court, governmental agency or arbitrator which would reasonably be expected to be adversely determined and, if adversely determined, either in any case or in the aggregate, could reasonably be expected to materially adversely affect the financial condition or operations of the Collection Agent or any Originator or the ability of the Collection Agent to perform its obligations under this Agreement, or which purports to affect the legality, validity or enforceability of this Agreement.

(g) On the date of each purchase and reinvestment (and after giving effect thereto) the sum of the Receivable Interests is not greater than the Maximum Receivable Interest on such date. Each Receivable characterized in any Seller Report as an Eligible Receivable or as included in the Net Receivables Pool Balance is, as of the date of such Seller Report, an Eligible Receivable or properly included in the Net Receivables Pool Balance.

ARTICLE V

COVENANTS

SECTION 5.01. COVENANTS OF THE SELLER. Until the latest of the Facility Termination Date or the date on which no Capital of or any Yield on any Receivable Interest shall be outstanding or the date all other amounts owed by the Seller hereunder to the Investors, the Banks, the Investor Agents or the Program Agent are paid in full:

(a) COMPLIANCE WITH LAWS, ETC. The Seller will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications, and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such rights, franchises, qualifications, and privileges would not materially adversely affect the collectibility of the Receivables Pool or the ability of the Seller to perform its obligations under the Transaction Documents.

(b) OFFICES, RECORDS, NAME AND ORGANIZATION. The Seller will keep its principal place of business and chief executive office and the office where it keeps its records concerning the Pool Receivables at the address of the Seller set forth under its name on the signature pages to this Agreement or at one of the locations set forth in Schedule IV, upon 30 days' prior written notice to the Program Agent and each Investor Agent, at any other locations within the United States. The Seller will not change its name or its state of organization, unless (i) the Seller shall have provided the Program Agent and each Investor Agent with at least 30 days' prior written notice thereof and (ii) no later than the effective date of such change, all actions reasonably requested by the Program Agent to protect and perfect the interest in the Pool Receivables have been taken and completed. The Seller also will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Pool Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Pool Receivables (including, without limitation, records adequate to permit the daily identification of each Pool Receivable and all Collections of and adjustments to each existing Pool Receivable).

(c) PERFORMANCE AND COMPLIANCE WITH CONTRACTS AND CREDIT AND COLLECTION POLICY. The Seller will, at its expense, timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Pool Receivable and the related Contract.

(d) SALES, LIENS, ETC. Except (i) for the ownership and security interests created hereunder in favor of the Program Agent and (ii) pursuant to the terms of the **********, the Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, the Seller's undivided interest in any Pool Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Pool Receivable are sent, or assign any right to receive income in respect thereof, it being agreed that the security interest hereunder

in any Receivables of ********** which are being sold pursuant to Section 2.02(e) of the Originator Purchase Agreement will be considered to be released upon such sale; PROVIDED, an amount equal to the lesser of (a) the Interim Purchase Amount (as that term is defined in the **********) and (b) the amount of Capital needed to be paid in order for there not to be a violation of Section 7.01(i) is remitted to the Collection Agent concurrently with such sale, which amount shall be distributed by the Collection Agent to the Investor Agent

on the next Settlement Date, the Program Agent hereby agreeing at the Seller's expense to do all things and execute all documents reasonably requested by the Seller to release such security interest.

(e) EXTENSION OR AMENDMENT OF RECEIVABLES. Except as provided in Section 6.02(c), the Seller will not (and will not permit the Collection Agent or any Originator to) extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(f) CHANGE IN BUSINESS OR CREDIT AND COLLECTION POLICY. The Seller will not make any change in the character of its business or in the Credit and Collection Policy that would, in either case, materially adversely affect the collectibility of the Receivables Pool or the ability of the Seller to perform its obligations under this Agreement.

(g) CHANGE IN PAYMENT INSTRUCTIONS TO OBLIGORS. The Seller will not add or terminate any bank, post office box or bank account as a Lock-Box Bank or Lock-Box Account from those listed in Schedule I to this Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Seller or payments to be made to any Lock-Box Bank, unless the Program Agent shall have received ten days' prior written notice of such addition, termination or change (including an updated Schedule I) and a fully executed Lock-Box Agreement with each new Lock-Box Bank or with respect to each new Lock-Box Account.

(h) DEPOSITS TO LOCK-BOX ACCOUNTS. The Seller will (or will cause the Collection Agent or the Originators to) instruct all Obligors to remit all their payments in respect of Receivables to Lock-Box Accounts. If the Seller shall receive any Collections directly, it shall immediately (and in any event within two Business Days) deposit the same to a Lock-Box Account. The Seller will not deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Receivables.

(i) MARKING OF RECORDS. At its expense, the Seller will mark its master data processing records evidencing Pool Receivables with a legend evidencing that Receivable Interests related to such Pool Receivables have been sold in accordance with this Agreement.

(j) FURTHER ASSURANCES. (i) The Seller agrees from time to time, at its expense, promptly to execute and deliver all further instruments and documents, and to take all further actions, that may be necessary or desirable, or that the Program Agent or any Investor Agent may reasonably request, to perfect, protect or more fully evidence the Receivable Interests purchased under this Agreement, or to enable the Investors, the Banks, the Investor Agents or the Program Agent to exercise and enforce their respective rights and remedies under this Agreement.

(ii) The Seller authorizes the Program Agent to file financing or continuation statements, and amendments thereto and assignments thereof, relating to the Pool Receivables and the Related Security and the Collections with respect thereto.

(k) REPORTING REQUIREMENTS. The Seller will provide to the Program Agent and the Investor Agents (in multiple copies, if requested by the Program Agent or any Investor Agent) the following:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Parent, balance sheets of the Parent and its Subsidiaries as of the end of such quarter and consolidated and consolidating statements of earnings and consolidated statement of cash flows of the Parent and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Parent;

(ii) as soon as available and in any event within 100 days after the end of each fiscal year of the Parent, a copy of the annual report for such year for the Parent and its Subsidiaries, containing financial statements for such year audited by KPMG LLP or other independent public accountants of recognized standing;

(iii) as soon as available and in any event within 60 days after the end of each of the first three quarters and within 100 days after the end of the fourth fiscal quarter of each fiscal year of the Seller, a balance sheet of the Seller as of the end of such quarter and a statement of earnings and statement of cash flows of the Seller for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Seller;

(iv) as soon as possible and in any event within (x) two Business Days after the Seller obtains knowledge of the occurrence of each Event of Termination or Incipient Event of Termination, a statement of the chief financial officer of the Seller setting forth details of such Event of Termination or Incipient Event of Termination and (y) ten Business Days after the Seller obtains knowledge of the occurrence of each Event of Termination or Incipient Event of Termination, a statement of the chief financial officer of the Seller setting forth the action that the Seller has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Parent sends to any of its security holders, and

copies of all reports and registration statements that the Parent or any of its Subsidiaries files with the SEC or any national securities exchange;

(vi) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any ERISA Affiliate files under ERISA with the Internal Revenue Service or the PBGC or the U.S. Department of Labor or that the Seller or any ERISA Affiliate receives from any of the foregoing or from any

Multiemployer Plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any ERISA Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on the Seller and/or any such ERISA Affiliate in excess of $15,000,000;

(vii) at least 30 days prior to any change in the name or jurisdiction of organization of the Parent, any other Originator or the Seller, a notice setting forth the new name or jurisdiction of organization and the effective date thereof;

(viii) promptly after the Seller obtains knowledge thereof, notice of any "Event of Termination" or "Facility Termination Date" under the Originator Purchase Agreement;

(ix) so long as any Capital shall be outstanding, as soon as possible and in any event no later than the day of occurrence thereof, notice that any Originator has stopped selling or contributing to the Seller, pursuant to the Originator Purchase Agreement, all newly arising Originator Receivables;

(x) at the time of the delivery of the financial statements provided for in clauses (i) and (ii) of this paragraph, a certificate of the chief financial officer or the treasurer of the Seller to the effect that, to the best of such officer's knowledge, no Event of Termination has occurred and is continuing or, if any Event of Termination has occurred and is continuing, specifying the nature and extent thereof;

(xi) promptly after receipt thereof, copies of all notices received by the Seller from any Originator under the Originator Purchase Agreement;

(xii) at least 60 days prior to the end of each fiscal year of the Originators, a new Schedule III, setting forth the Fiscal Months for the upcoming fiscal year; and

(xiii) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller, the Parent or any other Originator as the Program Agent or any Investor Agent may from time to time request if reasonably related to the transactions contemplated by the Transaction Documents.

Reports and financial statements required to be delivered pursuant to clauses (i), (ii) and (v) of this Section 5.01(k) shall be deemed to have been delivered on the date on which the Parent posts such reports, or reports containing such financial statements, on the Parent's website on the Internet at www.hasbro.com or when such reports, or reports containing such financial statements, are posted on the SEC's website at www.sec.gov; PROVIDED that the Parent shall deliver paper copies of the reports and financial statements referred to in clauses (i) and (ii) of this Section 5.01(k) to the Program Agent or any Investor Agent or Bank who requests the

Parent to deliver such paper copies until written notice to cease delivering paper copies is given by the Program Agent or such Investor Agent or Bank, as applicable.

(l) SEPARATENESS. (i) The Seller shall at all times maintain at least one independent manager who (x) is not currently and has not been during the five years preceding the date of this Agreement an officer, director or employee of an Affiliate of the Seller or any Other Company, (y) is not a current or former officer or employee of the Seller and (z) is not a stockholder or member of any Other Company or any of their respective Affiliates.

(ii) The Seller shall not direct or participate in the management of any of the Other Companies' operations or of any other Person's operations.

(iii) The Seller shall conduct its business from an office separate from that of the Other Companies and any other Person (but which may be located in the same facility as one or more of the Other Companies). The Seller shall have stationery and other business forms and a mailing address and a telephone number separate from that of the Other Companies and any other Person.

(iv) The Seller shall at all times be adequately capitalized in light of its contemplated business.

(v) The Seller shall at all times provide for its own operating expenses and liabilities from its own funds.

(vi) The Seller shall maintain its assets and transactions separately from those of the Other Companies and any other Person and reflect such assets and transactions in financial statements separate and distinct from those of the Other Companies and any other Person and evidence such assets and transactions by appropriate entries in books and records separate and distinct from those of the Other Companies and any other Person. The Seller shall hold itself out to the public under the Seller's own name as a legal entity separate and distinct from the Other Companies. The Seller shall not hold itself out as having agreed to pay, or as being liable, primarily or secondarily, for, any obligations of the Other Companies or any other Person.

(vii) The Seller shall not maintain any joint account with any Other Company or any other Person or become liable as a guarantor or otherwise with respect to any Debt or contractual obligation of any Other Company or any other Person.

(viii) The Seller shall not make any payment or distribution of assets with respect to any obligation of any Other Company or any other Person or grant an Adverse Claim on any of its assets to secure any obligation of any Other Company or any other Person.

(ix) The Seller shall not make loans, advances or otherwise extend credit to any of the Other Companies.

(x) The Seller shall hold regular duly noticed meetings of its Board of Managers and make and retain minutes of such meetings.

(xi) The Seller shall have bills of sale (or similar instruments of assignment) and, if appropriate, UCC-1 financing statements, with respect to all assets purchased from any of the Other Companies.

(xii) The Seller shall not engage in any transaction with any of the Other Companies, except as permitted by this Agreement and as contemplated by the Originator Purchase Agreement.

(xiii) The Seller shall comply with (and cause to be true and correct) each of the facts and assumptions contained in Part I (Assumptions of Facts) of the opinion of Mayer, Brown, Rowe & Maw LLP delivered pursuant to Section 3.01(g) and designated as Annex C to this Agreement.

(m) ORIGINATOR PURCHASE AGREEMENT. The Seller will not amend, waive or modify any provision of the Originator Purchase Agreement or waive the occurrence of any "Event of Termination" under the Originator Purchase Agreement, without in each case the prior written consent of the Program Agent and each Investor Agent; PROVIDED, HOWEVER, that the Seller may amend the percentage set forth in the definition of "Discount" in the Originator Purchase Agreement in accordance with the provisions of the Originator Purchase Agreement without the consent of the Program Agent and each Investor Agent, PROVIDED, FURTHER, that the Seller shall promptly notify the Program Agent and each Investor Agent of any such amendment. The Seller will perform all of its obligations under the Originator Purchase Agreement in all material respects and will enforce the Originator Purchase Agreement in accordance with its terms in all material respects.

(n) NATURE OF BUSINESS. The Seller will not engage in any business other than as set forth in Section 7 of its limited liability company agreement. The Seller will not create or form any Subsidiary.

(o) MERGERS, ETC. The Seller will not merge with or into or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets or capital stock or other ownership interest of, or enter into any joint venture or partnership agreement with, any Person, other than as contemplated by this Agreement and the Originator Purchase Agreement.

(p) DISTRIBUTIONS, ETC. The Seller will not declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any membership interests of the Seller, or return any capital to its members as such, or purchase, retire, defease, redeem or otherwise acquire for value or make any payment in respect of any membership interests of the Seller or any warrants, rights or options to acquire any such membership interests, now or hereafter outstanding; PROVIDED, HOWEVER, that the Seller declare and pay cash distributions on its membership interests to its members so long as (i) no Event of Termination shall then exist or would occur as a result thereof, (ii) such distributions

are in compliance with all applicable law including the limited liability company law of the state of Delaware, and (iii) such distributions have been approved by all necessary and appropriate limited liability company action of the Seller.

(q) DEBT. The Seller will not incur any Debt, other than ordinary operating expenses and any Debt incurred pursuant to this Agreement and the Deferred Purchase Price.

