UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2009 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, Including Zip Code)

(401) 431-8697
(Registrant's Telephone Number, Including Area Code)

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 X or No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ___ or No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer X Accelerated filer __
Non-accelerated filer __ (Do not check if a smaller reporting company) Smaller reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ or No X

The number of shares of Common Stock, par value $.50 per share, outstanding as of July 21, 2009 was 139,895,055.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	June 28, 2009	June 29, 2008	Dec. 28, 2008
Current assets			
Cash and cash equivalents	$ 392,034	594,621	630,390
Accounts receivable, less allowance for doubtful accounts of $33,200, $33,800 and $32,400	652,557	562,502	611,766
Inventories	346,814	375,033	300,463
Prepaid expenses and other current assets	210,824	187,200	171,387
Total current assets	1,602,229	1,719,356	1,714,006
Property, plant and equipment, less accumulated depreciation of $425,200, $423,500 and $403,100	222,937	210,641	211,707
Other assets			
Goodwill	476,362	481,569	474,497
Other intangibles, less accumulated amortization of $839,100, $764,100 and $799,500	601,160	608,095	568,412
Other	575,488	185,650	200,175
Total other assets	1,653,010	1,275,314	1,243,084
Total assets	$ 3,478,176	3,205,311	3,168,797

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)
(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	June 28, 2009	June 29, 2008	Dec. 28, 2008
Current liabilities			
Short-term borrowings	$ 11,958	192,941	7,586
Current portion of long-term debt	-	135,127	-
Accounts payable	165,128	183,280	184,453
Accrued liabilities	435,637	427,714	607,853
Total current liabilities	612,723	939,062	799,892
Long-term debt, excluding current portion	1,134,723	709,723	709,723
Other liabilities	341,060	248,309	268,396
Total liabilities	2,088,506	1,897,094	1,778,011
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	104,847	104,847	104,847
Additional paid-in capital	450,237	413,186	450,155
Retained earnings	2,459,705	2,280,671	2,456,650
Accumulated other comprehensive earnings	47,291	80,113	62,256
Treasury stock, at cost; 69,827,496 shares at June 28, 2009, 68,625,181 at June 29, 2008 and 70,465,216 at December 28, 2008	(1,672,410)	(1,570,600)	(1,683,122)
Total shareholders' equity	1,389,670	1,308,217	1,390,786
Total liabilities and shareholders' equity	$ 3,478,176	3,205,311	3,168,797

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net revenues	$ 792,202	784,286	1,413,542	1,488,506
Cost of sales	319,452	308,222	564,205	579,383
Gross profit	472,750	476,064	849,337	909,123
Expenses				
Amortization	18,792	20,644	38,679	39,082
Royalties	73,826	68,167	128,279	126,589
Research and product development	43,529	45,432	80,660	87,202
Advertising	81,677	86,234	143,986	163,217
Selling, distribution and administration	181,853	190,078	343,443	366,271
Total expenses	399,677	410,555	735,047	782,361
Operating profit	73,073	65,509	114,290	126,762
Nonoperating (income) expense				
Interest expense	17,503	12,950	27,218	24,378
Interest income	(739)	(4,432)	(2,004)	(12,138)
Other (income) expense, net	(545)	1,706	3,635	3,567
Total nonoperating expense, net	16,219	10,224	28,849	15,807
Earnings before income taxes	56,854	55,285	85,441	110,955
Income taxes	17,579	17,799	26,436	35,999
Net earnings	$ 39,275	37,486	59,005	74,956
Net earnings per common share				
Basic	$ 0.28	0.27	0.42	0.53
Diluted	$ 0.26	0.25	0.40	0.50
Cash dividends declared per common share	$ 0.20	0.20	0.40	0.40

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Thousands of Dollars)
(Unaudited)

	Six Months Ended	
	June 28, 2009	June 29, 2008
Cash flows from operating activities		
Net earnings	$ 59,005	74,956
Adjustments to reconcile net earnings to net cash (utilized) provided by operating activities:		
Depreciation of plant and equipment	40,510	35,772
Amortization	38,679	39,082
Deferred income taxes	12,563	(3,502)
Stock-based compensation	14,463	18,408
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(48,156)	109,453
Increase in inventories	(40,909)	(103,372)
(Increase) decrease in prepaid expenses and other current assets	(23,375)	42,661
Decrease in accounts payable and accrued liabilities	(184,759)	(186,263)
Other, including long-term portion of royalty advances	(47,889)	(4,415)
Net cash (utilized) provided by operating activities	(179,868)	22,780
Cash flows from investing activities		
Additions to property, plant and equipment	(51,538)	(55,177)
Investments and acquisitions, net of cash acquired	(371,307)	(154,757)
Purchases of short-term investments	(4,000)	(42,000)
Proceeds from sales of short-term investments	-	42,000
Other	(825)	(5,858)
Net cash utilized by investing activities	(427,670)	(215,792)
Cash flows from financing activities		
Net proceeds from borrowings with original maturities of more than three months	421,309	-
Net proceeds from other short-term borrowings	2,606	182,859
Purchases of common stock	-	(210,245)
Stock option transactions	1,396	74,596
Excess tax benefits from stock-based compensation	1,057	13,425
Dividends paid	(55,823)	(50,866)
Net cash provided by financing activities	370,545	9,769
Effect of exchange rate changes on cash	(1,363)	3,406
Decrease in cash and cash equivalents	(238,356)	(179,837)
Cash and cash equivalents at beginning of year	630,390	774,458
Cash and cash equivalents at end of period	$ 392,034	594,621

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
(Thousands of Dollars)
(Unaudited)

	Six Months Ended	
	June 28, 2009	June 29, 2008
Supplemental information		
Cash paid during the period for:		
Interest	$22,838	24,555
Income taxes	$51,798	18,881

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net earnings	$ 39,275	37,486	59,005	74,956
Other comprehensive earnings (loss)	(11,494)	(1,909)	(14,965)	5,175
Total comprehensive earnings	$ 27,781	35,577	44,040	80,131

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(1) In the opinion of management, the accompanying unaudited interim financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of Hasbro, Inc. and all majority-owned subsidiaries (“Hasbro” or the “Company”) as of June 28, 2009 and June 29, 2008, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP 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.

The quarterly and six month periods ended June 28, 2009 and June 29, 2008 are 13-week and 26-week periods, respectively.

The results of operations for the quarter and six months ended June 28, 2009 are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited consolidated financial statements for the year ended December 28, 2008 in its annual report on Form 10-K, which includes all such information and disclosures and, accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements for the fiscal year ended December 28, 2008.

Substantially all of the Company's inventories consist of finished goods.

Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation.

In May 2009, the Financial Accounting Standard Board (“FASB”) issued Statement of Financial Accounting Standards No. 165, “Subsequent Events”, (“SFAS No. 165”), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 also requires disclosure of the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. The Company adopted the provisions of SFAS No. 165 during the second quarter of 2009. The adoption did not have an impact on the Company’s statements of operations or statement of financial position. In accordance with the provisions of SFAS No. 165, the Company has evaluated all subsequent events that occurred through July 31, 2009, the date the financial statements were issued.

(2) Net earnings per share data for the fiscal quarters and six months ended June 28, 2009 and June 29, 2008 were computed as follows:

	2009		2008	
Quarter	Basic	Diluted	Basic	Diluted
Net earnings	$ 39,275	39,275	37,486	37,486
Effect of dilutive securities:				
Interest expense on contingent convertible debentures due 2021	-	1,092	-	1,059
Adjusted net earnings	$ 39,275	40,367	37,486	38,545
Average shares outstanding	139,967	139,967	140,246	140,246
Effect of dilutive securities:				
Contingent convertible debentures due 2021	-	11,566	-	11,566
Options and other share-based awards	-	1,446	-	3,269
Equivalent shares	139,967	152,979	140,246	155,081
Net earnings per common share	$ 0.28	0.26	0.27	0.25

	2009		2008	
Six Months	Basic	Diluted	Basic	Diluted
Net earnings	$ 59,005	59,005	74,956	74,956
Effect of dilutive securities:				
Interest expense on contingent convertible debentures due 2021	-	2,174	-	2,118
Adjusted net earnings	$ 59,005	61,179	74,956	77,074
Average shares outstanding	140,007	140,007	141,311	141,311
Effect of dilutive securities:				
Contingent convertible debentures due 2021	-	11,566	-	11,566
Options and other share-based awards	-	1,395	-	2,818
Equivalent shares	140,007	152,968	141,311	155,695
Net earnings per common share	$ 0.42	0.40	0.53	0.50

For the quarters and six-month periods ended June 28, 2009 and June 29, 2008, the effect of the Company's contingent convertible debt was dilutive and, accordingly, for the diluted earnings per share calculation, the numerator includes an adjustment to earnings to exclude the interest expense incurred for these debentures and the denominator includes an adjustment to include the shares issuable upon conversion.

For the quarters ended June 28, 2009 and June 29, 2008, options to acquire shares totaling 7,890 and 2,124, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. For the six-month periods ended June 28, 2009 and June 29, 2008, 6,713 and 4,446 options to acquire shares, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

(3) Other comprehensive earnings for the quarters and six months ended June 28, 2009 and June 29, 2008 consist of the following:

	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Foreign currency translation adjustments	$ 27,617	5,116	11,539	24,664
Changes in value of available-for-sale securities, net of tax	1,655	(1,041)	849	(1,941)
Change in unrecognized pension and postretirement amounts, net of tax	-	-	(571)	-
Gain (loss) on cash flow hedging activities, net of tax	(34,917)	(7,913)	(11,984)	(22,373)
Reclassifications to earnings, net of tax:				
Net (gains) losses on cash flow hedging activities	(5,849)	1,929	(14,798)	4,825
Other comprehensive (loss) earnings	$ (11,494)	(1,909)	(14,965)	5,175

At June 28, 2009, the Company had recorded deferred gains on hedging instruments, net of tax, of $36,731 in accumulated other comprehensive earnings (“AOCE”). These instruments hedge certain anticipated inventory purchases and other cross-border transactions through 2011. These amounts will be reclassified into the consolidated statement of operations upon the sale of the related inventory or receipt or payment of the related royalties and expenses. Of the amount included in AOCE at June 28, 2009, the Company expects approximately $14,700 to be reclassified to earnings within the next twelve months. However, the amount ultimately realized in earnings is dependent on the fair value of the contracts on the settlement dates.

(4) During the second quarter of 2009, the Company entered into an agreement to form a joint venture with Discovery Communications (“Discovery”) to create a television network in the United States dedicated to high-quality children’s and family entertainment and educational programming. The transaction closed in May 2009 with the Company’s purchase of a 50% interest in the joint venture, DHJV Company LLC (“DHJV”), which owns the DISCOVERY KIDS network in the United States. The Company purchased its 50% share in DHJV for a payment of $300,000 and certain future payments based on the value of certain tax benefits expected to be received by the Company. The present value of the expected future payments totals approximately $68,800 and has been recorded as a non-current liability and a component of the Company’s investment in the joint venture.