(r) LIMITED LIABILITY COMPANY AGREEMENT. The Seller will not amend or delete Sections 7, 8, 9(b), 9(j), 18(c), 19, 22, 28 or 32 of its limited liability company agreement, without the prior written consent of the Agents.

(s) TANGIBLE NET WORTH. The Seller will maintain Tangible Net Worth at all times equal to at least **********of the Outstanding Balance of the Receivables at such time.

SECTION 5.02. COVENANT OF THE SELLER AND THE ORIGINATORS. Until the latest of the Facility Termination Date or the date on which no Capital of or Yield on any Receivable Interest shall be outstanding or the date all other amounts owed by the Seller hereunder to the Investors, the Banks, the Investor Agents or the Program Agent are paid in full, each of the Seller and each Originator will, at their respective expense, from time to time during regular business hours as requested upon reasonable notice by the Program Agent or any Investor Agent, permit the Program Agent, any Investor Agent or their respective agents or representatives (including independent public accountants, which may be the Seller's or the Parent's independent public accountants), (i) no more than once each fiscal year of the Seller (unless an Event of Termination has occurred and is continuing or a deficiency was discovered during the previous audit, in which case such limitation shall not apply), to conduct periodic audits of the Receivables, the Related Security and the related books and records and collections systems of the Seller or such Originator, as the case may be, (ii) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Seller or such Originator, as the case may be, relating to Pool Receivables and the Related Security, including, without limitation, the Contracts, and (iii) to visit the offices and properties of the Seller or such Originator, as the case may be, for the purpose of examining such materials described in clause (ii) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's or such Originator's performance under the Transaction Documents or under the Contracts with any of the officers or employees of the Seller or such Originator, as the case may be, having knowledge of such matters. In conjunction with the periodic annual audit referred to in clause (i) of the previous sentence of this Section 5.02, upon the Program Agent's request no more than once per year, the Seller will, at its expense, appoint independent public accountants (which may, with the consent of the Program Agent, be the Seller's regular independent public accountants), or utilize the Program Agent's representatives or auditors, to prepare and deliver to the Program Agent and each Investor Agent a written report with respect to the Receivables and the Credit and Collection Policy (including, in each case, the systems, procedures and records relating thereto) on a scope and in a form reasonably requested by the Program Agent and the Investor Agents.

ARTICLE VI

ADMINISTRATION AND COLLECTION OF POOL RECEIVABLES

SECTION 6.01. DESIGNATION OF COLLECTION AGENT. The servicing, administration and collection of the Pool Receivables shall be conducted by the Collection Agent so designated hereunder from time to time. Until the Program Agent gives notice to the Seller of the designation of a new Collection Agent (which notice may only be given following the occurrence and during the continuance of an Event of Termination), the Parent is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. The Program Agent at any time after the occurrence and during the continuance of an Event of Termination may designate as Collection Agent any Person (including itself) to succeed the Parent or any successor Collection Agent, if such Person shall consent and agree to the terms hereof. The Collection Agent may, with the prior consent of the Program Agent and each Investor Agent, subcontract with any other Person for the servicing, administration or collection of the Pool Receivables. Any such subcontract shall not affect the Collection Agent's liability for performance of its duties and obligations pursuant to the terms hereof, and upon designation of a successor Collection Agent, any such subcontract with an Affiliate of any Originator shall automatically terminate and any such subcontract with a Person which is not an Affiliate of any Originator shall be subject to termination by the Collection Agent on no more than 30 days' notice. The Program Agent and each Investor Agent hereby consent to the existing subcontracting arrangements with **********. The Agents' consent to the subcontracting arrangement with **********is subject to the following conditions, each of which the Collection Agent hereby represents is satisfied: such subcontracting arrangement (i) does not permit **********to receive cash collections on any such Receivables and (ii) does not permit **********to update any Originator's accounts receivable systems reflecting collection activities.

SECTION 6.02. DUTIES OF COLLECTION AGENT. (a) The Collection Agent shall take or cause to be taken all such actions as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. The Seller, the Program Agent, the Investor Agents, the Banks and the Investors hereby appoint the Collection Agent, from time to time designated pursuant to Section 6.01, as agent for themselves, the Investors and the Banks to enforce their respective rights and interests in the Pool Receivables, the Related Security and the Collections with respect thereto. In performing its duties as Collection Agent, the Collection Agent shall exercise the same care and apply the same policies as it would exercise and apply if it owned such Receivables and shall act in the best interests of the Seller, the Investors, the Banks, the Investor Agents and the Program Agent.

(b) The Collection Agent shall administer the Collections in accordance with the procedures described in Section 2.04.

(c) If no Event of Termination or Incipient Bankruptcy Event of Termination shall have occurred and be continuing, the Parent, while it is the Collection Agent, may, in accordance with the Credit and Collection Policy and its sales practices, extend the maturity or

adjust the Outstanding Balance of any Receivable as the Parent deems appropriate to maximize Collections thereof, or otherwise amend or modify other terms of any Receivable, provided that the classification of any such Receivable as a Delinquent Receivable or Defaulted Receivable shall not be affected by any such extension.

(d) The Collection Agent shall hold in trust for the Seller and each Investor and Bank, in accordance with their respective interests, all documents, instruments and records (including, without limitation, computer tapes or disks) which evidence or relate to Pool Receivables. The Collection Agent shall mark the Seller's master data processing records evidencing the Pool Receivables with a legend, acceptable to the Program Agent, evidencing that Receivable Interests therein have been sold.

(e) The Collection Agent shall, as soon as practicable following receipt, turn over to the Person entitled thereto any cash collections or other cash proceeds received with respect to Receivables not constituting Pool Receivables.

(f) The Collection Agent shall, from time to time at the request of the Program Agent or any Investor Agent, furnish to the Program Agent and the Investor Agents (promptly after any such request) a calculation of the amounts set aside for the Investors, the Banks and the Investor Agents pursuant to Section 2.04.

(g) (i) On or prior to the 17th day of each calendar month (except in the month of January, in which event, the 27th day), the Collection Agent shall prepare and forward to each Agent a Monthly Report relating to the Receivable Interests outstanding on the last day of the immediately preceding Fiscal Month.

(ii) During the Weekly Reporting Period, unless an Event of Termination shall have occurred and be continuing (in which case, clause (iii) below shall be applicable), the Collection Agent shall, on or prior to the close of business on the second Business Day of each Week, prepare and forward to each Agent a Weekly Report which shall contain information related to the Receivables current as of the close of business on the last Business Day of the preceding Week.

(iii) If an Event of Termination shall have occurred and be continuing, the Collection Agent shall, by no later than 3:00 P.M. (New York City time) on each Business Day, prepare and forward to each Agent a Daily Report which shall contain information relating to the Receivables current as of the close of business on the immediately prior Business Day.

(iv) By no later than 3:00 P.M. (New York City time) on the Business Day prior to each requested purchase of a Receivable Interest hereunder, the Collection Agent shall prepare and forward to each Agent a Daily Report which shall contain information relating to the Receivables current as of the close of business on the immediately preceding Business Day.

The Collection Agent shall transmit Seller Reports to the Program Agent and each Investor Agent concurrently (x) by facsimile or electronic mail with signatures scanned and (y) by electronic mail (each, an "E-MAIL SELLER REPORT"). Each E-Mail Seller Report shall be (A) formatted as the Program Agent may designate from time to time and shall be digitally

signed and (B) sent to the Program Agent and each Investor Agent at an electronic mail address designated by each of them.

SECTION 6.03. CERTAIN RIGHTS OF THE PROGRAM AGENT. (a) The Program Agent is authorized at any time following the occurrence and during the continuance of an Event of Termination or an Incipient Bankruptcy Event of Termination to date, and to deliver to the Lock-Box Banks and the Program Agent Account Bank, the notices of effectiveness attached to the Lock-Box Agreements and the Program Agent Account Control Agreement. The Seller hereby transfers to the Program Agent the exclusive ownership and control of the Lock-Box Accounts to which the Obligors of Pool Receivables shall make payments. The Program Agent may at any time following the occurrence and during the continuance of an Event of Termination or an Incipient Bankruptcy Event of Termination notify the Obligors of Pool Receivables, at the Seller's expense, of the ownership of Receivable Interests under this Agreement.

(b) At any time following the designation of a Collection Agent other than the Parent pursuant to Section 6.01 or following the occurrence and during the continuance of an Event of Termination or an Incipient Bankruptcy Event of Termination:

(i) The Program Agent may direct the Obligors of Pool Receivables that all payments thereunder be made directly to the Program Agent or its designee.

(ii) At the Program Agent's request and at the Seller's expense, the Seller shall notify each Obligor of Pool Receivables of the ownership of Receivable Interests under this Agreement and direct that payments be made directly to the Program Agent or its designee.

(iii) At the Program Agent's request and at the Seller's expense, the Seller and the Collection Agent shall (A) assemble all of the documents, instruments and other records (including, without limitation, computer tapes and disks) that evidence or relate to the Pool Receivables and the related Contracts and Related Security, or that are otherwise necessary or desirable to collect the Pool Receivables, and shall make the same available to the Program Agent at a place selected by the Program Agent or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Pool Receivables in a manner acceptable to the Program Agent and, promptly upon receipt, remit all such cash, checks and instruments, duly indorsed or with duly executed instruments of transfer, to the Program Agent or its designee.

(iv) The Seller authorizes the Program Agent to take any and all steps in the Seller's name and on behalf of the Seller that are necessary or desirable, in the determination of the Program Agent, to collect amounts due under the Pool Receivables, including, without limitation, endorsing the Seller's name on checks and other instruments representing Collections of Pool Receivables and enforcing the Pool Receivables and the Related Security and related Contracts.

SECTION 6.04. RIGHTS AND REMEDIES. (a) If the Collection Agent fails to perform any of its obligations under this Agreement, the Program Agent may (but shall not be required to) itself perform, or cause performance of, such obligation; and the Program Agent's reasonable costs and expenses incurred in connection therewith shall be payable by the Collection Agent.

(b) The Seller and the Originators shall perform their respective obligations under the Contracts related to the Pool Receivables to the same extent as if Receivable Interests had not been sold and the exercise by the Program Agent on behalf of the Investors, the Banks and the Investor Agents of their rights under this Agreement shall not release the Collection Agent or the Seller from any of their duties or obligations with respect to any Pool Receivables or related Contracts. Neither the Program Agent, the Investors, the Investor Agents nor the Banks shall have any obligation or liability with respect to any Pool Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of the Seller thereunder.

(c) In the event of any conflict between the provisions of Article VI of this Agreement and Article VI of the Originator Purchase Agreement, the provisions of Article VI of this Agreement shall control.

SECTION 6.05. FURTHER ACTIONS EVIDENCING PURCHASES. Each Originator agrees from time to time, at its expense, to promptly execute and deliver all further instruments and documents, and to take all further actions, that may be necessary or desirable, or that the Program Agent or any Investor Agent may reasonably request, to perfect, protect or more fully evidence the Receivable Interests purchased hereunder, or to enable the Investors, the Banks, the Investor Agents or the Program Agent to exercise and enforce their respective rights and remedies hereunder. Without limiting the foregoing, each Originator will (i) upon the request of the Program Agent or any Investor Agent, execute and file such financing or continuation statements, or amendments thereto, and such other instruments and documents, that may be reasonably necessary or desirable, or that the Program Agent or any Investor Agent may reasonably request, to perfect, protect or evidence such Receivable Interests; and (ii) mark its master data processing records evidencing the Pool Receivables with a legend, acceptable to the Program Agent, evidencing that Receivable Interests have been sold. Each Originator hereby authorizes the Seller to file financing statements with respect to the Originator Purchase Agreement as permitted by the UCC.

SECTION 6.06. COVENANTS OF THE COLLECTION AGENT AND EACH ORIGINATOR. (a) AUDITS. The Collection Agent (not in addition to the requirements of Section 5.02 unless the Collection Agent is not the Parent or an Affiliate of the Parent) will, from time to time upon reasonable notice and during regular business hours as requested by the Program Agent or any Investor Agent, permit the Program Agent, such Investor Agent or their agents or representatives (including independent public accountants, which may be the Collection Agent's independent public accountants), (i) no more than once each fiscal year of the Collection Agent (unless an Event of Termination has occurred and is continuing or a deficiency was discovered during the previous audit in which case such limitation shall not apply) to conduct periodic audits of the Receivables, the Related Security and the related books and records and collections systems of the Collection Agent, (ii) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or

under the control of the Collection Agent relating to Pool Receivables and the Related Security, including, without limitation, the Contracts, and (iii) to visit the offices and properties of the Collection Agent for the purpose of examining such materials described in clause (ii) above, and to discuss matters relating to Pool Receivables and the Related Security or the Collection Agent's performance hereunder with any of the officers or employees of the Collection Agent having knowledge of such matters.

(b) **********. The Collection Agent agrees that at no time will the Outstanding Balance of Receivables subject to the subcontracting arrangements with **********referred to in Section 6.01 exceed **********in the aggregate.

(c) CHANGE IN CREDIT AND COLLECTION POLICY. Neither the Collection Agent nor any Originator will make any change in the Credit and Collection Policy that would materially adversely affect the collectibility of any Pool Receivable or the ability of the Parent (if it is acting as Collection Agent) to perform its obligations under this Agreement. In the event that the Collection Agent or any Originator makes any material change to the Credit and Collection Policy, it shall, contemporaneously with such change, provide the Program Agent and each Investor Agent with an updated Credit and Collection Policy and a summary of all material changes.

SECTION 6.07. INDEMNITIES BY THE COLLECTION AGENT. Without limiting any other rights that the Program Agent, any Investor Agent, any Investor, any Bank or any of their respective Affiliates (including the members of any Investor) or any of their respective officers, directors, employees or advisors (each, a "SPECIAL INDEMNIFIED PARTY") may have hereunder or under applicable law, and in consideration of its appointment as Collection Agent, the Collection Agent hereby agrees to indemnify each Special Indemnified Party from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) (all of the foregoing being collectively referred to as "SPECIAL INDEMNIFIED AMOUNTS") arising out of or resulting from any of the following (excluding, however, (a) Special Indemnified Amounts to the extent having resulted from (i) gross negligence or willful misconduct on the part of such Special Indemnified Party or (ii) breach on the part of such Special Indemnified Party of the terms of any Transaction Document, (b) recourse for Receivables which are not collected, not paid or uncollectible on account of the insolvency, bankruptcy or financial inability to pay of the applicable Obligor or (c) any income or franchise taxes or any other tax or fee measured by income incurred by such Special Indemnified Party arising out of or as a result of this Agreement or the ownership of Receivable Interests or in respect of any Receivable or any Contract):

(i) any representation made or deemed made by the Collection Agent pursuant to Section 4.02(g) hereof which shall have been incorrect in any respect when made or any other representation or warranty or statement made or deemed made by the Collection Agent under or in connection with this Agreement which shall have been incorrect in any material respect when made (without giving effect to the parenthetical expression in Section 4.02(b));

(ii) the failure by the Collection Agent to comply with any applicable law, rule or regulation with respect to the servicing of any Pool Receivable or Contract;

(iii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool, the Contracts and the Related Security and Collections in respect thereof, whether at the time of any purchase or reinvestment or at any subsequent time;

(iv) any failure of the Collection Agent to perform its duties or obligations in accordance with the provisions of this Agreement;

(v) the commingling of Collections of Pool Receivables at any time by the Collection Agent with other funds;

(vi) any action or omission by the Collection Agent reducing or impairing the rights of the Program Agent, the Investor Agents, the Investors or the Banks with respect to any Pool Receivable or the value of any Pool Receivable unless permitted by the terms of this Agreement; or

(vii) any claim brought by any Person other than a Special Indemnified Party arising from any activity by the Collection Agent or its subcontractors in servicing, administering or collecting any Receivable.

ARTICLE VII

EVENTS OF TERMINATION

SECTION 7.01. EVENTS OF TERMINATION. If any of the following events ("EVENTS OF TERMINATION") shall occur and be continuing:

(a) The Collection Agent (i) shall fail to perform or observe any term, covenant or agreement under this Agreement (other than as referred to in clause (ii), (iii), (iv) or (v) of this subsection (a)) and such failure shall remain unremedied for three Business Days or (ii) shall fail to make when due any payment or deposit to be made by it under this Agreement and such failure, in the case of payments on account of Yield or Fees only, shall remain unremedied for three Business Days or (iii) shall fail to deliver any Monthly Report when required and such failure shall remain unremedied for two Business Days, or (iv) shall fail to deliver any Weekly Report when required and such failure shall remain unremedied for one Business Day (provided that the grace period in this clause (iv) may not be utilized more than once in any four-week period), or (v) shall fail to deliver any Daily Report when required and such failure shall remain unremedied for one Business Day (provided that the grace period in this clause (v) may not be utilized more than once in any four-week period, PROVIDED, that failure or delay in delivering the relevant Seller Reports pursuant to clauses (iii), (iv) or (v) above shall be excused for not more than three Business Days beyond the time period allowed thereunder, if such failure or delay is caused by force majeure or other circumstances beyond the Collection Agent's reasonable control, including war, riot, flood, earthquake or other natural disaster, breakdown of public or private or common carrier

communications or transmission facilities; or

(b) The Seller shall fail to make any payment required under Section 2.04(e) and such failure shall remain unremedied for three Business Days;

(c) Any representation or warranty made or deemed made by the Seller, any Originator, the Parent or the Collection Agent (or any of their respective officers) under or in connection with this Agreement or any other Transaction Document or any information or report delivered by the Seller, any Originator, the Parent or the Collection Agent pursuant to this Agreement or any other Transaction Document shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered, unless the breach of such representation or warranty is capable of being cured and is in fact cured (without any adverse impact on the Agents, the Investors or the Banks or the collectibility of the Pool Receivables) within ten days of the first date on which the Seller receives written notice or obtains actual knowledge of such breach; or

(d) (i) The Seller shall fail to perform or observe any of its covenants contained in the second sentence of Section 5.01(b) or in Section 5.01(d), (e), (f), (g), (h), (k), (l), (m), (n), (o), (p), (q) or (r) of this Agreement, or (ii) the Seller shall fail to perform or observe any of its covenants contained in Section 5.01(j)(i) or 5.02 and such failure under this clause (ii) shall continue unremedied for 10 days, or (iii) any Originator shall fail to perform or observe any of its covenants contained in Section 5.02 or 6.05 and such failure under this clause (iii) shall continue unremedied for 10 days, or (iv) the Seller or any Originator shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure under this clause (iv) shall remain unremedied for 20 days after written notice thereof shall have been given to the Seller by the Program Agent or any Investor Agent; or

(e) The Seller or any Originator shall fail to pay any principal of or premium or interest on any of its Debt (which in the case of any Originator, is outstanding in a principal amount of at least $25,000,000 in the aggregate) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt (PROVIDED, THAT for the purposes of this Section 7.01(e), the term "Debt" shall exclude any Debt owing to a Subsidiary of any Originator, PROVIDED, HOWEVER, that any affirmative action taken against any such Originator with respect to such Debt shall nullify the foregoing exclusion); or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) Any purchase or reinvestment pursuant to this Agreement shall for any reason (other than pursuant to the terms hereof) cease to create, or any Receivable Interest shall for any reason cease to be a valid and perfected first priority undivided percentage ownership interest to the extent of the pertinent Receivable Interest in each applicable Pool Receivable and

the Related Security and Collections with respect thereto; or the security interest created pursuant to Section 2.11 shall for any reason cease to be a valid and perfected first priority security interest in the collateral security referred to in that section; or

(g) The Seller, the Collection Agent or any Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, the Collection Agent or any Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 45 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Seller, or any Originator shall take any limited liability company or corporate or other action to authorize any of the actions set forth above in this subsection (g); or

(h) As of the last day of any Fiscal Month, either (i) the average of the Default Ratios for such Fiscal Month and the two immediately preceding Fiscal Months shall exceed ********or (ii) the average of the Delinquency Ratios for such Fiscal Month and the two immediately preceding Fiscal Months shall exceed ********or (iii) the Loss-to-Liquidation Ratio for such Fiscal Month shall exceed ********or (iv) the average of the Dilution Ratios for such Fiscal Month and the two immediately preceding Fiscal Months shall exceed ********; or

(i) The sum of the Receivable Interests shall be greater than the

Maximum Receivable Interest for five consecutive Business Days; or

(j) There shall have occurred any event which may materially adversely affect the collectibility of the Receivables Pool or the ability of the Seller, any Originator or the Collection Agent to collect Pool Receivables or otherwise perform its obligations under this Agreement and such event, if capable of being cured, continues for a period of three Business Days; or

(k) An "Event of Termination" or "Facility Termination Date" shall occur under the Originator Purchase Agreement, or any Transaction Document shall cease to be in full force and effect, or the Seller or any Originator shall state in writing that any Transaction Document or provision thereof shall cease to be valid and binding on it; or

(l) All of the outstanding membership interests of the Seller shall cease to be owned, directly or indirectly, by the Parent, or all of the outstanding capital stock of any Originator (other than the Parent) ceases to be owned, directly or indirectly, by the Parent; or

(m) One or more judgments for the payment of money in an aggregate amount in excess of $25,000,000 (except to the extent covered by insurance as to which the insurer has

acknowledged such coverage in writing) shall be rendered against (i) any Originator or any of its Subsidiaries or any combination thereof or (ii) the Collection Agent or any of its Subsidiaries or a combination thereof, and the same shall remain undischarged for more than 30 days (whether or not consecutive) during which execution shall not be effectively stayed, or any action shall be taken by a judgment creditor to attach or levy upon any assets of any Originator or the Collection Agent or any of their respective Subsidiaries to enforce any such judgment; or

(n) The Parent's Debt Rating is below BB- by S&P or below B1 by Moody's, or is withdrawn or suspended by S&P or Moody's; or

(o) The Parent or any ERISA Affiliate incurs any liability to the PBGC or a Guaranteed Pension Plan pursuant to Title IV of ERISA in an aggregate amount exceeding $15,000,000, or the Parent or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding $5,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan: (i) an ERISA Reportable Event, or a failure to make a required installment or other payment (within the meaning of Section 302(f)(1) of ERISA), PROVIDED that such event (A) would be expected to result in liability of the Parent or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding $15,000,000 and (B) would constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC, for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan or for the imposition of a lien in favor of such Guaranteed Pension Plan; or (ii) the appointment by a United States District Court of a trustee to administer such Guaranteed Pension Plan; or (iii) the institution by the PBGC of proceedings to terminate such Guaranteed Pension Plan;

then, and in any such event, any or all of the following actions may be taken by notice to the Seller: (x) the Program Agent may in its discretion, and shall, at the direction of any Investor Agent, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred), (y) the Program Agent may in its discretion, and shall, at the direction of any Investor Agent, declare the Commitment Termination Date to have occurred (in which case the Commitment Termination Date shall be deemed to have occurred), and (z) without limiting any right under this Agreement to replace the Collection Agent, the Program Agent may in its discretion, and shall, at the direction of any Investor Agent, designate another Person to succeed the Parent as the Collection Agent; PROVIDED, that, automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in paragraph (g) of this Section 7.01, the Facility Termination Date and the Commitment Termination Date shall occur, the Parent (if it is then serving as the Collection Agent) shall cease to be the Collection Agent, and the Program Agent or its designee shall become the Collection Agent. Upon any such declaration or designation or upon such automatic termination, the Investors, the Investor Agents, the Banks and the Program Agent shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

ARTICLE VIII

THE PROGRAM AGENT

SECTION 8.01. AUTHORIZATION AND ACTION. Each Investor and each Bank hereby appoints and authorizes the Program Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to the Program Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. In the event that the Program Agent (in its capacity as such) receives any Collections, it agrees to apply the same in the same manner as is required of the Collection Agent. The Program Agent shall not have any duties other than those expressly set forth in the Transaction Documents, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against the Program Agent. The Program Agent does not assume, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller, the Parent or any other Originator.

Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall the Program Agent ever be required to take any action which exposes the Program Agent to personal liability or which is contrary to any provision of any Transaction Document or applicable law.

SECTION 8.02. PROGRAM AGENT'S RELIANCE, ETC. Neither the Program Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Program Agent under or in connection with this Agreement (including, without limitation, the Program Agent's servicing, administering or collecting Pool Receivables as Collection Agent) or any other Transaction Document, except for its or their own gross negligence or willful misconduct or breach of the terms of any Transaction Document. Without limiting the generality of the foregoing, the Program Agent: (a) may consult with legal counsel (including counsel for any Investor Agent, the Seller, the Parent, any other Originator and the Collection Agent), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Investor Agent, Investor or Bank (whether written or oral) and shall not be responsible to any Investor Agent, Investor or Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any other Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Transaction Document on the part of the Seller, the Parent, any other Originator or the Collection Agent or to inspect the property (including the books and records) of the Seller, the Parent, any other Originator or the Collection Agent; (d) shall not be responsible to any Investor Agent, Investor or Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Transaction Document or any other instrument or document furnished pursuant hereto or thereto; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telecopier or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. CNAI AND AFFILIATES. The obligation of Citibank to purchase Receivable Interests under this Agreement may be satisfied by CNAI or any of its Affiliates. With respect to any Receivable Interest or interest therein owned by it, CNAI shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Program Agent. CNAI and any of its Affiliates may generally engage in any kind of business with the Seller, the Parent, any other Originator, the Collection Agent or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of the Seller, the Parent, any other Originator, the Collection Agent or any Obligor or any of their respective Affiliates, all as if CNAI were not the Program Agent and without any duty to account therefor to the Investor Agents, the Investors or the Banks.

SECTION 8.04. INDEMNIFICATION OF PROGRAM AGENT. Each Bank agrees to indemnify the Program Agent (to the extent not reimbursed by the Seller, the Parent or any other Originator), ratably according to the respective Percentage of such Bank, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Program Agent in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by the Program Agent under this Agreement or any other Transaction Document, PROVIDED that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Program Agent's gross negligence or willful misconduct.

SECTION 8.05. DELEGATION OF DUTIES. The Program Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Program Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 8.06. ACTION OR INACTION BY PROGRAM AGENT. The Program Agent shall in all cases be fully justified in failing or refusing to take action under any Transaction Document unless it shall first receive such advice or concurrence of the Investor Agents and assurance of its indemnification by the Banks, as it deems appropriate. The Program Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or at the direction of the Investor Agents and such request or direction and any action taken or failure to act pursuant thereto shall be binding upon all Investors, Banks, the Program Agent and the Investor Agents.

SECTION 8.07. NOTICE OF EVENTS OF TERMINATION. The Program Agent shall not be deemed to have knowledge or notice of the occurrence of any Incipient Event of Termination, or of any Event of Termination unless the Program Agent has received notice from any Investor Agent, Investor, Bank, the Collection Agent, any Originator or the Seller stating that an Incipient Event of Termination or an Event of Termination has occurred hereunder and describing such Incipient Event of Termination or Event of Termination. If the Program Agent receives such a notice, it shall promptly give notice thereof to each Investor Agent whereupon each Investor Agent shall promptly give notice thereof to its respective Investors and Related Banks. The Program Agent shall take such action concerning an Incipient Event of Termination or an Event of Termination as may be directed by the Investor Agents (subject to the other provisions of this

Article VIII), but until the Program Agent receives such directions, the Program Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as the Program Agent deems advisable and in the best interests of the Investors and Banks.