Voting control of the joint venture is shared 50/50 between the Company and Discovery. However, the Company believes that the joint venture qualifies as a variable interest entity pursuant to Financial Accounting Standard Board ("FASB") Interpretation No 46 (revised December 2003), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", and that it qualifies as the primary beneficiary, which would result in the Company consolidating the joint venture. In June 2009, the FASB revised the accounting guidance related to variable interest entity consolidation through the issuance of Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No 46 R" ("SFAS 167"), which is effective for the Company at the beginning of fiscal 2010. Under SFAS 167, the Company has determined that it does not meet the control requirements to consolida te the joint venture, and would be required to deconsolidate DHJV and utilize the equity method to account for its investment at the adoption date. The Company has elected to use the equity method in 2009 for financial statement presentation of the joint venture as it has determined that the difference between using consolidation and the equity method in 2009 is not material to the overall presentation of the financial statements. Additionally, there is no impact on net earnings or earnings per share. The Company's share in the earnings of the joint venture for the period from the closing of May 22, 2009 through the end of the second quarter totaled $1,014 of income and is included as a component of other (income) expense in the accompanying consolidated statement of operations.

The Company has entered into a license agreement with the joint venture that will require the payment of royalties by the Company to the joint venture based on a percentage of revenue derived from products related to television shows broadcast by the joint venture. The license agreement includes a minimum royalty guarantee of $125,000, payable in 5 annual installments of $25,000 per year, commencing in 2009, which can be earned out over a 10-year period. The Company and the joint venture are also parties to an agreement under which the Company will provide the joint venture with an exclusive first look in the U.S. to license certain types of programming developed by the Company based on its intellectual property. In the event the joint venture licenses the programming from the Company to air on the network, the joint venture is required to pay the Company a license fee.

The assets of the joint venture at inception consist of goodwill and intangibles. Intangible assets are primarily comprised of cable affiliate relationships, which are being amortized on a straight line basis over 30 years, and programming costs, which are being amortized over 4 years on an accelerated basis. Based on the preliminary results of a valuation of the intangible assets of the joint venture, Hasbro's share of the assets underlying its investment total $143,450 of goodwill, $211,850 of cable affiliate relationships, $12,400 of programming costs, and $1,100 of other intangibles. Amortization of the intangible assets is recorded in the results of the joint venture and, accordingly, the Company's share is included in its share of the joint venture earnings which is a component of other (income) expense. The Company expects the valuation to be completed during the third quarter of 2009 and does not expect any material changes. As of June 28, 2009, the Company's interest in the joint venture totaled $369,850 and is a component of other assets.

(5) In May 2009 the Company amended its license agreement with Lucas Licensing, Ltd. (“Lucas”) related to the STAR WARS brand. The amendment included the extension of the term of the license for an additional two years, from the end of 2018 to the end of 2020. In connection with the extension of the license rights, $45,000 was recorded as an intangible asset during the second quarter of 2009, and will be amortized over the term of the extension. The amendment also provided for the settlement of certain royalty audit issues, primarily related to contractual interpretations associated with the computation of royalties dating back to 1999, and the clarification of certain terms and interpretations of the agreement on a prospective basis through the end of the term, including the scope of licensed rights to future developed properties by Lucas.

(6) Hasbro’s financial instruments include cash and cash equivalents, accounts receivable, marketable securities, short-term borrowings, accounts payable and accrued liabilities. At June 28, 2009, the carrying cost of these instruments approximated their fair value. The Company’s financial instruments at June 28, 2009 also include certain assets and liabilities measured at fair value (see Notes 8 and 10) as well as long-term borrowings. The carrying costs and fair values of the Company’s long-term borrowings as of June 28, 2009 are as follows:

	Carrying Cost	Fair Value
6.125% Notes Due 2014	$ 425,000	435,583
6.30% Notes Due 2017	350,000	340,970
2.75% Convertible Debentures Due 2021	249,828	303,766
6.60% Debentures Due 2028	109,895	95,378
Total long-term debt	$1,134,723	1,175,697

The fair value of the convertible debt is based on an average of the prices of trades occurring around the balance sheet date. The fair value of the Company’s other long-term borrowings is measured using a combination of broker quotations when available and discounted future cash flows.

In May 2009 the Company issued $425,000 of Notes that are due in 2014 (the "Notes"). The Notes bear interest at a rate of 6.125%, which may be adjusted upward in the event that the Company's credit rating from Moody's Investor Services, Inc., Standard & Poor's Ratings Services or Fitch Ratings is reduced to Ba1, BB+, or BB+, respectively, or below. On the date the Notes were issued, the Company’s ratings from Moody’s Investor Services, Inc., Standard & Poor’s Ratings Services and Fitch Ratings were Baa2, BBB and BBB+, respectively. The interest rate adjustment is dependent on the degree of decrease of the Company’s ratings and could range from 0.25% to a maximum of 2.00%. The Company may redeem the Notes at its option at the greater of the principal amount of the Notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase.

(7) The Company and its subsidiaries file income tax returns in the United States and various state and international jurisdictions. In the normal course of business, the Company is regularly audited by U.S. federal, state and local tax authorities as well as international tax authorities in various tax jurisdictions. The Company is no longer subject to U.S. federal tax examinations for years before 2004. With few exceptions, the Company is no longer subject to U.S. state or local and non-U.S. income tax examinations by tax authorities in its major jurisdictions for years before 2003.

The U.S. Internal Revenue Service is performing an examination related to the 2004 and 2005 U.S. federal income tax returns. The Company is also under income tax examination in Mexico and in several other U.S. state and foreign jurisdictions. The ultimate resolution of the U.S. and Mexican examinations, as well as other matters that may be resolved in the next twelve months, is not yet determinable. In connection with the Mexican examinations for the years 2000 to 2003, the Company has received tax assessments related to transfer pricing which the Company is vigorously defending. The Company expects to be successful in sustaining its position with respect to these assessments as well as similar positions which may be taken by the Mexican tax authorities in future periods. However, in order to continue the process of defending its position, the Company was required to guarantee the amount of the outstanding assessments, as is usual and customary in Mexico in these matters. Accordingly, as of June 28, 2009, bonds totaling $98,444 have been provided to the Mexican government, allowing the Company to defend its position.

(8) The Company measures certain assets at fair value in accordance with Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS No. 157”). The SFAS No. 157 fair value hierarchy consists of three levels: Level 1 fair values are based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access; Level 2 fair values are those based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. SFAS No. 157 was not required to be adopted for certain non-financial assets and liabilities u ntil the first day of fiscal 2009. The Company adopted the remaining provisions of SFAS No. 157 for non-financial assets in the first quarter of 2009. The adoption of these provisions did not have an impact on the Company’s statements of operations or statement of financial position.

At June 28, 2009, the Company had the following assets measured at fair value in its consolidated balance sheet:

		Fair Value Measurements at June 28, 2009 Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 6,305	42	6,263	-
Derivatives	50,694	-	41,733	8,961
Total	$ 56,999	42	47,996	8,961

For a portion of the Company's available-for-sale securities, the Company is able to obtain quoted prices from stock exchanges to measure the fair value of these securities. Certain other available-for-sale securities held by the Company are valued at the net asset value which is quoted on a private market that is not active; however, the unit price is predominantly based on underlying investments which are traded on an active market. The Company's derivatives are measured using inputs that are observable indirectly through corroboration with readily available market data, in this case foreign exchange rates. The Company's derivatives consist primarily of foreign currency forward contracts. The Company uses current forward rates of the respective foreign currencies to measure the fair value of these contracts. The remaining derivative securities consist of warrants to purchase common stock. The Company uses the Black-Sc holes model to value these warrants. One of the inputs used in the Black-Scholes model, historical volatility, is considered an unobservable input in that it reflects the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement. There were no changes in these valuation techniques during the first six months of 2009.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Company's warrants to purchase common stock that use significant unobservable inputs (Level 3):

Balance at December 28, 2008	$4,591
Gain from increase in fair value	1,377
Warrant modification	2,993
Balance at June 28, 2009	$8,961

In the second quarter of 2009, certain warrants held by the Company were modified in connection with the amendment of an existing license agreement. The fair value of the modification was recorded as deferred revenue and is being amortized to revenue over the term of the amended license agreement.

(9) The Company, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. 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. Effective at the end of December 2007, the Company froze pension benefits being accrued for its non-union employees in the United States. Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans.

The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarters and six months ended June 28, 2009 and June 29, 2008 are as follows:

	Quarter Ended			
	Pension		Postretirement	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Service cost	$1,068	1,217	157	143
Interest cost	5,343	5,417	476	516
Expected return on assets	(5,413)	(7,059)	-	-
Net amortization and deferrals	1,423	376	2	29
Curtailment loss	-	1,200	-	-
Net periodic benefit cost	$2,421	1,151	635	688

	Six Months Ended			
	Pension		Postretirement	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Service cost	$2,099	2,432	313	285
Interest cost	10,629	10,834	952	1,033
Expected return on assets	(10,788)	(14,117)	-	-
Net amortization and deferrals	2,834	751	5	58
Curtailment loss	-	1,200	-	-
Net periodic benefit cost	$4,774	1,100	1,270	1,376

During the first two quarters of fiscal 2009, the Company made cash contributions to its defined benefit pension plans of approximately $12,000 in the aggregate. The Company expects to contribute approximately $5,100 during the remainder of fiscal 2009.

(10) In March 2008 the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities”, (“SFAS 161”), which requires enhanced disclosures related to derivative instruments and hedging activities. The Company adopted the provisions of SFAS 161 during the first quarter of 2009.

Hasbro uses foreign currency forward contracts to mitigate the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future currency requirements related to purchases of inventory and other cross-border transactions not denominated in the functional currency of the business unit, are primarily denominated in United States and Hong Kong dollars, Euros and United Kingdom pound sterling and are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a single counterparty would not have a material adverse effect on the financial condition of the Company. Hasbro does not enter into derivative financial instruments for speculative purposes. The Company also has warrants to purchase common stock that qualify as derivatives. For additional information related to these warrants see Note 8.

Cash Flow Hedges

Hasbro uses foreign currency forward contracts to reduce the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. All of the Company’s designated hedging instruments are considered to be cash flow hedges. These instruments hedge a portion of the Company’s currency requirements associated with anticipated inventory purchases and other cross-border transactions from 2009 through 2011.