SECTION 8.08. NON-RELIANCE ON PROGRAM AGENT AND OTHER PARTIES. Each Investor Agent, Investor and Bank expressly acknowledges that neither the Program Agent, any of its Affiliates nor any of their respective directors, officers, agents or employees has made any representations or warranties to it and that no act by the Program Agent hereafter taken, including any review of the affairs of the Seller, the Parent or any other Originator, shall be deemed to constitute any representation or warranty by the Program Agent. Each Investor and Bank represents and warrants to the Program Agent that, independently and without reliance upon the Program Agent, any of its Affiliates, any Investor Agent (except to the extent otherwise agreed in writing between such Investor and its Investor Agent) or any other Investor or Bank and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Parent and the other Originators, and the Receivable Interests and its own decision to enter into this Agreement and to take, or omit, action under this Agreement or any other Transaction Document. Except for items expressly required to be delivered under this Agreement or any other Transaction Document by the Program Agent to any Investor Agent, Investor or Bank, the Program Agent shall not have any duty or responsibility to provide any Investor Agent, Investor or Bank with any information concerning the Seller, the Parent or any other Originator or any of their Affiliates that comes into the possession of the Program Agent or any of its directors, officers, agents, employees, attorneys-in-fact or Affiliates.

SECTION 8.09. SUCCESSOR PROGRAM AGENT. The Program Agent may, upon at least thirty (30) days' notice to the Seller and each Investor Agent, resign as Program Agent. Such resignation shall not become effective until a successor agent is appointed by the Investor Agents (with the approval of the Seller, which approval shall not be unreasonably withheld and shall not be required if an Incipient Event of Termination or an Event of Termination has occurred and is continuing) and has accepted such appointment. Upon such acceptance of its appointment as Program Agent hereunder by a successor Program Agent, such successor Program Agent shall succeed to and become vested with all the rights and duties of the retiring Program Agent, and the retiring Program Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Program Agent's resignation hereunder, the provisions of this Article VIII and Section 6.07 and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Program Agent.

SECTION 8.10. REPORTS AND NOTICES. The Program Agent hereby agrees to provide each Investor Agent with copies of all material notices, reports and other documents provided to the Program Agent by the Seller or the Collection Agent hereunder (other than any notices received by the Program Agent referred to in any of the definitions of Assignee Rate, Investor Rate or Fixed Period) which are not otherwise required to be provided by the Seller or the Collection Agent directly to the Investor Agents in accordance with the terms hereof.

ARTICLE IX

THE INVESTOR AGENTS

SECTION 9.01. AUTHORIZATION AND ACTION. Each Investor and each Bank which belongs to the same Group hereby appoints and authorizes the Investor Agent for such Group to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to such Investor Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. No Investor Agent shall have any duties other than those expressly set forth in the Transaction Documents, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against any Investor Agent. No Investor Agent assumes, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller, the Parent or any other Originator. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall any Investor Agent ever be required to take any action which exposes such Investor Agent to personal liability or which is contrary to any provision of any Transaction Document or applicable law.

SECTION 9.02. INVESTOR AGENT'S RELIANCE, ETC. No Investor Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as an Investor Agent under or in connection with this Agreement or the other Transaction Documents (i) with the consent or at the request or direction of the Investors and Banks in its Group or (ii) in the absence of its or their own gross negligence or willful misconduct or breach of the terms of any Transaction Document. Without limiting the generality of the foregoing, an Investor Agent: (a) may consult with legal counsel (including counsel for the Program Agent, the Seller, the Parent or any other Originator), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Investor or Bank (whether written or oral) and shall not be responsible to any Investor or Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any other Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Transaction Document on the part of the Seller, the

Parent, any other Originator or any other Person or to inspect the property (including the books and records) of the Seller, the Parent, any other Originator or the Collection Agent; (d) shall not be responsible to any Investor or any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Transaction Documents or any other instrument or document furnished pursuant hereto; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telecopier or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 9.03. INVESTOR AGENT AND AFFILIATES. With respect to any Receivable Interest or interests therein owned by it, each Investor Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not an Investor Agent. Each Investor Agent and any of its Affiliates may generally engage in any kind

of business with the Seller, the Parent, any other Originator, the Collection Agent or any Obligors, any of their respective Affiliates and any Person who may do business with or own securities of the Seller, the Parent, any other Originator, the Collection Agent or any Obligor or any of their respective Affiliates, all as if such Investor Agent were not an Investor Agent and without any duty to account therefor to any Investors or Banks.

SECTION 9.04. INDEMNIFICATION OF INVESTOR AGENTS. Each Bank in any Group agrees to indemnify the Investor Agent for such Group (to the extent not reimbursed by the Seller, the Parent or any other Originator), ratably according to the proportion of the Percentage of such Bank to the aggregate Percentages of all Banks in such Group, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Investor Agent in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by such Investor Agent under this Agreement or any other Transaction Document, PROVIDED that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Investor Agent's gross negligence or willful misconduct.

SECTION 9.05. DELEGATION OF DUTIES. Each Investor Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Investor Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 9.06. ACTION OR INACTION BY INVESTOR AGENT. Each Investor Agent shall in all cases be fully justified in failing or refusing to take action under any Transaction Document unless it shall first receive such advice or concurrence of the Investors and Banks in its Group and assurance of its indemnification by the Banks in its Group, as it deems appropriate. Each Investor Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or at the direction of the Investors and Banks in its Group, and such request or direction and any action taken or failure to act pursuant thereto shall be binding upon all Investors and Banks in its Group.

SECTION 9.07. NOTICE OF EVENTS OF TERMINATION. No Investor Agent shall be deemed to have knowledge or notice of the occurrence of any Incipient Event of Termination or of any Event of Termination unless such Investor Agent has received notice from the Program Agent, any other Investor Agent, any Investor or Bank, the Collection Agent, any Originator or the Seller stating that an Incipient Event of Termination or Event of Termination has occurred hereunder and describing such Incipient Event of Termination or Event of Termination. If an Investor Agent receives such a notice, it shall promptly give notice thereof to the Investors and Banks in its Group and to the Program Agent (but only if such notice received by such Investor Agent was not sent by the Program Agent). The Investor Agent shall take such action concerning an Incipient Event of Termination or an Event of Termination as may be directed by the Investors and Banks in its Group (subject to the other provisions of this Article IX), but until such Investor Agent receives such directions, such Investor Agent may (but shall not be

obligated to) take such action, or refrain from taking such action, as such Investor Agent deems advisable and in the best interests of the Investors and Banks in its Group.

SECTION 9.08. NON-RELIANCE ON INVESTOR AGENT AND OTHER PARTIES. Except to the extent otherwise agreed to in writing between an Investor and its Investor Agent, each Investor and Bank in the same Group expressly acknowledges that neither the Investor Agent for its Group, any of its Affiliates nor any of such Investor Agent's or Affiliate's directors, officers, agents or employees has made any representations or warranties to it and that no act by such Investor Agent hereafter taken, including any review of the affairs of the Seller, the Parent or any other Originator, shall be deemed to constitute any representation or warranty by such Investor Agent. Except to the extent otherwise agreed to in writing between an Investor and its Investor Agent, each Investor and Bank in the same Group represents and warrants to the Investor Agent for such Group that, independently and without reliance upon such Investor Agent, any of its Affiliates, any other Investor Agent, the Program Agent or any other Investor or Bank and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of

and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Parent, any other Originator and the Receivable Interests and its own decision to enter into this Agreement and to take, or omit, action under this Agreement or any other Transaction Document. Except for items expressly required to be delivered under this Agreement or any other Transaction Document by an Investor Agent to any Investor or Bank in its Group, no Investor Agent shall have any duty or responsibility to provide any Investor or Bank in its Group with any information concerning the Seller, the Parent, any other Originator or any of their Affiliates that comes into the possession of such Investor Agent or any of its directors, officers, agents, employees, attorneys-in-fact or Affiliates.

SECTION 9.09. SUCCESSOR INVESTOR AGENT. Any Investor Agent may, upon at least thirty (30) days' notice to the Program Agent, the Seller and the Investors and Banks in its Group, resign as Investor Agent for its Group. Such resignation shall not become effective until a successor investor agent is appointed by the Investors and Banks in such Group and has accepted such appointment. Upon such acceptance of its appointment as Investor Agent for such Group hereunder by a successor Investor Agent, such successor Investor Agent shall succeed to and become vested with all the rights and duties of the retiring Investor Agent, and the retiring Investor Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Investor Agent's resignation hereunder, the provisions of this Article IX and Section 6.07 and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Investor Agent.

SECTION 9.10. RELIANCE ON INVESTOR AGENT. Unless otherwise advised in writing by an Investor Agent or by any Investor or Bank in such Investor Agent's Group, each party to this Agreement may assume that (i) such Investor Agent is acting for the benefit and on behalf of each of the Investors and Banks in its Group, as well as for the benefit of each assignee or other transferee from any such Person, and (ii) each action taken by such Investor Agent has been duly authorized and approved by all necessary action on the part of the Investors and Banks in its Group.

ARTICLE X

INDEMNIFICATION

SECTION 10.01. INDEMNITIES BY THE SELLER. Without limiting any other rights that the Program Agent, the Investor Agents, the Investors, the Banks or any of their respective Affiliates (including the members of any Investor) or any of their respective officers, directors, employees or advisors (each, an "INDEMNIFIED PARTY") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") arising out of or resulting from this Agreement or the other Transaction Documents or the use of proceeds of the purchases or reinvestments or the ownership of Receivable Interests or in respect of any Receivable or any Contract, excluding, however, (a) Indemnified Amounts to the extent having resulted from (i) gross negligence or willful misconduct on the part of such Indemnified Party or (ii) breach on the part of such Indemnified Party of the terms of any Transaction Document, (b) recourse (except as otherwise specifically provided in this Agreement) for Receivables which are not collected, not paid or uncollectible on account of the insolvency, bankruptcy or financial inability to pay of the applicable Obligor or (c) any income or franchise taxes or any other tax or fee measured by income incurred by such Indemnified Party arising out of or as a result of this Agreement or the ownership of Receivable Interests or in respect of any Receivable or any Contract. Without limiting or being limited by the foregoing, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

(i) the characterization in any Seller Report or other written statement made by or on behalf of the Seller of any Receivable as an Eligible Receivable or as included in the Net Receivables Pool Balance which, as of the date of such Seller Report or other statement, is not an Eligible Receivable or should not be included in the Net Receivables Pool Balance;

(ii) any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any of the other Transaction Documents which shall have been incorrect in any material respect when made;

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract; or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation;

(iv) the failure to vest in the Investors or the Banks, as the case may be, (a) a perfected undivided percentage ownership interest, to the extent of each Receivable Interest, in the Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, or (b) a perfected security interest as provided in Section 2.11, in each case free and clear of any Adverse Claim;

(v) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under

the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, whether at the time of any purchase or reinvestment or at any subsequent time;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Seller or any of its Affiliates acting as Collection Agent);

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions hereof or to perform its duties or obligations under the Contracts;

(viii) any products liability or other claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;

(ix) the commingling of Collections of Pool Receivables at any time with other funds;

(x) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of purchases or reinvestments or the ownership of Receivable Interests or in respect of any Receivable or Related Security or Contract (excluding any collection costs incurred by the Agent, the Investors or the Banks in collecting any Receivables not paid due to the insolvency, bankruptcy or financial inability to pay of the applicable Obligor);

(xi) any failure of the Seller to comply with its covenants contained in this Agreement or any other Transaction Document;

(xii) any claim brought by any Person other than an Indemnified Party arising from any activity by the Seller or any subcontractors of the Seller in servicing, administering or collecting any Receivable; or

(xiii) the sale or transfer by the Seller hereunder of any Receivable (or interest therein) in violation of applicable law.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or consent to any departure by the Seller, the Parent (as Collection Agent or otherwise) or any other Originator therefrom shall be effective unless in a writing signed by each Investor Agent and the Program Agent (and, in the case of any amendment, also signed by the Seller, the Parent and the other Originators party hereto); PROVIDED, HOWEVER, that the signatures of the Seller, the Parent and the other Originators party hereto shall not be required for the effectiveness of any amendment which modifies the provisions of Sections 4.02(e), 4.02(g), 6.06(a) or 6.07 at any time when the Collection Agent is not an Originator, the Parent or an Affiliate of such Originator or the Parent or a successor Collection Agent is designated by the Agent pursuant to Section 6.01, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no amendment, waiver or consent shall, unless in writing and signed by the Collection Agent in addition to the Program Agent and each Investor Agent, affect the rights or duties of the Collection Agent under this Agreement. No failure on the part of the Investors, the Banks, the Investor Agents or the Program Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 11.02. NOTICES, ETC. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication) and faxed or delivered, to each party hereto, at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent (and shall be followed by hard copy sent by regular mail), and notices and communications sent by other means shall be effective when received.

SECTION 11.03. ASSIGNABILITY. (a) This Agreement and the Investors' rights and obligations herein (including ownership of each Receivable Interest) shall be assignable by the Investors and their successors and assigns (including, without limitation, pursuant to an Asset Purchase Agreement) with the Seller's consent, which shall not be unreasonably withheld or delayed, PROVIDED, that the Seller's consent shall not be required (i) if the assignment shall be to an Eligible Assignee, unless, as a direct result thereof, the Seller would incur obligations to make payments pursuant to Section 2.08 or 2.10 which are in excess of any such obligations then payable by the Seller to the assigning party, or (ii) if there shall have occurred and be continuing an Event of Termination or an Incipient Bankruptcy Event of Termination. Each assignor of

a Receivable Interest or any interest therein shall notify the Program Agent, its Investor Agent and the Seller of any such assignment. Each assignor of a Receivable Interest or any interest therein may, in connection with any such assignment, disclose to the assignee or potential assignee any information relating to the Seller, the Parent or any other Originator, including the Receivables, furnished to such assignor by or on behalf of the Seller, the Parent, any other Originator or by the Program Agent; provided that, prior to any such disclosure, the assignee or potential assignee agrees to preserve the confidentiality of any such information which is confidential in accordance with the provisions of Section 11.06 hereof.

(b) Each Bank may assign to any Eligible Assignee or to any other Bank all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Bank Commitment and any Receivable Interests or interests therein owned by it); PROVIDED, HOWEVER, that

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement,

(ii) the amount being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance Agreement with respect to such assignment) shall in no event be less than the lesser of (x) $10,000,000 and (y) all of the assigning Bank's Bank Commitment,

(iii) the parties to each such assignment shall execute and deliver to the Program Agent (with a copy to the assignor's Investor Agent), for its acceptance and recording in the Register, an Assignment and Acceptance Agreement, together with a processing and recordation fee of $2,500, and

(iv) concurrently with such assignment, such assignor Bank shall assign to such assignee Bank or other Eligible Assignee an equal percentage of its rights and obligations under its Asset Purchase Agreement (or, if such assignor Bank is Citibank, it shall arrange for such assignee Bank or other Eligible Assignee to become a party to its Asset Purchase Agreement for a maximum Capital amount equal to the assignee's Bank Commitment).

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance Agreement, (x) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance Agreement, have the rights and obligations of a Bank hereunder and (y) the assigning Bank shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance Agreement, relinquish such rights and be released from such obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(c) The Program Agent shall maintain at its address referred to in Section 11.02 of this Agreement a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Bank Commitment of, and aggregate outstanding Capital of Receivable Interests or interests therein owned by, each Bank from time to time (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Seller, the Originators, the Program Agent, the Investor Agents, the Investors and the Banks may treat each person whose name is recorded in the Register as a Bank under this Agreement for all purposes of this Agreement. The Register shall be available for inspection by the Seller or any Bank at any reasonable time and from time to time upon reasonable prior notice. Upon its receipt of an Assignment and Acceptance Agreement executed by an assigning Bank and an Eligible

Assignee, the Program Agent shall, if such Assignment and Acceptance Agreement has been completed, (i) accept such Assignment and Acceptance Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Seller.

(d) In addition to assignments pursuant to Section 11.03(b), each Bank or any of its Affiliates may assign any of its rights (including, without limitation, rights to payment of Capital and Yield) under this Agreement to any Federal Reserve Bank without notice to or consent of the Seller or the Program Agent.

(e) Each Bank may sell participations, to one or more banks or other entities which are Eligible Assignees, in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Bank Commitment and the Receivable Interests or interests therein owned by it); PROVIDED, HOWEVER, that

(i) such Bank's obligations under this Agreement (including, without limitation, its Bank Commitment to the Seller hereunder) shall remain unchanged,

(ii) such Bank shall remain solely responsible to the other parties to this Agreement for the performance of such obligations, and

(iii) concurrently with such participation, the selling Bank shall sell to such bank or other entity a participation in an equal percentage of its rights and obligations under its Asset Purchase Agreement.

The Agent, the other Banks and the Seller shall have the right to continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(f) This Agreement and the rights and obligations of the Program Agent herein shall be assignable by the Program Agent and its successors and assigns.

(g) The Seller may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Program Agent and each Investor Agent.

(h) CAFCO may, without the consent of the Seller, sell participations to one or more banks or other entities (each, a "PARTICIPANT") in all or a portion of its rights and obligations hereunder (including the outstanding Receivable Interests); PROVIDED that following the sale of a participation under this Agreement (i) the obligations of CAFCO shall remain unchanged, (ii) CAFCO shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Seller, the Agent, and the Banks shall continue to deal solely and directly with CAFCO in connection with CAFCO's rights and obligations under this Agreement. Any agreement or instrument pursuant to which CAFCO sells such a participation shall provide that the Participant shall not have any right to direct the enforcement of this Agreement or the other Transaction Documents or to approve any amendment, modification or waiver of any provision of this Agreement or the other Transaction Documents; PROVIDED that such agreement or instrument may provide that CAFCO will not, without the consent of the Participant, agree to any amendment, modification or waiver that (i) reduces the amount of Capital or Yield that is payable on account of any Receivable Interest or delays any

scheduled date for payment thereof or (ii) reduces any fees payable by the Seller to the Program Agent or CAFCO's Investor Agent (to the extent relating to payments to the Participant) or delays any scheduled date for payment of such fees. The Seller acknowledges and agrees that CAFCO's source of funds may derive in part from its Participants. Accordingly, references in Sections 2.08, 2.09, 2.10, 6.07, 9.01 and 11.04 and the other terms and provisions of this Agreement and the other Transaction Documents to determinations, reserve and capital adequacy requirements, expenses, increased costs, reduced receipts and the like as they pertain to CAFCO shall be deemed also to include those of its Participants; PROVIDED that the Seller shall not be required to pay higher costs, expenses and indemnification amounts pursuant to this sentence than would be required to be paid by the Seller in the absence of the sale of any participation by CAFCO to a Participant as contemplated by this Section 11.03(h). CAFCO or the Agent may, in connection with any such participation, disclose to Participants and potential Participants any information relating to the Seller, the Parent or the other Originators, including the Receivables, furnished to CAFCO or the Agent by or on behalf of the Seller; PROVIDED that, prior to any such disclosure, such Participant or potential Participant agrees to preserve the confidentiality of any such information which is confidential in accordance with the provisions of Section 11.06 hereof. Any interest sold by CAFCO to a Bank or its designee under its Asset Purchase Agreement shall not be considered a participation for the purpose of this Section 11.03(h) (and the Bank or its designee shall not be considered a Participant as a result thereof).

SECTION 11.04. COSTS AND EXPENSES. In addition to the rights of indemnification granted under Section 10.01 hereof, the Seller agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing and the other activities contemplated in Section 5.02) of this Agreement, any Asset Purchase Agreement and the other documents and agreements to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Program Agent, each Investor Agent, each Investor, each Bank and their respective Affiliates with respect thereto and with respect to advising the Program Agent, each Investor Agent, each Investor, each Bank and their respective Affiliates as to their rights and remedies under this Agreement, and all costs and expenses, if any (including reasonable counsel fees and expenses), of the Program Agent, the Investor Agents, the Investors, the Banks and their respective Affiliates, in connection with the enforcement of this Agreement and the other documents and agreements to be delivered hereunder.

SECTION 11.05. NO PROCEEDINGS; WAIVER OF CONSEQUENTIAL DAMAGES. (a) Each of the Seller, the Program Agent, each Investor Agent, the Collection Agent, each Originator, each Investor, each Bank, each assignee of a Receivable Interest or any interest therein and each entity which enters into a commitment to purchase Receivable Interests or interests therein hereby agrees that it will not institute against, or join any other Person in instituting against, any Investor any proceeding of the type referred to in Section 7.01(g) so long as any commercial paper or other senior indebtedness issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper or other senior indebtedness shall have been outstanding.

(b) Without in any way limiting the benefit to the Indemnified Parties under any indemnity provisions of this Agreement in their favor with respect to claims of third parties, each of the Originators, the Collection Agent and the Seller agree on the one hand and each

Indemnified Party agrees on the other hand that no such party shall have any liability to them or any of their security holders or creditors in connection with this Agreement, the other Transaction Documents or the transactions contemplated thereby on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings).

SECTION 11.06. CONFIDENTIALITY. (a) Each of the Seller, each Originator and the Collection Agent each agrees to maintain the confidentiality of this Agreement in communications with third parties and otherwise; provided that this Agreement (but not the Fee Agreements) may be disclosed (i) to third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Program Agent, (ii) to the legal counsel and auditors of the Seller, the Parent and the Collection Agent if they agree to hold it confidential and (iii) to the extent required by or deemed appropriate under, the Seller's, the Parent's or the Collection Agent's reporting requirements, applicable law or regulation or by any court, regulatory body or agency having jurisdiction over such party; and PROVIDED, FURTHER, that such party shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of such party.

(b) Each Investor, each Bank, each Investor Agent and the Program Agent agrees to maintain the confidentiality of all information with respect to the Seller, each Originator or the Receivables Pool (including the Seller Reports) furnished or delivered to it pursuant to this Agreement and the other Transaction Documents; PROVIDED, that such information may be disclosed (i) to such party's legal counsel and auditors and to such party's assignees and participants and potential assignees and participants and any actual or potential subordinated investor in any Investor and their respective counsel if they agree to hold it confidential, (ii) to the rating agencies and the providers of liquidity for each Investor, (iii) to credit enhancers and dealers and investors in respect of promissory notes of each Investor in accordance with the customary practices of said Investor for disclosure to credit enhancers, dealers or investors, as the case may be, it being understood that any such disclosure to dealers or investors will not identify the Seller, any Originator or any of their Affiliates by name, and (iv) to the extent required by applicable law or regulation or by any court, regulatory body or agency having jurisdiction over such party; and PROVIDED, FURTHER, that such party shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of such party.

(c) Notwithstanding any other provision herein, each party hereto (and each employee, representative or other agent of each party hereto) may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction contemplated by this Agreement and the other Transaction Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 11.07. GOVERNING LAW. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY, AND CONSTRUED IN

ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION, EXCEPT TO THE EXTENT THAT, PURSUANT TO THE UCC OF THE STATE OF NEW YORK, THE PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE INTERESTS OF THE INVESTORS AND THE BANKS IN THE RECEIVABLES, THE ORIGINATOR PURCHASE AGREEMENT AND OTHER ITEMS OF COLLATERAL SECURITY REFERRED TO IN SECTION 2.11 ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 11.08. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 11.09. SURVIVAL OF TERMINATION. The provisions of Sections 2.08, 2.09, 6.07, 10.01, 11.04, 11.05, 11.06 and 11.07 shall survive any termination of this Agreement.

SECTION 11.10. CONSENT TO JURISDICTION. (a) Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this Agreement, and each party hereto hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. The parties hereto hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Seller, the Parent, the Collection Agent and the other Originators consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to it at its address specified in Section 11.02. Nothing in this Section 11.10 shall affect the right of the Investors, any Bank or any Agent to serve legal process in any other manner permitted by law.

SECTION 11.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED OR DELIVERED PURSUANT HERETO.

SECTION 11.12. TAX TREATMENT. It is the intent of the Seller, each Investor and Bank, and all other parties to this Agreement that, for federal, state and local income and franchise tax (in the nature of income tax) purposes only, each Receivable Interest will be treated as indebtedness secured by the Seller's assets. The Seller, by entering into this Agreement, and

each Investor and Bank, and all other parties to this Agreement, by purchasing a Receivable Interest, agree to treat the Receivable Interests for federal, state and local income and franchise tax (in the nature of income tax) purposes as indebtedness. The provisions of this Agreement and all related Transaction Documents shall be construed to further these intentions of the parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

SELLER: HASBRO RECEIVABLES FUNDING, LLC

By: /s/ Martin R. Trueb

Title: Sr. Vice President and Treasurer
Room 502
200 Narragansett Park Drive
Pawtucket, Rhode Island 02862
Attn: Martin Trueb
Facsimile No. 401-431-8586

INVESTORS: CAFCO, LLC

By: Citicorp North America, Inc., as Attorney-in-Fact

By: /s/ Lain Gutierrez

Vice President
450 Mamaroneck Avenue
Harrison, NY 10528
Attention: Global Securitized Markets
Facsimile No. 914-899-7890

STARBIRD FUNDING CORPORATION

By: /s/ Dimitris Spiliakos

Title: Treasurer
c/o JH Management
One International Place
Boston, Massachusetts 02110
Attention: Dimitris P. Spiliakos
Facsimile No. 617-951-7050

PROGRAM AGENT: CITICORP NORTH AMERICA, INC., as Program Agent

By: /s/ Lain Gutierrez

Vice President
450 Mamaroneck Avenue
Harrison, NY 10528
Attention: Global Securitized Markets
Facsimile No. 914-899-7890

BANKS: CITIBANK, N.A.

By: /s/ Lain Gutierrez

Vice President

Percentage: 50%

450 Mamaroneck Avenue
Harrison, NY 10528
Facsimile No. 914-899-7890

BNP PARIBAS, NEW YORK BRANCH

By: /s/ Michael Gonik

Title: Director

By: /s/ Caitlin Kelly

Title: Vice President

Percentage: 50%

787 Seventh Avenue, 33rd Floor
New York, NY 10019
Facsimile No. 212-841-2689

COLLECTION AGENT AND ORIGINATOR: HASBRO, INC.

By: /s/ Martin R. Trueb

Title: Sr. Vice President and Treasurer
200 Narragansett Park Drive
Pawtucket, Rhode Island 02862
Attention: Martin Trueb
Facsimile No. 401-431-8084

ORIGINATORS: WIZARDS OF THE COAST, INC.

By: /s/ Martin R. Trueb

Title: Sr. Vice President and Treasurer
200 Narragansett Park Drive
Pawtucket, Rhode Island 02862
Attention: Martin Trueb
Facsimile No. 401-431-8084

ODDZON, INC.