At June 28, 2009, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

Hedged Transaction	Notional Amount	Fair Value
Inventory Purchases	$ 477,969	28,963
Intercompany Royalty Transactions	186,610	11,842
Other	12,568	1,136
Total	$ 677,147	41,941

The Company has a master agreement with each of its counterparties that allows for the netting of outstanding forward contracts. The fair values of the Company's foreign currency forward contracts designated as cash flow hedges are recorded in the consolidated balance sheet at June 28, 2009 as follows:

Prepaid expenses and other current assets	
Unrealized Gains	$ 21,991
Unrealized Losses	(4,856)
Net Unrealized Gain	17,135
Other Assets	
Unrealized Gains	24,877
Unrealized Losses	(71)
Net Unrealized Gain	24,806
Total	$41,941

During the quarter and six months ended June 28, 2009, the Company reclassified net gains from other comprehensive earnings to net earnings of $6,483 and $16,628, respectively. Of the amount reclassified during the quarter ended June 28, 2009, $5,565 was reclassified to cost of sales and $918 was reclassified to royalty expense. During the six month period ended June 28, 2009, $13,657 was reclassified to cost of sales and $2,971 was reclassified to royalty expense. There were no reclassifications to earnings as a result of hedge ineffectiveness in the first six months of 2009.

Undesignated Hedges

The Company also enters into foreign currency forward contracts to minimize the impact of changes in the fair value of intercompany loans due to foreign currency changes. Due to the short-term nature of the derivative contracts involved, the Company does not use hedge accounting for these contracts. As of June 28, 2009, the total notional amount of the Company's undesignated derivative instruments was $67,384.

At June 28, 2009, the fair values of the Company's undesignated derivative financial instruments are recorded in prepaid expenses and other current assets in the consolidated balance sheet as follows:

Unrealized Gains	$ 466
Unrealized Losses	(674)
Net Unrealized Loss	$ (208)

The Company recorded net gains of $2,440 and $2,038 on these instruments to other (income) expense, net for the quarter and six months ended June 28, 2009, respectively, relating to the change in fair value of such derivatives, substantially offsetting losses from the change in fair value of intercompany loans to which the contracts relate.

For additional information related to the Company's derivative financial instruments see Notes 3 and 8.

(11) Hasbro is a worldwide leader in children's and family leisure time products and services, including toys, games and licensed products ranging from traditional to high-tech and digital. In the second quarter of 2009 the Company changed the name of the Other segment to Entertainment and Licensing. The Company's segments now are (i) U.S. and Canada; (ii) International; (iii) Global Operations; and (iv) Entertainment and Licensing.

The U.S. and Canada segment includes the development, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and games, plush products, preschool toys and infant products, electronic interactive products, toy-related specialty products, traditional board games and puzzles, DVD-based games and trading card and role-playing games within the United States and Canada. Within the International segment, the Company develops, markets and sells both toy and certain game products in markets outside of the U.S. and Canada, primarily the European, Asia Pacific, and Latin and South American regions. The Global Operations segment is responsible for manufacturing and sourcing finished product for the Company's U.S. and Canada and International segments. The Company's Entertainment and Licensing segment includes the Company's lifestyle licen sing, digital gaming, movie, television and online entertainment operations.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain 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, including global development and marketing expenses, are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustments to actual foreign exchange rates included in Corporate and eliminations. The accounting policies of the segments are the same as those referenced in Note 1.

Results shown for the quarter and six months are not necessarily representative of those which may be expected for the full year 2009, nor were those of the comparable 2008 periods representative of those actually experienced for the full year 2008. Similarly, such results are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

Information by segment and a reconciliation to reported amounts for the quarters and six months ended June 28, 2009 and June 29, 2008 are as follows.

	Quarter Ended			
	June 28, 2009		June 29, 2008	
Net revenues	External	Affiliate	External	Affiliate
U.S. and Canada	$ 490,877	2,721	467,663	3,757
International	276,231	33	293,688	-
Entertainment and Licensing	24,153	-	21,305	-
Global Operations (a)	941	340,395	1,630	351,184
Corporate and Eliminations	-	(343,149)	-	(354,941)
	$ 792,202	-	784,286	-

	Six Months Ended			
	June 28, 2009		June 29, 2008	
Net revenues	External	Affiliate	External	Affiliate
U.S. and Canada	$ 895,379	5,182	896,185	8,047
International	465,423	49	541,943	196
Entertainment and Licensing	51,386	-	47,591	-
Global Operations (a)	1,354	559,742	2,787	600,647
Corporate and Eliminations	-	(564,973)	-	(608,890)
	$ 1,413,542	-	1,488,506	-

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Operating profit (loss)				
U.S. and Canada	$ 56,318	43,693	97,868	81,004
International	16,450	13,978	1,979	27,005
Entertainment and Licensing	2,939	8,031	16,566	20,424
Global Operations (a)	780	6,076	(4,663)	6,346
Corporate and Eliminations (b)	(3,414)	(6,269)	2,540	(8,017)
	$ 73,073	65,509	114,290	126,762

	June 28, 2009	June 29, 2008
Total assets		
U.S. and Canada	$ 3,788,538	3,286,806
International	1,296,762	1,158,196
Entertainment and Licensing	291,151	233,772
Global Operations	1,390,817	1,319,888
Corporate and Eliminations (b)	(3,289,092)	(2,793,351)
	$ 3,478,176	3,205,311

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

(b) Certain intangible assets, primarily goodwill, which benefit multiple operating segments are reflected as Corporate assets for segment reporting purposes. For application of SFAS No. 142, these amounts have been allocated to the reporting unit which benefits from their use. In addition, allocations of certain expenses related to these assets to the individual operating segments are done at the beginning of the year based on budgeted amounts. Any difference between actual and budgeted amounts is reflected in the Corporate segment. As of June 28, 2009, the investment in the Discovery joint venture is included in the assets of the Corporate segment.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

The following table presents consolidated net revenues by class of principal products for the quarters and six months ended June 28, 2009 and June 29, 2008. Certain 2008 amounts have been reclassified to conform to the current period presentation.

	Quarter Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Boys	$ 363,751	306,480	592,815	573,659
Games and puzzles	214,146	257,019	427,233	466,687
Girls	133,877	128,485	245,000	277,779
Preschool	78,537	80,585	145,290	147,162
Other	1,891	11,717	3,204	23,219
Net revenues	$ 792,202	784,286	1,413,542	1,488,506

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operations
(Thousands of Dollars and Shares Except Per Share Data)

This Quarterly Report on Form 10-Q, including the following section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements expressing management's current expectations, goals, objectives and similar matters. These forward-looking statements may include statements concerning the Company's product plans, anticipated product performance, business opportunities and strategies, financial goals and expectations for achieving the Company's financial goals and other objectives. See Item 1A, in Part II of this report, for a discussion of factors which may cause the Company's actual results or experience to differ materially from that anticipated in these forward-looking statements. The Company undertakes no obligation to revise the forward-looking statements in this report after the date of the filing.

EXECUTIVE SUMMARY

The Company earns revenue and generates cash primarily through the sale of a variety of toy and game products, as well as through the out-licensing of rights for use of its properties in connection with non-competing products, including digital games, offered by third-parties. The Company sells its products both within the United States and in a number of international markets. The Company's business is highly seasonal with a significant amount of revenues occurring in the second half of the year. In 2008, 2007 and 2006, the second half of the year accounted for 63%, 66% and 68% of the Company's net revenues, respectively. While many of the Company's products are based on brands the Company owns or controls, the Company also offers products which are licensed from outside inventors. In addition, the Company licenses rights to produce products based on movie, television, music and other entertainment properties, such as MARVEL and STAR WARS properties.

The Company's business is primarily separated into three principal business segments, U.S. and Canada, International and Entertainment and Licensing. The U.S. and Canada segment develops, markets and sells both toy and game products in the U.S. and Canada. The International segment consists of the Company's European, Asia Pacific and Latin and South American marketing operations, including Mexico. During the second quarter, the Company changed the name of its' Other segment to Entertainment and Licensing. The Company's Entertainment and Licensing segment includes the Company's lifestyle licensing, digital gaming, movie, television and online entertainment operations. In addition to these three primary segments, the Company's world-wide manufacturing and product sourcing operations are managed through its Global Operations segment.

The Company seeks to make its brands relevant in all areas important to its consumers. Brand awareness is amplified through immersive traditional play, digital applications, publishing and lifestyle licensing and entertainment experiences presented for consumers' enjoyment. The Company's focus remains on growing core owned and controlled brands, developing new and innovative products which respond to market insights and optimizing efficiencies within the Company to reduce costs, increase operating profits and strengthen its balance sheet. The Company's core brands represent Company-owned or Company-controlled brands, such as TRANSFORMERS, MY LITTLE PONY, LITTLEST PET SHOP, MONOPOLY, MAGIC: THE GATHERING, PLAYSKOOL, G.I. JOE, NERF and TONKA, which have been successful over the long term. The Company has a large portfolio of owned and controlled brands, which can be introduced in new formats and platforms over time. These brands may also be further extended by pairing a licensed concept with a core brand. By focusing on core brands, the Company is working to build a more consistent revenue stream and basis for future growth. During the first six months of 2009 the Company had significant sales of core brand products, namely TRANSFORMERS, LITTLEST PET SHOP, NERF, G.I. JOE, PLAYSKOOL, PLAY-DOH, MONOPOLY and MAGIC: THE GATHERING. The Company's strategy of reimagining, reinventing and reigniting its brands has proved instrumental to achieving its overall growth objectives.

The Company also seeks to drive product-related revenues by increasing the visibility of its core brands through entertainment. As an example of this, in June of 2009, the TRANSFORMERS: REVENGE OF THE FALLEN motion picture was released as a sequel to the 2007 motion picture TRANSFORMERS. The Company developed and marketed product lines based on these motion pictures. As a result of pairing this core brand with motion picture entertainment, both the movie and the product line benefited. The Company expects to continue this strategy and anticipates increased revenues from G.I. JOE products as a result of the theatrical release of the G.I. JOE: THE RISE OF COBRA motion picture in August 2009. In addition, the Company has entered into a six-year strategic relationship with Universal Pictures to produce at least four motion pictures based on certain of Hasbro's core brands. The first movie is expected to be r eleased in 2011, followed by anticipated releases of at least one movie per year thereafter. As part of its strategy, in addition to using theatrical entertainment, the Company continues to seek opportunities to use other entertainment outlets and forms of entertainment as a way to build awareness of its brands and broaden the ability of consumers to experience its brands.

In April 2009 the Company announced the entry into an agreement to form a joint venture with Discovery Communications ('Discovery") to create a television network in the United States dedicated to high-quality children's and family entertainment and educational programming. The transaction closed in May 2009. Programming on the network will include content based on Hasbro's brands, Discovery's library of children's educational programming, as well as programming developed by third parties. The Company expects the rebranded network to debut in late fall of 2010 and believes that it will reach approximately 60 million homes in the U.S. at that time, with programming targeted to children 14 years of age and under. The Company believes that this effort will support its strategy of growing its core brands well beyond traditional toys and games – into brands which consistently provi de immersive entertainment experiences for consumers of all ages in any form or format. In connection with this transaction, the Company will commence the start-up of an internal creative group that will be responsible for the creation and development of television programming based on Hasbro's

brands. The Company expects to incur a certain level of investment spending leading up to the debut of the rebranded channel.