By: /s/ Martin R. Trueb

Title: Sr. Vice President and Treasurer
200 Narragansett Park Drive
Pawtucket, Rhode Island 02862
Attention: Martin Trueb
Facsimile No. 401-431-8084

INVESTOR AGENTS: CITICORP NORTH AMERICA, INC.,
as an Investor Agent

By: /s/ Lain Gutierrez

Vice President
450 Mamaroneck Avenue
Harrison, NY 10528
Attention: Global Securitized Markets
Facsimile No. 914-899-7890

BNP PARIBAS, NEW YORK BRANCH,
as an Investor Agent

By: /s/ Michael Gonik

Title: Director

By: /s/ Caitlin Kelly

Title: Vice President
787 Seventh Avenue
New York, NY 10019
Facsimile No. 212-841-2689

EXHIBIT 10(rr)

POST-EMPLOYMENT AGREEMENT

AGREEMENT made as of the 10th day of March, 2004, by and between Hasbro, Inc., a Rhode Island corporation, ("Hasbro" or the "Company") and Alfred J. Verrecchia (the "Executive").

WHEREAS, the Executive is currently employed by the Company as Chief Executive Officer and President;

WHEREAS, the Compensation and Stock Option Committee of the Board of Directors of the Company has determined that it is in the best interest of the Company and its shareholders to assure that the Executive enter into certain post-employment obligations that will protect the Company;

WHEREAS, the Executive and the Company wish to enter into certain financial undertakings that are competitive with other companies;

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. SEVERANCE BENEFITS.

1.1 SEVERANCE PAY UPON TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY THE EXECUTIVE FOR GOOD REASON. Subject to Section 1.10, in the event that the Executive's employment is terminated by the Company Without Cause or by the Executive for Good Reason, as defined herein, and provided that the Executive executes a Severance and Settlement Agreement (including a release of claims) drafted by the Company, substantially in the form attached hereto as Attachment A, the Company shall pay the Executive Severance Pay of up to three (3) years Annual Base Salary and Annual Bonus as follows: (a) if the Executive's employment is terminated by the Company Without Cause or by the Executive with Good

Reason on or before September 1, 2006, the Executive shall be eligible for Severance Pay of thirty-six (36) months Monthly Base Salary and Monthly Bonus; (b) if the Executive's employment is terminated by the Company Without Cause or by the Executive with Good Reason after September 1, 2006, but before March 1, 2008, the Executive shall be eligible for Severance Pay of Monthly Base Salary and Monthly Bonus for the number of months equal to thirty-six (36) months, less the number of whole months after September 1, 2006 during which the Executive is employed prior to the termination of his employment by the Company; and (c) if the Executive's employment is terminated by the Company Without Cause or by the Executive with Good Reason on or after March 1, 2008, the Executive shall be eligible for Severance Pay in an amount equal to eighteen (18) months of Monthly Base Salary and Monthly Bonus. If the Executive is terminated by the Company Without Cause and, at the time the Executive initially becomes entitled to Severance Pay pursuant to this Section 1.1 there is in effect a Company severance plan of general applicability for which the Executive is eligible, the Executive shall be entitled to the greater of (a) the Severance Pay to which he would be entitled under this Section 1.1 or (b) the severance pay to which he would otherwise be entitled under the applicable Company severance plan. Except as provided above, the Executive shall not be entitled to severance benefits beyond that provided for this Agreement, regardless of any Company policy, practice or plan.

1.2 BASE SALARY AND BONUS. For the purpose of this Agreement, the following definitions shall apply: "Annual Base Salary" shall mean the annual salary paid or due to the Executive for the fifty-two weeks immediately preceding the week in which the Executive's employment is terminated. Salary shall not include any bonuses, incentive compensation of any kind, any profit sharing, or any Company contributions to any benefit plan. "Monthly Base

Salary" shall be an amount equivalent to the Annual Base Salary divided by twelve. "Annual Bonus" shall mean the target bonus provided by the 2003 Senior Management Annual Performance Plan (100% of Annual Base Salary) or any successor or replacement plan (in an amount of 100% Annual Base Salary unless otherwise agreed in writing by the parties); provided, however, that if the target bonus for the year in which the Executive's employment is terminated is eliminated by the Company or has not been established, the Annual Bonus shall be equal to the bonus received by the Executive in the most recent year for which the bonus was paid. "Monthly Bonus" shall be an amount equivalent to the Annual Bonus divided by twelve.

1.3 MEDICAL, DENTAL AND LIFE INSURANCE. As set forth herein, during the period of time during which the Executive is receiving Severance Pay under Section 1.1, 1.8 or 1.9, whichever is applicable (the "Severance Period"), the Executive shall be eligible to participate in the Company's group medical, dental and life insurance plans then in effect, or as may be amended, for employees of the Company (provided that the Executive is otherwise eligible for such insurance) and the Company shall pay, during that period, that portion of the premium for group medical, dental and life insurance coverage which it otherwise would have paid if the Executive were an active employee. Following the Severance Period, if the Executive timely elects and is eligible for medical and dental insurance coverage pursuant to the Federal "COBRA" law, 29 U.S.C. Section 1161 ET SEQ., all premium costs for such coverage shall be paid by the Executive on a monthly basis for as long as, and to the extent that, the Executive remains eligible for and elects to continue receiving such coverage.

1.4 SEVERANCE PAYMENTS. The Severance Pay set forth in Sections 1.1, 1.8 and 1.9 shall be paid in accordance with the Company's regular payroll practices; provided, however, that in no event shall the payment of such Severance Pay commence until after the Severance

and Settlement Agreement becomes final and binding. Any and all applicable federal, state and local taxes and withholdings shall be withheld from any severance payments.

1.5 COORDINATION WITH CHANGE IN CONTROL AGREEMENT. The benefits payable hereunder shall be reduced by any termination benefits payable under that certain Change in Control Agreement by and between the Company and the Executive dated as of July 5, 1989 and amended as of March 10, 2000 (the "Change of Control Agreement"); provided, however, that, in the event a dispute arises regarding the Executive's entitlement to termination benefits under the Change of Control Agreement, and provided further that such dispute does not raise an issue regarding the Executive's entitlement to Severance Pay under Section 1.1, the Company shall provide the Executive with unreduced Severance Pay while such dispute is being resolved. If it is determined at any time that the Executive's Severance Pay should have been reduced by termination benefits under the Change of Control Agreement, the amount of any reduction shall be deducted from any payments to the Executive under the Change of Control Agreement, or shall be immediately repaid by the Executive.

1.6 TERMINATION BY THE COMPANY FOR CAUSE AND WITHOUT CAUSE. For purposes of this Agreement, the following definitions shall apply: Termination by the Company for "Cause" shall mean termination of the Executive's employment by the Company for any of the following reasons: (a) material failure by the Executive to perform his duties for the Company which is not remedied within a reasonable period not to exceed 30 days, as specified in a written notice; (b) misconduct materially and demonstrably injurious to the Company; (c) a conviction of a felony; or (d) fraud or embezzlement of Company assets. The Company's financial performance shall not constitute a basis for the Company to terminate the Executive for Cause or refuse to provide the Severance Pay or Enhanced Retirement Benefits under this Agreement.

Termination by the Company "Without Cause" shall mean termination of the Executive's employment by the Company for any reason other than termination for Cause. Notwithstanding the provisions of this Section, during the three-year period following the occurrence of a Change of Control (as defined in the Change of Control Agreement), the term "Cause" shall have the meaning assigned to that term under the Change of Control Agreement.

1.7 TERMINATION BY THE EXECUTIVE FOR GOOD REASON. For purposes of this Agreement, the following definition shall apply: Termination by the Executive for "Good Reason" shall mean termination of the Executive's employment by the Executive, upon thirty (30) days written notice, for either of the following reasons: (a) a material demotion of the Executive, without the Executive's consent; or (b) a material reduction in the Executive's base salary or target bonus, without his consent, unless such reduction is due to a generally applicable reduction in the compensation of senior executives; provided, however, that the Executive may not terminate his employment for "Good Reason" unless (i) he gives notice of his intent to terminate his employment under this provision, which notice specifies the basis(es) for invoking this provision and (ii) the Company fails to cure any material demotion (as set forth in subsection (a) above) or material reduction (as set forth in subsection (b) above) so specified within thirty (30) days of the Company's receipt of the written notice.

1.8 SEVERANCE PAY UPON TERMINATION BY MUTUAL AGREEMENT. Subject to Section 1.10, if the Executive's employment is terminated by the parties' mutual written agreement as a result of a family medical emergency or for such other reason beyond the control of the Executive that results in him being unable to work as may be mutually determined by the Company's Board of Directors and the Executive, the Executive will not be entitled to Severance Pay under Section 1.1, but instead will be eligible for Severance Pay of eighteen (18) months

Monthly Base Salary and Monthly Bonus, provided that the Executive executes a Severance and Settlement Agreement (including a release of claims) drafted by the Company, substantially in the form attached hereto as Attachment A.

1.9 SEVERANCE PAY UPON TERMINATION BECAUSE OF DISABILITY. Subject to Section 1.10, if the Executive's employment is terminated because of disability, the Executive will not be entitled to Severance Pay under Section 1.1, but instead will be eligible for Severance Pay of eighteen (18) months Monthly Base Salary and Monthly Bonus, provided that the Executive or his estate, as applicable, executes a Severance and Settlement Agreement (including a release of claims) drafted by the Company, substantially in the form attached hereto as Attachment A. As used in this Agreement, the term "disability" shall mean the inability of the Employee to perform the essential functions of his job, with or without reasonable accommodation as may be required by State or Federal law, due to a physical or mental disability, for a period of 120 days, whether or not consecutive, during a rolling one-year period of the Executive's employment. A determination of disability shall be made by a physician satisfactory to both the Executive and the Company, PROVIDED THAT if the Executive and the Company do not agree on a physician, the Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties. Any severance

payments under this Section 1.9 shall be reduced by any payments made under any Short Term Disability or Long Term Disability policies.

1.10 CESSATION OF BENEFITS. The Company shall have no further obligation to provide the Executive with the severance benefits set forth in Sections 1.1, 1.3, 1.5, 1.8 and/or 1.9 ("Severance Benefits") if the Executive violates any provision set forth in Sections 3 and/or 4

of this Agreement and all Severance Benefits shall cease as of the date of the violation of any provision in such Sections. Similarly, the Company shall have no further obligation to provide the Executive with the Severance Benefits if the Executive engages in Regular Full-Time Work during the Severance Period, of a similar or comparable nature, whether as an employee, consultant or otherwise, unless such activities are expressly agreed to in writing by the Company. During the Severance Period, the following activities shall not subject the Executive to cessation of Severance Benefits based upon his engaging in Regular Full-Time Work: (a) service on corporate boards or committees, (b) service for civic, charitable, or non-profit organizations, (c) lectures, speaking engagements or teaching at educational institutions, or (d) management of personal investments. The amount or cost of Severance Benefits, if any, provided to the Executive after any violation of Sections 3 and/or 4 or the commencement of Regular Full-Time Work shall be repaid to the Company immediately upon the Company's demand for such repayment.

2. ENHANCED RETIREMENT BENEFITS.

2.1 Subject to Sections 2.5 and 2.6 herein, the Executive shall receive an annuity payable in monthly installments, the first such installment being paid on the first day of the month following the month in which the Executive's employment terminates, and the last such installment being paid on the first day of the month in which the Executive dies, in which the annual amount is 1.5% of the Executive's Final Average Pay (as defined herein) times his year of Benefit Service (as defined in the Hasbro, Inc. Pension Plan), but not to exceed 60% of Final Average Pay; PROVIDED, however that if the Executive retires or his employment is terminated before February 1, 2005 the annual amount of such benefits shall be reduced by one third of one-percent for each full month remaining between the month that the Executive's

employment ends and March 1, 2005 (E.G., if the Executive's employment ends twelve (12) months prior to March 1, 2005, the Executive shall be eligible for 96% of the otherwise due annual annuity) (such benefits, reduced as set forth in the following sentence, shall be referred to hereafter as the "Enhanced Retirement Benefits"). The amount payable under the preceding sentence shall be reduced by (a) the lifetime benefits (straight life annuity) payable under the Hasbro, Inc. Pension Plan (the "Pension Plan") and (b) the excess pension benefits payable under the Hasbro, Inc. Supplemental Benefit Retirement Plan (the "Supplemental Benefit Plan"). For purposes of this Section 2.1, the Executive's Final Average Pay per year is equal to: his Five Year Average Compensation as such term is defined in the Pension Plan, determined without regard to any limitations imposed by Section 401(a)(17) or Section 415(b) of the Internal Revenue Code, but including as compensation any of the Executive's elective deferrals under Hasbro's Deferred Compensation Plan.

2.2 At the Executive's option, the benefit described in Section 2.1 shall be payable in any actuarially equivalent form of benefit provided under the Supplemental Benefit Plan, determined using the actuarial conversion factors used for the Supplemental Benefit Plan. Alternatively, the Executive may elect to receive this benefit as an actuarially equivalent single lump sum using the actuarial conversion factors used for the Supplemental Benefit Plan for this purpose; provided, however, that the Executive must have affirmatively made such election at least twelve (12) months in advance of the date benefits are otherwise payable under Section 2.1.

2.3 If the Executive's employment terminates due to the Executive's death, the Executive's spouse shall be entitled to the actuarial equivalent of a survivor benefit equal to 100% of the Enhanced Retirement Benefits set forth in Section 2.1 that the Executive would have received if he had begun to receive benefits on the first day of the month following his date

of death. The amount payable under the preceding sentence shall be reduced by the Executive's spouse's lifetime benefits payable under the Pension Plan and Supplemental Benefit Plan as of the date benefits are payable under this Section 2.3.