While the Company believes it has achieved a more sustainable revenue base by developing and maintaining its core brands and avoiding reliance on licensed entertainment properties, it continues to opportunistically enter into or leverage existing strategic licenses which complement its brands and key strengths. In 2008 and 2007, the Company had significant sales of products related to the Company's license with Marvel Characters B.V. ("Marvel"), primarily due to the theatrical releases of IRON MAN in May 2008, THE INCREDIBLE HULK in June 2008 and SPIDER-MAN 3 in May 2007. In addition, the Company had significant sales in 2008 of products related to the movie release of STAR WARS: CLONE WARS in August 2008 as well as sales from the movie release of INDIANA JONES AND THE KINGDOM OF THE CRYSTAL SKULL in May 2008. During the remainder of 2009 the Company expects to continue to have a high level of revenues from products rel ated to television programming based on SPIDER-MAN and STAR WARS.

While gross profits of theatrical entertainment-based products are generally higher than many of the Company's other products, sales from these products, including Company owned or controlled brands based on a movie release, also incur royalty expense. Such royalties reduce the impact of these higher gross margins. In certain instances, such as with Lucasfilm's STAR WARS, the Company may also incur amortization expense on property right-based assets acquired from the licensor of such properties, further impacting operating profits earned on these products.

The Company's long-term strategy also focuses on extending its brands further into the digital world. As part of this strategy, the Company entered into a multi-year strategic agreement with Electronic Arts Inc. ("EA"). The agreement gives EA the exclusive worldwide rights, subject to existing limitations on the Company's rights and certain other exclusions, to create digital games for all platforms, such as mobile phones, gaming consoles and personal computers, based on a broad spectrum of the Company's intellectual properties, including MONOPOLY, SCRABBLE, YAHTZEE, NERF, TONKA, G.I. JOE and LITTLEST PET SHOP. A number of products under this agreement have been released in 2008 and the first half of 2009 and the line will continue to be updated and expanded during the remainder of 2009.

While the Company remains committed to investing in the growth of its business, it also continues to be focused on reducing fixed costs through efficiencies and on profit improvement. Over the last 6 years the Company has improved its full year operating margin from 7.8% in 2002 to 12.3% in 2008. The Company reviews its operations on an ongoing basis and seeks to reduce the cost structure of its underlying business and promote efficiency. The Company is also investing to grow its business in emerging markets. In 2008 the Company expanded its operations in China, Brazil, Russia, Korea and the Czech Republic. In addition, the Company is seeking to grow its business in entertainment and digital gaming, and will continue to evaluate strategic alliances and acquisitions which may complement its current product offerings, allow it entry into an area which is adjacent to or complementary to the toy and game business, or allow it to furt her develop awareness of its brands and expand the ability of consumers to experience its brands in different forms of media. In addition to the Discovery joint venture discussed above, other examples of this would include the acquisition of Cranium, Inc., a developer and

marketer of CRANIUM branded games and related products, in 2008. In addition, in the second quarter of 2008, the Company acquired the rights to TRIVIAL PURSUIT, a brand which the Company had previously licensed on a long-term basis. Ownership of the rights will allow the Company to further leverage the brand in different media.

In recent years, the Company has been seeking to return excess cash to its shareholders through share repurchases and dividends. As part of this initiative, over the last four years, the Company's Board of Directors (the "Board") has adopted four share repurchase authorizations with a cumulative authorized repurchase amount of $1,700,000. After fully exhausting the prior three authorizations, the fourth authorization was approved on February 7, 2008 for $500,000. During the first six months of 2009, there were no repurchases of common stock under these authorizations. For the years ended 2008, 2007 and 2006, the Company spent $357,589, $587,004 and $456,744, respectively, to repurchase 11,736, 20,795 and 22,767 shares, respectively, in the open market. The Company intends to, at its discretion, opportunistically repurchase shares in the future subject to market conditions and the Comp any's other uses of cash. At June 28, 2009, the Company had $252,364 remaining under the February 2008 authorization.

During the first half of 2009, the Company has been operating in an environment of both a stronger U.S. dollar relative to foreign currencies as well as weakened overall economic conditions compared to 2008. Accordingly, the Company has sought to mitigate the impact of these conditions by instituting a variety of cost control initiatives, including salary freezes, limitations on new hires, and an effort to reduce its overall SKU count. As of June 28, 2009 the Company had $392,034 in cash and cash equivalents and had available capacity, if needed, under its revolving credit agreement. In connection with the announcement of a joint venture agreement with Discovery in April 2009, the Company made a $300,000 investment to purchase its 50% share of the joint venture. The Company funded its investment through the issuance of debt with a principal amount of $425,000 in May 2009. The Company believes that the fu nds available to it, including cash expected to be generated from operations and funds available through its available lines of credit, accounts receivable securitization program and other borrowing facilities are adequate to meet its working capital needs for the remainder of 2009 and 2010.

SUMMARY OF FINANCIAL PERFORMANCE

The components of the results of operations, stated as a percent of net revenues, are illustrated below for the quarters and six months ended June 28, 2009 and June 29, 2008.

	Quarter		Six Months	
	2009	2008	2009	2008
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	40.3	39.3	39.9	38.9
Gross profit	59.7	60.7	60.1	61.1
Amortization	2.4	2.6	2.7	2.6
Royalties	9.3	8.7	9.1	8.5
Research and product development	5.5	5.8	5.7	5.9
Advertising	10.3	11.0	10.2	11.0
Selling, distribution and administration	23.0	24.2	24.3	24.6
Operating profit	9.2	8.4	8.1	8.5
Interest expense	2.2	1.6	1.9	1.6
Interest income	(0.1)	(0.5)	(0.1)	(0.8)
Other (income) expense, net	(0.1)	0.2	0.3	0.3
Earnings before income taxes	7.2	7.1	6.0	7.4
Income taxes	2.2	2.3	1.8	2.4
Net earnings	5.0%	4.8%	4.2%	5.0%

RESULTS OF OPERATIONS

The quarters and six months ended June 28, 2009 and June 29, 2008 were 13-week and 26-week periods, respectively. Net earnings for the quarter and six months ended June 28, 2009 were $39,275 and $59,005, respectively, compared with net earnings of $37,486 and $74,956 for the respective periods of 2008. Basic earnings per share for the quarter and six months ended June 28, 2009 were $0.28 and $0.42 compared to basic earnings per share of $0.27 and $0.53 for the respective periods of 2008. Diluted earnings per share were $0.26 and $0.40 for the quarter and six months ended June 28, 2009, compared with diluted earnings per share of $0.25 and $0.50 for the respective periods in 2008. Net earnings for both the quarter and six-month periods in 2009 include dilution from the Company’s investment in the joint venture with Discovery and its’ issuance of $425,000 of long-term debt, both of which closed in May 2009.

Consolidated net revenues for the quarter ended June 28, 2009 increased 1% to $792,202 compared to $784,286 for the quarter ended June 29, 2008. For the six months ended June 28, 2009, consolidated net revenues were $1,413,542 compared to $1,488,506 for the six months ended June 29, 2008, a decrease of 5%. Consolidated net revenues were negatively impacted by foreign currency translation in the amount of approximately $44,500 and $84,700 for the quarter and six months ended June 28, 2009, respectively, as the result of the stronger U.S. dollar in 2009. Operating profit for the quarter ended June 28, 2009 was $73,073 compared to $65,509 for the quarter ended June 29, 2008. Operating profit for the 2009 six-month period was $114,290 compared to an operating profit of $126,762 for the six-month period of 2008.

Most of the Company's revenues and operating profit are derived from its three principal segments: the U.S. and Canada segment, the International segment and the Entertainment and Licensing segment, which are discussed in detail below. The following table presents net external revenues and operating profit data for the Company's three principal segments for the quarters and six months ended June 28, 2009 and June 29, 2008.

	Quarter			Six Months		
	2009	2008	% Change	2009	2008	% Change
Net Revenues						
U.S. and Canada segment	$490,877	467,663	5%	895,379	896,185	-%
International segment	276,231	293,688	-6%	465,423	541,943	-14%
Entertainment and Licensing segment	24,153	21,305	13%	51,386	47,591	8%
Operating Profit						
U.S. and Canada segment	$ 56,318	43,693	29%	97,868	81,004	21%
International segment	16,450	13,978	18%	1,979	27,005	-93%
Entertainment and Licensing segment	2,939	8,031	-63%	16,566	20,424	-19%

U.S. AND CANADA SEGMENT

The U.S. and Canada segment’s net revenues for the quarter ended June 28, 2009 increased 5% to $490,877 from $467,663 for the quarter ended June 29, 2008. Net revenues for the six months ended June 28, 2009 were $895,379 compared to $896,185 for the six months ended June 29, 2008. For the quarter and six months ended June 28, 2009, U.S. and Canada segment net revenues were negatively impacted by currency translation of approximately $1,600 and $5,700, respectively, as the result of the stronger U.S. dollar in the first six months of 2009. Absent the effect of foreign exchange, the increase in the quarter and six months was driven by increased sales in the boys’ toys category, primarily as a result of increased sales of TRANSFORMERS and GI JOE products due to the theatrical release of TRANSFORMERS: REVENGE OF THE FALLEN in June 2009 and the anticipated release of GI JOE: THE RISE OF COBRA in August 2009. Net revenues in the b oys’ toys categories also increased as a result of increased sales of NERF products. Increased sales in the boys’ toys category were partially offset by decreased sales of MARVEL, STAR WARS and INDIANA JONES products in both the quarter and six months. Revenues from the girls’ toys category increased for the

second quarter of 2009 but decreased for the six months ended June 28, 2009, primarily as a result of sales of LITTLEST PET SHOP products which increased in the quarter but decreased in the six months. Although revenues from LITTLEST PET SHOP products have decreased overall in the six months, this line increased in the second quarter and remained a significant contributor to U.S. and Canada segment net revenues in that period. Revenues from the games and puzzles category decreased in both the quarter and six month period primarily due to decreased sales of traditional board games, partially offset by increased revenues of MAGIC: THE GATHERING in the second quarter of 2009. Revenues in the preschool category decreased slightly in the quarter but increased overall for the six months. Increases in preschool net revenues were primarily the result of higher sales of PLAY-DOH and TONKA products. These increases were partially offset in the six months and more than offset in the quarter as a result of decreased sales of other products, primarily PLAYSKOOL. Revenues from sales of PLAYSKOOL products declined primarily as a result of decreased sales of the ROSE PETAL COTTAGE line which is no longer in the Company's product line. Net revenues in the quarter and six months were also negatively impacted by decreased sales of TOOTH TUNES, which has also been discontinued in the Company's product line.

U.S. and Canada segment operating profit increased to $56,318 for the quarter ended June 28, 2009 compared to $43,693 for the quarter ended June 29, 2008. For the six months ended June 28, 2009 operating profit increased to $97,868 from $81,004 for the six months ended June 29, 2008. The increase in operating profit for the quarter was primarily a result of increased gross profit due to the higher revenues discussed above. The increase in operating profit for the six months is primarily due to decreased selling, distribution and administration expenses which primarily reflect lower shipping and distribution costs.

INTERNATIONAL SEGMENT

International segment net revenues decreased by 6% to $276,231 for the quarter ended June 28, 2009 from $293,688 for the quarter ended June 29, 2008. Net revenues for the six months ended June 28, 2009 decreased 14% to $465,423 from $541,943 for the six months ended June 29, 2008. For the quarter and six months ended June 28, 2009, International segment net revenues were negatively impacted by currency translation of approximately $42,800 and $78,900, respectively, as the result of the stronger U.S. dollar in the first six months of 2009. Excluding the unfavorable impact of foreign exchange, International segment net revenues increased 9% in local currency for the second quarter of 2009 while revenues for the six month period of 2009 increased slightly. The increase in local currency net revenues for the quarter and six months was driven by increased sales of TRANSFORMERS products due to the theatrical release of TRANSFORMERS: REVENGE OF THE FALLEN in June 2009. Net revenues in the boys' toys category increased for the quarter but decreased for the six month period. Increases in boys' toys net revenues as a result of increased sales of TRANSFORMERS products were partially offset in the quarter and more than offset in the six months by lower revenues from MARVEL and INDIANA JONES products. Revenues in the games and puzzles category decreased in both the quarter and six month period as a result of decreased sales of board games. Net revenues in the quarter and six months were also negatively impacted by decreased revenues in the girls' toys category, driven by decreased sales of MY LITTLE PONY and, to a lesser extent, FURREAL FRIENDS and BABY ALIVE. Net revenues in the preschool category decreased for the quarter and six months primarily as a result of decreased sales of PLAYSKOOL and IN THE NIGHT GARDEN products, partially offset by increased revenues from sales of PLAY-DOH.

International segment operating profit increased to $16,450 for the quarter ended June 28, 2009 compared to $13,978 for the quarter ended June 29, 2008. For the six month period ended June 28, 2009 operating profit decreased to $1,979 from $27,005 in the comparable period of 2008. Absent the impact of foreign exchange, operating profit for the quarter increased by approximately $3,600 primarily as a result of the higher local currency revenues discussed above. Operating profit for the six month period decreased as a result of lower gross profit and increased operating expenses. In addition, operating profit for the six months ended June 29, 2008 was positively impacted by the recognition of a pension surplus in the United Kingdom of approximately $6,000.

ENTERTAINMENT AND LICENSING SEGMENT
During the second quarter of 2009, the Company changed the name of its Other segment to the Entertainment and Licensing segment. This segment includes the Company's lifestyle licensing, digital gaming, movie, television and online entertainment operations. The Entertainment and Licensing segment's net revenues for the quarter ended June 28, 2009 increased 13% to $24,153 from $21,305 for the quarter ended June 29, 2008. Net revenues for the six months ended June 28, 2009 increased 8% to $51,386 from $47,591 for the six months ended June 29, 2008. The increase in both the quarter and six month period was primarily due to higher licensing revenues in the boys' toys category, primarily relating to TRANSFORMERS, GI JOE and NERF. Revenues in the six month period were also positively impacted by increased revenues from digital gaming.

Entertainment and Licensing segment operating profit decreased to $2,939 for the quarter ended June 28, 2009 compared to $8,031 for the quarter ended June 29, 2008. For the six months ended June 28, 2009 operating profit decreased to $16,566 from $20,424 in the comparable period of 2008. Gross profit for the quarter and six months increased as a result of the higher revenues discussed above. The increases in gross profit were more than offset in the quarter and six months, primarily as a result of increased selling, distribution and administrative expenses which included approximately $7,200 in acquisition costs related to the Company's investment in the joint venture with Discovery. While the Discovery joint venture is a component of our television operations, the Company's 50% share in the earnings from the joint venture are included in other (income) expense and therefore are not a component o f operating profit of the segment.

GROSS PROFIT
- ----------
The Company's gross profit margin decreased to 59.7% for the quarter ended June 28, 2009 from 60.7% for the quarter ended June 29, 2008 while gross profit margin for the six months ended June 28, 2009 decreased to 60.1% from 61.1% in the comparable period of 2008. The decrease in the quarter and six months was primarily due to a change in the mix of products sold in 2009 as compared to 2008.

EXPENSES

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The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the quarters and six-month periods ended June 28, 2009 and June 29, 2008.

	Quarter		Six Months	
	2009	2008	2009	2008
Amortization	2.4%	2.6%	2.7%	2.6%
Royalties	9.3	8.7	9.1	8.5
Research and product development	5.5	5.8	5.7	5.9
Advertising	10.3	11.0	10.2	11.0
Selling, distribution and administration	23.0	24.2	24.3	24.6

Amortization expense decreased to $18,792, or 2.4% of net revenues in the second quarter of 2009 from $20,644 or 2.6% of net revenues in the second quarter of 2008. For the six months ended June 28, 2009, amortization expense was $38,679 or 2.7% of net revenues compared to $39,082 or 2.6% of net revenues in the six months ended June 29, 2008. The decrease for the quarter and six months primarily relates to decreased amortization of the product rights related to STAR WARS. The decrease in the six-month period is largely offset by increased amortization as the result of the purchase of the intellectual property rights related to Trivial Pursuit in the second quarter of 2008.

Royalty expense for the quarter ended June 28, 2009 increased to $73,826 or 9.3% of net revenues from $68,167 or 8.7% of net revenues for the quarter ended June 29, 2008. Royalty expense for the six months ended June 28, 2009 increased to $128,279 or 9.1% of net revenues from $126,589 or 8.5% of net revenues for the comparable period of 2008. The increase in the quarter and six-month period is primarily the result of increased sales of entertainment-driven products. Royalty expense in the six-month period ended June 28, 2009 also included costs associated with a royalty audit.

Research and product development expenses for the quarter ended June 28, 2009 were $43,529 or 5.5% of net revenues compared to $45,432 or 5.8% of net revenues for the quarter ended June 29, 2008. For the six months ended June 28, 2009, research and product development expense was $80,660 or 5.7% of net revenues compared to $87,202 or 5.9% of net revenues in the comparable period of 2008.

Advertising expense for the quarter ended June 28, 2009 decreased to $81,677, or 10.3% of net revenues compared to $86,234, or 11.0% of net revenues for the quarter ended June 29, 2008. For the six months ended June 28, 2009, advertising expense was $143,986, or 10.2% of net revenues compared to $163,217, or 11.0% of net revenues for the comparable period of 2008. In years in which the Company expects significant sales of products related to major motion picture releases, such as in 2009, advertising expense as a percentage of revenue is generally lower.

For the quarter ended June 28, 2009, the Company's selling, distribution and administration expenses decreased to $181,853 or 23.0% of net revenues from $190,078 or 24.2% of net revenues for the quarter ended June 29, 2008. For the six months ended June 28, 2009, the Company's selling, distribution and administration expenses decreased to $343,443 or 24.3% of net revenues from $366,271 or 24.6% of net revenues in the six months ended June 29, 2008. Absent the impact of foreign exchange, selling, distribution and administration expenses increased slightly in dollars for the quarter and six months ended June 28, 2009. Included in selling, distribution and administration expense for the quarter and six-month period ended June 28, 2009 were approximately $7,200 in acquisition costs related to the Company's purchase of a 50% interest in the joint venture with Discovery. Selling, distribution and administration expenses for both t he quarter and six-month periods were also impacted by lower shipping and distribution costs. In addition, selling, distribution and administration expenses for the six month period ended June 29, 2008 were positively impacted by the recognition of a pension surplus in the United Kingdom of approximately $6,000.

NONOPERATING (INCOME) EXPENSE
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Interest expense for the second quarter of 2009 increased to $17,503 from $12,950 in the second quarter of 2008. For the six months ended June 28, 2009 interest expense increased to $27,218 from $24,378 in 2008. Interest expense in the second quarter of 2009 includes approximately $7,300 in costs related to a short-term borrowing facility commitment the Company entered into in April 2009 in connection with the Company's investment in the joint venture with Discovery and interest expense related to the issuance of $425,000 of Notes in May 2009. The proceeds from the issuance of Notes in May 2009 were primarily used to purchase a 50% interest in the joint venture with Discovery.

Interest income for the quarter ended June 28, 2009 was $739 compared to $4,432 for the quarter ended June 29, 2008. Interest income for the six months ended June 28, 2009 was $2,004 compared to $12,138 in 2008. The decrease in interest income for the quarter and six months was primarily the result of lower returns on invested cash as well as lower average invested cash balances.

Other (income) expense, net, was $(545) for the second quarter of 2009, compared to $1,706 for the second quarter of 2008. Other (income) expense, net for the six months ended June 28, 2009 was $3,635 compared to $3,567 in 2008. Other (income) expense, net, in both the quarter and six months ended June 28, 2009 includes the Company's 50% share in the earnings of the joint venture with Discovery from the closing date of May 22, 2009 through the end of the second quarter, which totaled $1,014. The 2008 six month results included a gain on the sale of an investment of approximately $1,100.

INCOME TAXES
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Income tax expense totaled 30.9% of pretax earnings in the second quarter of 2009 compared with 32.2% in the second quarter of 2008. Both quarterly rates are impacted by certain discrete tax events, primarily the accrual of potential interest and penalties on uncertain tax positions. Absent these items the second quarter 2009 effective tax rate would have been 29.7% compared with 31.3% for the second quarter 2008. The decrease in the adjusted rate to 29.7% from 31.3% primarily reflects the decision to indefinitely reinvest all of the 2009 international earnings outside the U.S.

The six months ended June 28, 2009 adjusted income tax rate of 29.5% compares to an adjusted 2008 full year income tax rate of 32.8%. The adjusted 2008 full year income tax rate excludes certain discrete events, including a benefit from the repatriation of certain foreign earnings, as well as the settlement of various tax examinations in multiple jurisdictions. The decrease in the 2009 adjusted six month income tax rate to 29.5% compared with the adjusted full year 2008 income tax rate of 32.8% is primarily due to the decision to indefinitely reinvest all of the 2009 international earnings outside the U.S.