2.4 The benefits provided under Sections 2.1, 2.2 and 2.3 shall be unfunded and shall be paid from the general assets of the Company. The Executive's and/or his spouse's right to such benefits shall be no greater than the rights of an unsecured general creditor of the Company. The benefits are not assignable by the Executive prior to receipt. In the event that the Company shall adopt a policy of funding severance or non-qualified retirement benefits that is generally applicable to senior executives, the benefits to the Executive will be funded in accordance with such policy.

2.5 In the event that the Executive's employment is terminated by the Company for Cause, the Executive will not be entitled to any Enhanced Retirement Benefits set forth in this Agreement.

2.6 If the Executive violates any provision set forth in Sections 3 and/or 4 of this Agreement, the Company shall have no further obligation to

provide the Executive with Enhanced Retirement Benefits and all such benefits shall cease as of the date of the first such violation. The amount of Enhanced Retirement Benefits, if any, paid to the Executive after the date of the violation of any provision in Sections 3 and/or 4 shall be repaid to the Company immediately upon the Company's demand for such repayment.

3. NON-COMPETITION AND NON-SOLICITATION.

3.1 While employed by the Company, the Executive shall devote all of his business time, attention, skill and effort to the faithful performance of his duties for the Company. However, it shall not be a violation of this Agreement if the Executive engages in any

of the actions permissible under Section 4(a)(ii) of the Change in Control Agreement. For a period of eighteen (18) months after the termination or cessation of the Executive's employment for any reason, or during the Severance Period, whichever is greater (the "Non-Competition Period"), the Executive will not, in the geographical areas that the Company or any of its subsidiaries does business or has done business at the time of the Executive's departure, directly or indirectly:

(a) Engage in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than 1% of the outstanding stock of a publicly-held company) that is competitive with the Company's business, including but not limited to any business or enterprise that develops, manufactures, markets, or sells any product or service that competes with any product or service developed, manufactured, marketed or sold, or planned to be developed, manufactured, marketed or sold, by the Company or any of its subsidiaries while the Executive was employed by the Company; provided, that, for the purposes of this Section 3.1(a), products or services that are "planned to be developed" shall not include preliminary development plans not reduced to writing or communicated to the Executive; or

(b) Either alone or in association with others (i) solicit, recruit, induce, attempt to induce, or permit any organization directly or indirectly controlled by the Executive to solicit, recruit, induce, or attempt to induce any employee of the Company to leave the employ of the Company, or (ii) solicit, recruit, induce, attempt to induce for employment or hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by the Executive to solicit, recruit, induce, attempt to induce for employment or hire or engage as an independent contractor, any person who is employed by

the Company or who was employed by the Company at any time during the term of the Executive's employment with the Company; provided, that this clause (ii) shall not apply to any individual whose employment with the Company has been terminated for a period of six months or longer; or

(c) Either alone or in association with others, solicit, divert or take away, or attempt to solicit, divert or take away, or permit any organization directly or indirectly controlled by the Executive to solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts of the Company, which were contacted, solicited or served by the Company at any time during the term of the Executive's employment with the Company.

3.2 If the Executive violates the provisions of this Section 3, the Executive shall continue to be bound by the restrictions set forth herein until a period of eighteen (18) months (counting the period before the violation commenced and after the violation has ceased) has expired without any violation of such provisions or until the Non-Competition Period has expired, whichever is longer. If any restriction set forth in this Section 3 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

4. PROPRIETARY AND CONFIDENTIAL INFORMATION.

4.1 The Executive agrees that all information, whether or not in writing, of a private, secret or confidential nature concerning the Company's business, business relationships or financial affairs (collectively, "Proprietary Information") is and shall be the exclusive property of the Company. By way of illustration, but not limitation, Proprietary Information may include

discoveries, inventions, products, product improvements, product enhancements, processes, methods, techniques, formulas, compositions, compounds, negotiation strategies and positions, projects, developments, plans (including business and marketing plans), research data, clinical data, financial data (including sales costs, profits, pricing methods), personnel data, computer programs (including software used pursuant to a license agreement), customer and supplier lists, and contacts at or knowledge of customers or prospective customers of the Company. The Executive will not disclose any Proprietary Information to any person or entity other than employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company)

without written approval by an officer of the Company, either during or after his employment with the Company, unless and until such Proprietary Information has become public knowledge without fault by the Executive. It is understood that disclosure of Proprietary Information by the Executive to a government agency or court pursuant to an order from such agency or court shall not constitute a breach of this Agreement; PROVIDED, however, that: (a) prior to disclosing such information, and to the extent consistent with applicable law, the Executive must provide sufficient notice of any such order to the Company to allow the Company to oppose the disclosure; and (b) any such disclosure shall not otherwise alter the Executive's obligations under this Agreement to keep such information confidential.

4.2 The Executive agrees that all files, documents, letters, memoranda, reports, records, data, sketches, drawings, models, laboratory notebooks, program listings, computer equipment or devices, computer programs or other written, photographic, or other tangible material containing Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, shall be and are the exclusive property of the

Company to be used by the Executive only in the performance of his duties for the Company and shall not be copied or removed from the Company premises except in the pursuit of the business of the Company. All such materials or copies thereof and all tangible property of the Company in the custody or possession of the Executive shall be delivered to the Company, upon the earlier of (i) a request by the Company or (ii) termination of the Executive's employment. After such delivery, the Executive shall not retain any such materials or copies thereof nor any such tangible property.

4.3 The Executive agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 4.1 and 4.2 above, and his obligation to return materials and tangible property set forth in Section 4.2 above also extends to such types of information, materials and tangible property of customers of the Company or suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to the Executive.

5. NOT AN EMPLOYMENT CONTRACT. The Executive acknowledges that this Agreement does not constitute a contract of employment, either express or implied, and does not imply that the Company will continue the Executive's employment for any period of time. This Agreement shall in no way alter the Company's policy of employment at will, under which both the Executive and the Company remain free to terminate the employment relationship, with or without cause, at any time, with or without notice.

6. GENERAL PROVISIONS.

6.1 ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, between the Executive and the Company relating to the subject matter of this Agreement. This Agreement may not be modified, changed or discharged in whole or in part,

except by an agreement in writing signed by the Executive and the Company. The Executive agrees that any change or changes in his duties, salary or compensation after the signing of this Agreement shall not affect the validity or scope of this Agreement. Nothing in this Section 6.1 shall modify, cancel or supersede the Change in Control Agreement, Pension Plan or Supplement Benefit Plan, all as amended, each of which remains in full force and effect.

6.2 CONTINUING OBLIGATIONS. The Executive acknowledges that he shall be bound by the obligations set forth in Sections 3 and 4 without regard to whether he is provided with the Severance Pay and/or Enhanced Retirement Benefits set forth herein; provided, however, that if the Company breaches this Agreement by failing to pay Severance Pay and/or Enhanced Retirement Benefits due under this Agreement, and the Company does not cure the failure within 30 days of written notice of such failure, the Executive shall not be bound by the obligations set forth in Section 3 to the extent that and for as long as such breach continues.

6.3 SEVERABILITY. The invalidity or unenforceability of any provision of this Agreement shall not affect or impair the validity or enforceability of any other provision of this Agreement.

6.4 WAIVER. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

6.5 EXECUTIVE ACKNOWLEDGMENT AND EQUITABLE REMEDIES. The Executive acknowledges that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and considers the restrictions to be reasonable for such purpose. The Executive agrees that any breach of this Agreement is likely to cause the

Company substantial and irrevocable damage and therefore, in the event of any breach of this Agreement, the Executive agrees that the Company, in addition to such other remedies that may be available, shall be entitled to specific performance and other injunctive relief without posting a bond.

6.6 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation or entity with which or into which the Company may be merged or which may succeed to its assets or business, provided however that the obligations of the Executive are personal and shall not be assigned by the Executive.

6.7 SUBSIDIARIES AND AFFILIATES. The Executive expressly consents to be bound by the provisions of this Agreement for the benefit of the Company or any subsidiary or affiliate thereof to whose employ the Executive may be transferred without the necessity that this Agreement be re-signed at the time of such transfer.

6.8 GOVERNING LAW, FORUM AND JURISDICTION. This Agreement shall be governed by and construed as a sealed instrument under and in accordance with the laws of the State of Rhode Island (without reference to the conflicts of law provisions thereof). Any action, suit, or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Rhode Island (or, if appropriate, a federal court located within Rhode Island), and the Company and the Executive consent to the jurisdiction of such a court; PROVIDED, however, that except for a proceeding to enforce Sections 3 and/or 4, which may be commenced by the Company in any court of competent jurisdiction located either in Rhode Island or in the state in which the Executive lives at the time of commencement of any such proceeding, the parties agree to

participate in non-binding mediation, which shall be held in Providence, Rhode Island by a mediator mutually agreed upon by the parties. If a dispute involving or arising out of this Agreement (except for claims under Sections 3 and/or 4) is not resolved within sixty (60) days of either party giving written notice to the other requesting mediation, then either party may proceed with litigation as provided for in this Section.

6.9 CAPTIONS. The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

6.10 NOTICE AND CURE OF VIOLATIONS. The Company shall provide the Executive written notice of any violations of Sections 3 and/or 4 which the Company believes to have occurred if such violations may be cured by the Executive, and the Executive shall have thirty (30) days following such notice to cure any such violations; provided, however, that if the Executive fails to cure, the Company shall be entitled to enforce its remedies hereunder and should any court or fact-finder find that the Executive breached Sections 3 and/or 4, such breach shall be deemed to have commenced as of the date of the first violation.

6.11 NOTICES. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address designated herein, or at such other address or addresses as either party shall designate to the other in writing in accordance with this Section 6.11. Notice to the Company shall be addressed to: Barry Nagler, General Counsel and Senior Vice President, Hasbro, Inc., 1027 Newport Avenue, Pawtucket, RI 02861-2500 and Neil Jacobs, Esq., Hale and Dorr LLP, 60 State Street, Boston, MA 02109. Notice to the Executive shall be addressed to: Alfred Verrecchia,

136 Beacon Avenue, Warwick, Rhode Island, 02889 and V. Duncan Johnson, Esq., Edwards & Angell LLP, 2800 Financial Plaza, Providence, RI 02903.

WITNESS our hands and seals:

HASBRO, INC.	ALFRED J. VERRECCHIA
By: /s/ Alan G. Hassenfeld Alan G. Hassenfeld, Chairman	/s/ Alfred J. Verrecchia
Date: March 10, 2004	Date: March 10, 2004

Attachment A

SEVERANCE AND SETTLEMENT AGREEMENT AND RELEASE

AGREEMENT made as of the date set forth below, by and between Hasbro, Inc. (the "Company") and Alfred J. Verrecchia (the "Executive").

WHEREAS, the parties wish to resolve amicably the Executive's separation from the Company and establish the terms of the Executive's severance arrangement, enhanced retirement and various other benefits, and settlement of all claims;

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. SEPARATION DATE. The Executive's effective date of separation from the Company is _____ (the "Separation Date").

2. POST-EMPLOYMENT PAYMENT AND BENEFITS. In return for the execution of this Severance and Settlement Agreement and Release (the "Severance Agreement"), and provided that the Executive does not revoke his execution of this Agreement during the seven (7) day revocation period, the Company will provide the Executive with the following post-employment payment and benefits (collectively "Severance Benefits"):

2.1 SEVERANCE PAY. The Company shall pay the Executive, or the Executive's Estate as applicable, Severance Pay as set forth in Section 1 of the Post-Employment Agreement executed by the Executive and the Company on March 10, 2004 (the "Post-Employment Agreement") for a total of _____ months and calculated as set forth in Section 1 of the Post-Employment Agreement, totaling _____ dollars, less all applicable federal, state and local taxes and withholdings and any voluntarily-authorized deductions. The Executive acknowledges that no other Severance Pay is due to him by the Company and that payment of the Severance Pay provided for herein constitutes full satisfaction of the Company's Severance Pay obligations under the Post-Employment Agreement. Such payment shall be made in accordance with the Company's regular payroll practices; provided, however, that no payment shall be made until the expiration of the seven (7) day revocation period.

2.2 ENHANCED RETIREMENT BENEFITS. The Company shall pay the Executive or the Executive's surviving spouse, as applicable, Enhanced Retirement Benefits as set forth in, and calculated pursuant to, Section 2 of the Post-Employment Agreement. Such Enhanced Retirement Benefits shall be paid in accordance with the Executive's timely made selections.

2.3 MEDICAL AND DENTAL INSURANCE. The Company shall continue to provide medical and dental insurance for the Executive during the Severance Period in the manner set forth in Section 1 of the Post-Employment Agreement.

3. RELEASE OF CLAIMS. In consideration of the provision of the Severance Benefits, which the Executive acknowledges he would not otherwise be entitled to receive, the Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its officers, directors, stockholders, corporate affiliates, subsidiaries, parent companies, agents and employees (each in their individual and corporate capacities) (hereinafter, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature which the Executive ever had or now has against any or all of the Released Parties arising out of the Executive's employment with or separation from the Company, including, but not limited to, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e ET SEQ., the Americans With Disabilities Act of 1990, 42 U.S.C., Section 12101 ET SEQ., the Age Discrimination in Employment Act, 29 U.S.C., Section 621 ET seq., and similar state and local laws including, without limitation, the Fair Employment Practices Act, R.I. Gen. Laws Section 28-5-1, ET SEQ., Sexual Harassment, Education and Training Law, R.I. Gen. Laws, c.51, Section 28-51-1 ET SEQ., Equal Pay Law, R.I. Gen. Laws, c. 42-87, Sections 28-6-17, AIDS Law, R.I. Gen. Laws, c. 236, Sections 10 to 24, Vol. 4B, ET SEQ., Handicapped Discrimination Law, R.I. Gen. Laws, c. 42-87, Sections 1 to 5, Vol. 6c, ET SEQ., all as amended, and all claims arising out of the Fair Credit Reporting Act, 15 U.S.C. Section 1681 ET SEQ., the Executive Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C.Section 1001 ET SEQ., and the Parental Leave Law, R.I. Gen. Laws, c. 48, Section 28-48-1 ET SEQ., all as amended; all common law claims including, but not limited to, actions in tort, defamation and breach of contract, and any claim or damage arising out of the Executive's employment with or separation from the Company (including all claims for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that nothing in this Agreement prevents the Executive from filing, cooperating with, or participating in any proceeding before the EEOC or a state Fair Employment Practices Agency (except that the Executive acknowledges that he may not be able to recover any monetary benefits in connection with any such claim, charge or proceeding).