OTHER INFORMATION

Historically, the Company's revenue pattern has shown the second half of the year to be more significant to its overall business than the first half. Although the Company expects that this concentration will continue, particularly as more of its business shifts to larger customers with order patterns concentrated in the second half of the year, this concentration may be less in years when the Company has products related to one or more major motion picture releases that occur in the first half of the year. In 2009 the Company has or plans to offer products related to the mid-year major motion picture releases of TRANSFORMERS: REVENGE OF THE FALLEN, GI JOE: THE RISE OF COBRA and X-MEN ORIGINS: WOLVERINE. In 2008 the Company had products related to the mid-year major motion picture releases of IRONMAN, THE INCREDIBLE HULK and INDIANA JONES AND THE KINGDOM OF THE CRYSTAL SKULL. The concentration of sales in the second half of the year in creases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve compressed shipping schedules.

The toy and game business is characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of product lines, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which we have product licenses, and changes 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 expected sales for that year. Moreover, quick response inventory management practices result in fewer orders being placed significantly in advance of shipment and more orders being placed for immediate delivery. Unshipped orders at June 28, 2009 and June 29, 2008 were approximately $712,600 and $893,900, respectively. It is a general industry practice that orders are subject to amendment o r 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 incent customers to place orders and accept shipments early in the year. These programs follow general industry practices.

In December 2008 the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets", ("FSP 132(R)-1"). FSP 132(R)-1 provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures required by FSP 132(R)-1 will be applicable for the Company's year-end 2009 financial statements.

In June 2009 the FASB issued Statement of Financial Accounting Standards No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140", ("SFAS No. 166"), which seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS No. 166 eliminates the concept of a qualifying special-purpose entity, and requires such entities to be evaluated for consolidation in accordance with the applicable consolidation guidance. This statement is effective for fiscal years and interim periods beginning after November 15, 2009. The Company does not expect the adoption of SFAS No. 166 to have an impact on its consolidated balance sheet or results of operations.

In June 2009 the FASB issued Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)", ("SFAS No. 167"), which amends FASB Interpretation No. 46 (revised December 2003) (FIN 46R). SFAS No. 167 amends FIN 46R to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. The analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both (i) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS No. 167 also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. At June 28, 2009, the Company has an ownership interest in one variable interest entity, the joint venture with Discovery Communications. See the relevant discussion in Note 4 to the accompanying consolidated financial statements. Other than as discussed in Note 4, the Company does not expect the adoption of SFAS No. 167 to have a further impact on its consolidated balance sheet or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2008 the Company funded its operations and liquidity needs primarily through cash flows from operations, and, when needed, using borrowings under its available lines of credit and proceeds from its accounts receivable securitization program. During the first six months of 2009, the Company has continued to fund its working capital needs primarily through cash flows from operations and, when needed, using borrowings under its available lines of credit and proceeds from its accounts receivable securitization program. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through its available lines of credit and accounts receivable securitization program are adequate to meet its working capital needs for the remainder of 2009. However, unexpected events or circumstances such as material operating losses or increased capital or other expenditures m ay reduce or eliminate the availability of external financial resources. In addition, significant disruptions to credit markets may also reduce or eliminate the availability of external financial resources. Although we believe the risk of nonperformance by the counterparties to our financial facilities is not significant, in times of severe economic downturn in the credit markets it is possible that one or more sources of external financing may be unable or unwilling to provide funding to us. In May 2009 the Company issued $425,000 of Notes that are due in 2014 (the "Notes"). The Notes bear interest at a rate of 6.125%, which may be adjusted upward in the event that the Company's credit rating from Moody's Investor Services, Inc., Standard & Poor's Ratings Services or Fitch Ratings is reduced to Ba1, BB+, or BB+, respectively, or below. On the date the Notes were issued, the Company’s ratings from Moody’s Investor Services, Inc., Standard & Poor’s Ratings Services and Fitch R atings were Baa2, BBB and BBB+, respectively. The interest rate adjustment is dependent on the degree of decrease of the Company’s ratings and could range from 0.25% to a maximum of 2.00%. The Company may redeem the Notes at its option at the greater of the principal amount of the Notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase. The proceeds from the issuance of the Notes were primarily used to purchase a 50% interest in the joint venture with Discovery for $300,000.

Because of the seasonality in the Company's cash flow, management believes that on an interim basis, rather than discussing only its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories as well. Also, as several of the major categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter, again due to the seasonality of its business, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior quarter or prior year-end.

Net cash utilized by operating activities in the first six months of 2009 was $179,868 compared to net cash provided of $22,780 in the first six months of 2008. Net cash utilized in 2009 as compared to net cash provided in 2008 reflects decreased collections of accounts receivable and increased royalty payments, including a $50,000 guaranteed royalty payment to Marvel in the first quarter of 2009 related to the extension of the current agreement from the end of 2011 through the end of 2017.

Accounts receivable increased to $652,557 at June 28, 2009 from $562,502 at June 29, 2008. The accounts receivable balance at June 28, 2009 includes a decrease of approximately $42,500 as a result of the strengthening of the U.S. dollar. Accounts receivable increased primarily as a result of increased sales which occurred at the end of the first quarter for which the related collections did not occur until subsequent to June 28, 2009. Days sales outstanding were 74 days at June 28, 2009 compared to 65 days at June 29, 2008. The increase in days sales outstanding is primarily due to the increase in accounts receivable at June 28, 2009 as compared to June 29, 2008 as described above.

Inventories decreased to $346,814 at June 28, 2009 from $375,033 at June 29, 2008. The inventory balance at June 28, 2009 includes a decrease of approximately $30,600 as a result of the strengthening of the U.S. dollar. Absent the impact of foreign exchange, 2009 inventories were essentially flat with 2008.

Prepaid expenses and other current assets increased to $210,824 at June 28, 2009 compared to $187,200 at June 29, 2008. This increase is primarily a result of an increase in the value of the Company’s outstanding foreign currency contracts as a result of the strengthening of the U.S. dollar. At June 29, 2008, the Company’s foreign currency forward contracts were in a loss position and were recorded as a liability at fair value on the consolidated balance sheet. At June 28, 2009, the Company’s foreign currency contracts were in a gain position and, accordingly, are recorded at fair value as an asset on the consolidated balance sheet. The overall increase in prepaid expenses and other current assets is partially offset by a decrease in the current portion of the Marvel royalty advance as well as the utilization of the remainder of the Lucas prepaid royalty advance, which occurred during the third quarter of 2008. Generall y 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. At June 28, 2009, the Company had prepaid royalties related to the Marvel license in both current and non-current assets. Each reporting period, the Company reflects as current prepaid expense the amount of royalties it expects to recognize in the statement of operations in the upcoming twelve months.

Accounts payable and accrued expenses decreased to $600,765 at June 28, 2009 from $610,994 at June 29, 2008. The accounts payable and accrued expenses balance includes a decrease of approximately $34,600 as a result of the strengthening of the U.S. dollar. Absent the impact of foreign exchange, accounts payable and accrued expenses increased approximately $24,400. Increases in accounts payable and accrued expenses include higher accrued royalties, primarily resulting from the utilization of the remainder of the Lucas prepaid royalty advance in the third quarter of 2008 and increased sales of TRANSFORMERS products, as well as higher accruals related to employee benefit plans.

Collectively, property, plant and equipment and other assets at June 28, 2009 increased $389,992 from June 29, 2008. The overall increase is primarily due to an increase in other assets, primarily resulting from the Company's investment in a 50% interest in the joint venture with Discovery in the second quarter of 2009. The components of this investment at June 28, 2009 include a cash payment of $300,000, the present value of future payments based on the value of certain tax benefits expected to be received by the Company of approximately $68,800 and the Company's share of the net earnings of the joint venture from the closing through the end of the second quarter of 2009. In addition, the increase in other assets reflects an increase in the value of the Company's outstanding foreign currency contracts as a result of the strengthening of the U.S. dollar and an increase in long-term prepaid royalty advances as a result o f a $50,000 guaranteed royalty payment to Marvel in the first quarter of 2009. These increases were partially offset by a decrease in long-term pension plan assets. In 2008, the Company's U.S. pension plans' assets exceeded the estimated pension obligation and, as such, an asset was recognized on the consolidated balance sheet at June 29, 2008. In 2009, as a result of the decrease in the market value of the plans' assets due to the overall market decline, the estimated pension obligation exceeds the value of the plans' assets and accordingly a liability has been recognized in the consolidated balance sheet at June 28, 2009. The increases in intangible assets in the second quarter of 2009, including $45,000 related to the extension of the term of the license agreement related to the STAR WARS brand, and approximately $26,300 related to the acquisition of certain other intellectual properties, were more than offset by amortization expense over the last twelve months.

At June 28, 2009, cash and cash equivalents, net of short-term borrowings, were $380,076 compared to $401,680 at June 29, 2008. The decrease over the last twelve months reflects the $300,000 investment in the joint venture with Discovery, $150,000 to repurchase shares of the Company's common stock, dividends paid of approximately $112,000, the repayment of $135,092 of long-term debt in July 2008, and an aggregate of $95,000 related to the extensions of the Company's license agreements with both Marvel and STAR WARS. The overall decrease in cash and cash equivalents was partially offset by increased cash as the result of the issuance of $425,000 of long-term notes in May 2009 and cash generated from operations.

Net cash utilized by investing activities was $427,670 in the first six months of 2009 compared to $215,792 in the first six months of 2008. The 2009 utilization includes the Company's $300,000 payment to Discovery for its 50% interest in the joint venture, a payment of $45,000 to Lucas to extend the term of the license agreement related to the STAR WARS brand and approximately $26,300 used to acquire certain other intellectual properties. The 2008 cash utilization includes the Company's purchase of intellectual property rights related to the Trivial Pursuit brand for a total cost of $80,800 in the second quarter of fiscal 2008 as well as $65,153 in cash, net of cash acquired, used to acquire Cranium, Inc. in January 2008. Additions to property, plant and equipment were $51,538 in 2009 compared to $55,177 in 2008.

Net cash provided by financing activities was $370,545 in the first six months of 2009 compared to $9,769 in the first six months of 2008. The 2009 cash provided reflects net proceeds of $421,309 from the issuance of long-term notes in May 2009. The 2008 cash provided is net of cash payments related to purchases of the Company's common stock of $210,245. There were no repurchases of the Company's common stock in the first six months of 2009. Proceeds from short-term borrowings decreased to $2,606 in 2009 from $182,859 in 2008 reflecting higher short-term borrowings in 2008 to fund repurchases of the Company's common stock and the acquisition of Cranium. Proceeds from stock option transactions decreased to $1,396 in the first six months of 2009 compared to $74,596 in the first six months of 2008 reflecting lower stock option exercises attributed to the overall lower Company stock price during the first six months of 2009 compared to the first six months of 2008. Dividends paid increased to $55,823 in 2009 from $50,866 in 2008. In February 2008 the Company's Board of Directors authorized the repurchase of an additional $500,000 of the Company's common stock after three previous authorizations dated May 2005, July 2006 and August 2007 with a cumulative authorized repurchase amount of $1,200,000 were fully utilized. At June 28, 2009, the Company had $252,364 remaining available under the February 2008 authorization.

The Company has a revolving credit agreement (the "Agreement"), which provides it with a $300,000 committed borrowing facility. The Company has the ability to request increases in the committed facility in additional increments of at least $50,000, subject to lender agreement, up to a total committed facility of $500,000. The agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Company was in compliance with all covenants as of and for the quarter ended June 28, 2009. The Company had no borrowings outstanding under its committed revolving credit facility at June 28, 2009; however, the Company had letters of credit outstanding under this facility of approximately $1,400 at June 28, 2009. Amounts available and unused under the commi tted line at June 28, 2009 were approximately $298,600. The Company also has other uncommitted lines from various banks, of which approximately $34,900 was utilized at June 28, 2009. Of the amount utilized under the uncommitted lines, approximately $12,000 and $22,900 represent outstanding borrowings and letters of credit, respectively.

The Company is party to an accounts receivable securitization program whereby 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. During the period from the first day of the October fiscal month through the last day of the following January fiscal month, this limit is increased to $300,000. The program provides the Company with an additional source of working capital. Based on the amount of eligible accounts receivable as of June 28, 2009, the Company had availability under this program to sell approximately $163,000, of which approximately $85,1 00 was utilized.

The Company has principal amounts of long-term debt at June 28, 2009 of $1,134,723 due at varying times from 2014 through 2028. The Company also had letters of credit and other similar instruments of approximately $122,800 and purchase commitments of $439,381 outstanding at June 28, 2009. Letters of credit and similar instruments include $98,444 related to the defense of tax assessments in Mexico. These assessments relate to transfer pricing that the Company is defending and expects to be successful in sustaining its position.

In February 2009, the Company entered into an agreement with Marvel that resulted in the extension of the current license agreement from the end of 2011 through the end of 2017. The extended agreement includes an additional $100,000 in minimum guaranteed royalties, with the potential for up to an additional $140,000 in guaranteed royalties contingent upon the release by Marvel of certain MARVEL character-based theatrical releases that meet certain defined criteria. In connection with the Company's agreement to form a joint venture with Discovery, the Company is obligated to make future payments to Discovery under a tax sharing agreement. The Company estimates these payments may range from $4,500 to $6,900 per year during the period 2010 to 2013, and approximately $114,600 occurring thereafter. These payments are contingent upon the Company having sufficient taxable income to realize the expected tax deductions of certain amounts related to the joint venture. Other contractual obligations and commercial commitments, as detailed in the Company's annual report on Form 10-K for the year ended December 28, 2008, did not materially change outside of payments made in the normal course of business and as otherwise set forth in this report, including the issuance of $425,000 of long-term notes in May 2009 and the minimum royalty guarantee included in the agreement with the Discovery joint venture.

The table detailed in the Company's annual report on Form 10-K does not include certain tax liabilities recorded in accordance with FASB Interpretation No. 48 because the Company does not know the ultimate resolution of these liabilities and as such, does not know the ultimate timing of payments related to these liabilities. These liabilities were $96,004 and $71,991 at June 28, 2009 and June 29, 2008, respectively, and are included as a component of other liabilities in the accompanying consolidated balance sheets.

In April 2009, the Company announced the entry into an agreement to form a joint venture with Discovery to create a television network in the United States dedicated to high-quality children's and family entertainment and educational programming. The transaction closed in May 2009. Upon closing of the transaction, the Company purchased a 50% interest in the joint venture, which owns the DISCOVERY KIDS network in the United States. The Company purchased the 50% interest in the joint venture from Discovery for an upfront payment of $300,000 and certain future payments based on the value of certain tax benefits received by the Company. The Company has entered into a license agreement with the joint venture which requires the payment of royalties by the Company to the joint venture based on a percentage of revenue derived from products related to television shows broadcast by the venture. The license agreement inclu des a minimum royalty guarantee of $125,000, payable in 5 annual installments of $25,000 per year, commencing in 2009, which can be earned out over a 10-year period. The Company and the joint venture are also parties to an agreement under which the Company will provide the joint venture with an exclusive first look in the U.S. to license certain types of programming developed by the Company based on its intellectual property.

In May 2009, the Company amended its license agreement with Lucas Licensing, Ltd. (“Lucas”) related to the STAR WARS brand. The amendment included the extension of the term of the license for an additional two years, from the end of 2018 to the end of 2020. The fair value of the extension of the license rights, totaling $45,000, was paid to Lucas and recorded as an intangible asset during the second quarter of 2009, and will be amortized over the term of the extension. The amendment also provided for a $30,000 payment related to the settlement of certain royalty audit issues, primarily related to contractual interpretations associated with the computation of royalties dating back to 1999, and the clarification of certain terms and interpretations of the agreement on a prospective basis through the end of the term, including the scope of licensed rights to future developed properties by Lucas. This amount was paid during the second quarter of 2009.

At June 28, 2009, the Company has outstanding $249,828 in principal amount of senior convertible debentures due 2021. The senior convertible debentures bear interest at 2.75%, which could be subject to an upward adjustment in the rate, not to exceed 11%, should the price of the Company's common 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 that 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 common stock exceeds $23.76 for at least 20 trading days within the 30 consecutive trading day period ending on the last trading day of the calendar quarter, or upon other specified events, the debentures will be convertible at an initial conversion price of $21.60 in the next calendar quarter. At December 31, 2008 and March 31, 2009, this conversion feature was met and the debentures were convertible during the first six months of 2009. There were no debentures converted during the first six months of 2009. At June 28, 2009, this contingent feature was met again and the debentures will be convertible through September 30, 2009, at which time the requirements of the conversion feature will be reevaluated. In addition, if the closing price of the Company's common stock exceeds $27.00 for at least 20 trading days in any 30 day period, the Company has the right to call the debentures by giving notice to the holders of the debentures. During a prescribed notice period, the holders of the debentures have the right to convert their debentures in accordance with the conversion terms described above. At certain times during the first quarter of 2009, based on the Company’s common stock price, the Company had the right to call the debentures under this provision. The Company did not have the right to call the debentures as of, and during the quarter ended, June 28, 2009. The Company believes a call would result in conversion by the holders of the debentures and issuance of the shares, thereby increasing the number of shares outstanding. Thus far, based on the Company’s targeted capital structure and the low cost of the debentures, when the debentures have been callable the Company has believed that it was more economically beneficial for it to not exercise its right to call the debentures. Currently, this economic benefit includes a lower cash cost of paying interest on the debentures than the Company would pay in dividends on the incremental number of shares that would be outstanding. The Company will continue to assess, at times when it is available, the desirability of exercising the call option in the future based on the then existing economic circumstances and the Company’s business objectives.

The holders of these debentures may also put the notes back to Hasbro in 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. While the Company's current intent is to settle in cash any puts exercised, there can be no guarantee that the Company will have the funds necessary to settle this obligation in cash.

The Company believes that cash from operations, including the securitization facility, and, if necessary, its committed line of credit and other borrowing facilities, will allow the Company to meet these and other obligations listed.

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, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments, pension costs and obligations, stock-based compensation and income taxes. These critical accounting policies are the same as those detailed in the Annual Report on Form 10-K for the year ended December 28, 2008.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty 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 and Mexican peso and, to a lesser extent, currencies in Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its forecasted foreign currency transactions for fiscal years 2009 through 2011 using foreign exchange forward contracts. 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. A significant change in foreign exchange rates can materially impact the Company’s revenues and earnings due to translation of foreign revenues and costs. The Company does not hedge against translation impacts of foreign exchange. From time to time, affiliates of the Company may make or receive intercompany loans in cu rrencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts. 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. The Company does not speculate in foreign currency exchange contracts. At June 28, 2009, these contracts had unrealized gains of $41,733, of which $16,927 are recorded in prepaid expenses and other current assets and $24,806 are recorded in other assets. Included in accumulated other comprehensive income at June 28, 2009 are deferred gains, net of tax, of $36,731.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The information required by this item is included in Part I Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

Item 4. 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 June 28, 2009. 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 June 28, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company has outstanding tax assessments from the Mexican tax authorities relating to the years 2000, 2001, 2002 and 2003. These tax assessments are based on transfer pricing issues between the Company's subsidiaries with respect to the Company's operations in Mexico. The Company has filed suit in the Federal Tribunal of Fiscal and Administrative Justice in Mexico challenging these assessments. The Company expects to be successful in sustaining its positions for all of these years. However, in order to challenge these outstanding tax assessments, as is usual and customary in Mexico in these matters, the Company was required to either make a deposit or post a bond in the full amount of the assessments. The Company elected to post a bond and accordingly, as of June 28, 2009, bonds totaling approximately $98.4 million (at June 28, 2009 exchange rates) have been posted related to the 2000, 2001, 2002 a nd 2003 assessments. These bonds guarantee the full amounts of the outstanding tax assessments in the event the Company is not successful in its challenge to them.

We are currently party to certain other legal proceedings, none of which we believe to be material to our business or financial condition.

Item 1A. Risk Factors.

This Quarterly Report on Form 10-Q contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, concerning management's expectations, goals, objectives, and similar matters. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "look forward," "may," "planned," "potential," "should," "will," and "would" or any variations of words with similar meanings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties.