This release does not waive any rights to the pay or benefits to be provided to the Executive as set forth herein nor to the right to enforce this Agreement, the Post-Employment Agreement or the Change of Control Agreement, nor to any claims arising after the effective date of this Agreement. This release does not apply to any claims arising out of the Executive's status as a shareholder or investor in the Company or to any rights the Executive may have under COBRA. This release does not apply to any claims the Executive may have to any ownership interest in the Company, including but not limited to claims to vested or non-vested stock or stock options. This release does not affect the Executive's ability to file a claim for vested benefits, if any, under any and all employee benefit plans of the Company, including but not limited to the Hasbro, Inc. Pension Plan (the "Pension Plan") or the Hasbro, Inc. Supplemental Benefit Retirement Plan (the "Supplemental Benefit Plan") and the various insurance and disability benefit plans of the Company. This release does not affect the

Executive's right to continued coverage under the Company sponsored life insurance policy applicable to the Executive's life, to the extent the Executive is otherwise eligible. This release does not affect the Executive's right to any funds being held for the Executive's benefit or in the Executive's name with any

deferred compensation programs of the Company nor does this release apply to any claims the Executive may have to such deferred compensation. This release does not affect the Executive's eligibility for indemnification in accordance with the Company's Articles of Association or corporate by-laws or under applicable law or as to any rights the Executive may have under any applicable insurance policy with respect to any liability the Executive may incur or has incurred as an employee or officer of the Company. This release does not affect any right the Executive may have to obtain contribution as permitted by law in the event of entry of judgment against the Executive as a result of any act or failure to act for which the Executive and the Company, or any agent of the Company, are jointly liable.

4. INVENTION, NON-DISCLOSURE, NON-COMPETITION AND NON-SOLICITATION. The Executive acknowledges his continuing obligations under the Invention and Non-Disclosure Agreement executed by the Executive on March 10, 2004 ("Invention Agreement"), the Change of Control Agreement, and the Post-Employment Agreement, including, but not limited to, his obligations to keep confidential all non-public information concerning the Company which he acquired during the course of his employment with the Company, as stated more fully in the Invention Agreement, Change of Control Agreement and Post-Employment Agreement, which remain in full force and effect. The Executive also acknowledges his continuing non-competition and non-solicitation obligations under the Post-Employment Agreement.

5. RETURN OF COMPANY PROPERTY. The Executive confirms that he has returned to the Company all keys, files, records (and copies thereof), documents, equipment (including, but not limited to, computer hardware, software and printers, wireless handheld devices, cellular phones, pagers, etc.), Company identification, and any other Company-owned property in the Executive's possession or control and has left intact all electronic Company documents, including but not limited to those which the Executive developed or helped develop during his employment. The Executive further confirms that he has cancelled all accounts for his benefit, if any, in the Company's name, including but not limited to, credit cards, telephone charge cards, cellular phone and/or pager accounts and computer accounts.

6. NON-DISPARAGEMENT. The Executive understands and agrees that as a condition for payment to him of the Severance Benefits, he will not make any false, disparaging or derogatory statements to any media outlet, industry group, financial institution or current or former employee or employer(s), consultant, client or customer of the Company regarding the Company or any of its directors, officers, employees, agents or representatives or about the Company's business affairs and financial condition. Notwithstanding the foregoing, nothing in this paragraph shall prevent the Executive from making any truthful statement to the extent (a) necessary with respect to any litigation, arbitration or mediation involving this Agreement, the Post-Employment Agreement, or the Change in Control Agreement, and including, but not limited to, the enforcement of these agreements, (b) required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction to order the Executive to disclose or make accessible such information or (c) necessary to correct or refute an incorrect statement made by the Company in connection with the Executive's separation from the Company.

7. NATURE OF AGREEMENT. The Executive understands and agrees that this Agreement is a settlement agreement and does not constitute an admission of liability or wrongdoing on the part of the Company.

8. AMENDMENT. This Agreement shall be binding upon the parties and may not be abandoned, supplemented, changed, amended or modified in any manner, orally or otherwise, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This Agreement is binding upon and shall inure to the benefit of the parties and their respective agents, assigns, heirs, executors, successors and administrators.

9. WAIVER OF RIGHTS. No delay or omission by the Company or the Executive in exercising any rights under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by either party on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

10. VALIDITY. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

11. APPLICABLE LAW, FORUM AND JURISDICTION. This Agreement shall be governed by and construed as a sealed instrument under and in accordance with the laws of the State of Rhode Island (without reference to the conflicts of law provisions thereof). Any action, suit or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Rhode Island (or, if appropriate, a federal court located within Rhode Island), and the Company and the Executive consent to the jurisdiction of such a court; provided, however, that the parties agree to participate in non-binding mediation, which shall be held in Providence, Rhode Island by a mediator mutually agreed upon by the parties. If a dispute involving or arising out of this Agreement is not resolved within sixty (60) days of either party giving written notice to the other requesting mediation, then either party may proceed with litigation as provided for in this Section.

12. ACKNOWLEDGMENTS. The Executive acknowledges that he has had an opportunity to consult with an attorney of his own choosing prior to signing this Agreement, and has had an opportunity to ask his attorney any questions he

may have about this Agreement. The Executive acknowledges that he has been provided with 21 days to consider this Agreement. Further, the Executive acknowledges that he may revoke this Agreement for a period of seven (7) days after he signs this Agreement, and the Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. The Executive acknowledges that he has been reimbursed by the Company for all relocation costs and business expenses, if any, incurred in conjunction with the performance of his employment and that no other reimbursements are owed to the Executive. The Executive further acknowledges that he has received payment in full for all services rendered in conjunction with his employment by the Company and that no other compensation is owed to him, except as set forth in this Agreement or in one of more of the other agreements referred to in this Agreement.

13. VOLUNTARY ASSENT. The Executive affirms that no other promises or agreements of any kind have been made to or with him by any person or entity whatsoever to cause him to sign this Agreement, and that he fully understands the meaning and intent of this

Agreement. The Executive further states and represents that he has carefully read this Agreement and understands the contents therein, freely and voluntarily assents to all of the terms and conditions of this Agreement, and signs his name to this Agreement of his own free act.

14. DEFINED TERMS. Any terms not defined in this Agreement shall have the same definition as provided in the Post-Employment Agreement between the Company and the Executive dated March 10, 2004.

15. RECITAL PARAGRAPHS. The Recital Paragraphs at the beginning of this Agreement are hereby incorporated by reference as if fully set forth herein.

15. CONSTRUCTION. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

IN WITNESS WHEREOF, all parties have set their hand and seal to this Agreement as of the date written below.

HASBRO, INC.

By: _____ Date: _____

By: _____ Date: _____
Alfred J. Verrecchia

DEPENDING UPON THE EXECUTIVE'S STATUS AND ELECTIONS RELATIVE TO PARAGRAPH 2 ABOVE, THE EXECUTIVE'S SPOUSE AND/OR A DULY AUTHORIZED REPRESENTATIVE OF THE EXECUTIVE'S ESTATE WILL BE THE SIGNATORY TO THIS AGREEMENT.

By: _____ Date: _____
[INSERT SPOUSE'S NAME]

By: _____ Date: _____
[INSERT NAME OF DULY AUTHORIZED REPRESENTATIVE OF ESTATE]

Exhibit 11

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings Per Share

(Thousands of Dollars and Shares Except Per Share Data)

	2003	2002	2001
Basic			
Diluted			
Basic			
Diluted			
Basic			
Diluted			
Net earnings before cumulative effect of accounting change	$ 175,015	175,015	75,058
	75,058	60,798	60,798
Weighted average number of shares outstanding:			
Outstanding at beginning of year	172,805	172,805	172,537
	172,537	171,886	171,886
Exercise of stock options and warrants:			
Actual exercise of options	943	943	183
	183	245	245
Assumed exercise of options and warrants	-	4,736	-
	768	-	887
Total	173,748	178,484	172,720
	173,488	172,131	173,018
Per common share: Net			

earnings before cumulative effect of accounting change $ 1.01 .98 .43 .43 .35 .35

Exhibit 12

HASBRO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges
Fiscal Years Ended in December

(Thousands of Dollars)

2003	2002	2001	2000	1999
Earnings available for fixed charges:				
Net earnings (loss)	$ 157,664	(170,674)	59,732	(144,631)	188,953
Add:				
Cumulative effect of accounting change	17,351	245,732	1,066	-	-
Fixed charges	68,467	99,209	126,323	135,302	88,456
Taxes on income	69,049	29,030	35,401	(81,355)	84,892
Total	$ 312,531	203,297	222,522	(90,684)	362,301
Fixed charges:					
Interest on long-term debt	$ 44,461	69,480	86,244	74,206	25,068
Other interest charges	6,413	8,019	17,444	40,215	44,272
Amortization of debt expense	1,588	1,843	3,031	1,724	425
Rental expense representa-tive of interest factor	16,005				

19,867					
19,604					
19,157					
18,691					
Total $					
68,467					
99,209					
126,323					
135,302					
88,456					
Ratio of earnings to fixed charges					
4.56	2.05				
1.76	(0.67)				
4.10					

Exhibit 21

HASBRO, INC. AND SUBSIDIARIES

Subsidiaries of the Registrant (a)

Name Under Which Subsidiary Does Business	State or Other Jurisdiction of Incorporation or Organization
Hasbro Receivables Funding, LLC.	Delaware
Hasbro International, Inc.	Delaware
Hasbro France S.A.S.	France
Hasbro Deutschland GmbH	Germany
Hasbro Italy S.r.l.	Italy
Hasbro Latin America Inc.	Delaware
Hasbro Chile LTDA	Chile
Hasbro Latin America, L.P.	Delaware
Hasbro S.A.	Switzerland
Hasbro Holdings S.A.	Switzerland
Hasbro Canada Corporation / Corporation	Hasbro Canada	Nova Scotia
Hasbro Asia-Pacific Marketing Ltd.	Hong Kong
Hasbro de Mexico S.R.L. de C.V.	Mexico
Hasbro (Schweiz) AG	Switzerland
Hasbro U.K. Limited	United Kingdom
Group Grosvenor Plc.	United Kingdom
MB International B.V.	The Netherlands
Hasbro B.V.	The Netherlands
Hasbro Hellas Industrial & Commercial Company S.A.	Greece
Hasbro Toys & Games Holdings, S.L.	Spain
Hasbro Iberia SL	Spain
MB Espana, S.A.	Spain
S.A. Hasbro N.V.	Belgium
Hasbro InterToy Eqitim	

Araclari Sanayi Ve Ticaret A.S.	Turkey
Hasbro Far East LTD	Hong Kong
Has Aust Pty Ltd	Australia
Hasbro Australia Limited	Australia
Hasbro Ireland Limited	Ireland
Hasbro Managerial Services, Inc.	Rhode Island
Wizards of the Coast, Inc.	Washington
Wizards of the Coast Retail, Inc.	Washington

(a) Inactive subsidiaries and subsidiaries with minimal operations have been omitted. Such subsidiaries, if taken as a whole, would not constitute a significant subsidiary.

Exhibit 23

ACCOUNTANTS' CONSENT

The Board of Directors
Hasbro, Inc.:

We consent to incorporation by reference in the Registration Statements Nos. 2-78018, 2-93483, 33-57344, 33-59583, 333-38159, 333-10404, 333-10412, 333-34282, 333-110000, 333-110001 and 333-110002 on Form S-8 and Nos. 33-41548, 333-44101, 333-82077, 333-83250 and 333-103561 on Form S-3 of Hasbro, Inc. of our report dated February 4, 2004 relating to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002 and the related statements of operations, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 28, 2003, and our report dated February 4, 2004 relating to the consolidated financial statement schedule, which reports are included in the December 28, 2003 Annual Report on Form 10-K of Hasbro, Inc. Our report on the basic financial statements refers to a change in the method used to account for certain financial instruments with characteristics of liabilities and equity as well as a change in the method used to account for goodwill.

/s/ KPMG LLP

Providence, Rhode Island
March 10, 2004

Exhibit 31.1

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

1. I have reviewed this annual report on Form 10-K of Hasbro, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief
Executive Officer

Exhibit 31.2

CERTIFICATION

I, David D.R. Hargreaves, certify that:

1. I have reviewed this annual report on Form 10-K of Hasbro, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Senior Vice President and Chief
Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1) the Company's Annual Report on Form 10-K for the year ended December 28, 2003, as filed with the Securities and Exchange Commission (the "10-K Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company's 10-K Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief Executive Officer of Hasbro, Inc.

Dated: March 12, 2004

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

1) the Company's Annual Report on Form 10-K for the year ended December 28, 2003, as filed with the Securities and Exchange Commission (the "10-K Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company's 10-K Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Senior Vice President and Chief Financial Officer
of Hasbro, Inc.

Dated: March 12,2004

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.