The Company's actual results or experience may differ materially from those expected or anticipated in the forward-looking statements. The Company has included, under Item 1A. of its Annual Report on Form 10-K, for the year ended December 28, 2008 (the "Annual Report"), a discussion of factors which may impact these forward-looking statements. In furtherance, and not in limitation, of the more detailed discussion set forth in the Annual Report, specific factors that might cause such a difference include, but are not limited to:

- the Company's ability to manufacture, source and ship new and continuing products in a timely and cost-effective basis and customers' and consumers' acceptance and purchase of those products in quantities and at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs;
- recessions or other economic downturns which negatively impact the retail and credit markets, and the financial health of the Company's retail customers and consumers, and which can result in lower employment levels, less consumer disposable income, lower consumer confidence and, as a consequence, lower consumer spending, including lower spending on purchases of the Company's products;
- other economic and public health conditions in the various markets in which the Company and its customers and suppliers operate throughout the world, which impact the Company's ability and cost to manufacture and deliver products, such as higher fuel and other commodity prices, higher labor costs, higher transportation costs, outbreaks of SARs, bird flu or other diseases which affect public health and the movement of people and goods, and other factors, including government regulations, which can create potential manufacturing and transportation delays or impact costs;
- currency fluctuations, including movements in foreign exchange rates, which can lower the Company's net revenues and earnings, and significantly impact the Company's costs;
- the concentration of the Company's customers;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday shopping season, which is the period in which the Company derives a substantial portion of its revenues;
- the inventory policies of the Company's retail customers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product in a timely and cost-effective manner;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China, affecting the movement of people and products into and out of China, impacting the cost of producing products in China and the cost of exporting them to the Company's other markets or affecting the exchange rates for the Chinese Renminbi, including, without limitation, the impact of tariffs or other trade restrictions being imposed upon goods manufactured in China;
- greater than expected costs, or unexpected delays or difficulties, associated with the Company's investment in its joint venture with Discovery Communications, LLC, the rebranding of the joint venture network and the creation of new programming content to appear on the network;
- consumer interest in and acceptance of the joint venture network, the programming appearing on the network, products related to the network's programming, and other factors impacting the financial performance of the joint venture;
- the costs of complying with product safety and consumer protection requirements worldwide, including the risk that greater regulation in the future may increase such costs, may require changes in the Company's products and/or may impact the Company's ability to sell some products in particular markets in the absence of making changes to such products;
- the risk that one of the Company's third-party manufacturers will not comply with the labor, consumer, product safety or other aspects of the Company's Global Business Ethics Principles and that such noncompliance will not be immediately detected which could cause damage to the Company's reputation, harm sales of its products and potentially create liability for the Company;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues or bad debt exposure;
-

the risk that the market appeal of the Company's licensed products will be less than expected or that sales revenue generated by these products will be insufficient to cover the minimum guaranteed royalties;

- the risk that the Company may face product recalls or product liability suits relating to products it manufactures or distributes; which may have significant direct costs to the Company and which may also harm the reputation of the Company and its products, potentially harming future product sales;
- the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and other worldwide territories;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;
- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the risk that one or more of the counterparties to the Company’s financing arrangements may experience financial difficulties or otherwise be unable or unwilling to allow the Company to access financing under such arrangements;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;
- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's programs, or alter the Company's actions and reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

The Company undertakes no obligation to revise the forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect events or circumstances occurring after the date of the filing of this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In February 2008 the Company's Board of Directors authorized the repurchase of up to $500 million in common stock after three previous authorizations dated May 2005, July 2006 and August 2007 with a cumulative authorized repurchase amount of $1.2 billion were fully utilized. Purchases of the Company's common stock may be made from time to time, subject to market conditions. These shares may be repurchased in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization, and the timing, actual number, and value of the shares that are repurchased will depend on a number of factors, including the price of the Company's stock. The Company may suspend or discontinue the program at any time and there is no expiration date.

There were no repurchases made by the Company in the first six months of 2009. At June 28, 2009, $252,364,317 remained available under the above authorization.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's Annual Meeting of Shareholders held on May 21, 2009 (the "Annual Meeting"), the Company's shareholders elected the following persons to the Board of Directors of the Company by the following votes: Basil L. Anderson (117,222,452 votes for, 3,005,017 votes withheld), Alan R. Batkin (117,878,811 votes for, 2,348,658 votes withheld), Frank J. Biondi, Jr. (115,335,445 votes for, 4,892,024 votes withheld), Kenneth A. Bronfin (114,197,840 votes for, 6,029,629 votes withheld), John M. Connors, Jr. (117,088,519 votes for, 3,138,950 votes withheld), Michael W.O. Garrett (118,874,219 votes for, 1,353,250 votes withheld), E. Gordon Gee (116,976,471 votes for, 3,250,998 votes withheld), Brian Goldner (119,415,288 votes for, 812,181 votes withheld), Jack M. Greenberg (117,426,704 votes for, 2,800,765 votes withheld), Alan G. Hassenfeld (119,319,422 votes for, 908,047 votes withheld), Tracy A. Leinbach (119,790,911 votes for, 436,558 votes withheld), Edward M. Philip (119,140,922 votes for, 1,086,547 votes withheld), Paula Stern (117,472,693 votes for, 2,754,776 votes withheld), and Alfred J. Verrecchia (118,473,185 votes for, 1,754,284 votes withheld).

At the Annual Meeting, the Company's shareholders approved amendments to the Restated 2003 Stock Incentive Performance Plan (the "2003 Plan") by a vote of 84,896,141 votes for and 28,900,748 against, while 327,163 shares abstained and there were 6,103,417 broker non-votes. These amendments (i) increased the maximum number of total shares of stock that may be delivered pursuant to all awards under the 2003 Plan by 6,000,000 shares, (ii) reduced the total number of shares of stock that may be delivered pursuant to awards, other than stock options or stock appreciation rights, over the lifetime of the 2003 Plan to 4,090,000 shares, (iii) extended the expiration date of the 2003 Plan until December 31, 2013, (iv) eliminated references to being able to pay the exercise price of awards by delivery of a promissory note and (v) added a limitation that no cash dividends, or amounts in lieu of cash dividends, may be paid or accrued with respect to awards subject to outstanding performance criteria (other than time vesting criteria). These amendments are described in detail in the Company's proxy statement filed for the Annual Meeting, and the description herein is qualified in its entirety by the description in the proxy statement.

At the Annual Meeting, the Company's shareholders also approved the 2009 Senior Management Annual Performance Plan by a vote of 114,552,544 votes for and 5,304,080 against, while 370,845 shares abstained.

In addition, at the Annual Meeting, the Company's shareholders approved the ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm for the 2009 fiscal year by a vote of 116,186,298 votes for and 3,899,194 against, while 141,977 shares abstained.

Item 5. Other Information.

None.

Item 6. Exhibits.

3.1	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.)
3.2	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.)
3.3	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.)
3.4	Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 1-6682.)
3.5	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.)
3.6	Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)
4.1	Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
4.2	Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b) (i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, File No. 1-6682.)
4.3	Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)
4.4	First Supplemental Indenture, dated as of September 17, 2007, between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)

Item 6. Exhibits (continued)

4.5	Second Supplemental Indenture, dated as of May 13, 2009, between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 13, 2009, File No. 1-6682.)
4.6	Revolving Credit Agreement, dated as of June 23, 2006, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A. Citibank, N.A., Citizens Bank of Massachusetts, Commerzbank AG, New York and Grand Cayman Branches, BNP Paribas, Banc of America Securities LLC and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 23, 2006, File No. 1-6682.)
10.1	DHJV Company LLC Limited Liability Company Agreement, dated as of May 22, 2009, between the Company, Discovery Communications, LLC, DHJV Company LLC and Discovery Communications, Inc. (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.)
10.2	Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Incorporated by reference to Appendix B to the Company's proxy statement for the 2009 Annual Meeting of Shareholders, File No. 1-6682.)
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32.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements 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)

Date: July 31, 2009

By: /s/ Deborah Thomas

Deborah Thomas

Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended June 28, 2009

Exhibit Index

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EXHIBIT 10.1

"********" 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.**

DHJV COMPANY LLC

LIMITED LIABILITY COMPANY AGREEMENT

Dated as of May 22, 2009

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LIMITED LIABILITY COMPANY AGREEMENT
OF
DHJV Company LLC

This LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of DHJV Company LLC (the "**Company**"), is made and entered into as of May 22, 2009, by and among Discovery Communications, LLC, a Delaware limited liability company ("**Discovery**"), and Hasbro, Inc., a Rhode Island corporation ("Hasbro," and together with Discovery, each a "**Member**"), the Company, and, for the purposes set forth herein, Discovery Communications, Inc., a Delaware corporation ("**DCI**").

WHEREAS, the Company was formed by Discovery as a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act, as it may be succeeded or amended from time to time (the "**Act**"), by the filing of a certificate of formation (the "**Certificate**") in the office of the Secretary of State of the State of Delaware on April 24, 2009;

WHEREAS, as contemplated by the Purchase Agreement (as defined below), Discovery has assigned to the Company all of its right, title and interest in and to certain assets relating to the Discovery Kids Network (as defined below) (including the Affiliation Agreements (as defined below)), and the Company has assumed certain related liabilities, pursuant to the Assignment and Assumption Agreement (as defined below), and Hasbro has purchased a fifty percent (50%) Membership Interest (as defined below) in the Company from Discovery; and

WHEREAS, the parties hereto intend that this Agreement shall set forth the understandings among the Members with respect to the terms and conditions of each Member's interest, rights and obligations with respect to the Company, the management and operation of the Company and the economic arrangement among the parties hereto with respect to the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1
Definitions

1.01. Definitions. As used in this Agreement, the following terms have the meanings set forth below (and other terms defined herein have the meanings so given them):

"**AAA**" has the meaning set forth in Section 16.08.

"**Adjusted Capital Account**" means, with respect to any Member, the balance in such Member's Capital Account as of the end of the relevant Fiscal Year or other period, after giving effect to the following adjustments:

(a) Crediting to such Capital Account any amounts which such Member is obligated to restore to the Company pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debiting to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(*d*)(*4*), 1.704-1(b)(2)(ii)(*d*)(*5*) and 1.704-1(b)(2)(ii)(*d*)(*6*).

This definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(*d*) and shall be interpreted consistently therewith.

"**Admission Date**" has the meaning set forth in Section 8.03.

"**Affiliate**" of a Person means any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, except that no Member nor any Affiliate of any Member shall be deemed to be an Affiliate of any other Member solely by virtue of the Member's Membership Interest. The term "**Affiliated**" and similar variations shall have correlative meanings. For purposes of this Agreement, "**control**" (including with correlative meanings, the terms "**controlling**," "**controlled by**" or "**under common control with**") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such P erson, whether through the ownership of voting securities or by contract or otherwise.

"**Affiliation Agreements**" means all carriage, affiliation, distribution and similar agreements with Channel Affiliates for the retransmission of the Network in the United States on a linear or, to the extent specifically for the provision of programming by the Network, non-linear (e.g., video-on-demand) basis, to which any Discovery Controlled Affiliate or the Company is a party as of such time, in each case, solely to the extent relating to the Network; it being understood that (a) certain Affiliation Agreements may provide for the retransmission of the Network and other networks of Discovery Controlled Affiliates and (b) certain Affiliation Agreements may provide for the retransmission solely of the Network.

"**Agreed Name**" means the re-branded name of the Company or Network, or any derivation of such name that is used as the name of the Network, in each case, which has been mutually agreed to by Discovery and Hasbro in accordance with the Agreed Name Letter Agreement or such other name as may be mutually agreed to by Discovery and Hasbro.

"**Agreed Name Letter Agreement**" means the Agreed Name Letter Agreement between Discovery and Hasbro dated as of even date herewith.

"**Ancillary Agreements**" means each of the Purchase Agreement, the Assignment Agreement, the Hasbro Studios Programming Agreement, the Trademark License Agreement, the Hasbro Programming License Agreement, Discovery Programming Letter Agreements, the Discovery Programming License Agreement, the Discovery Services Agreement, the Agreed Name Letter Agreement, the Letter Agreement, the Digital Agreement, the Hasbro-Discovery Agreement and each other agreement to be entered into among or between the Members and the Company and their Affiliates in connection with the Purchase Agreement or this Agreement.

"**Animal and Science Programming**" means
****
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"**Annual Budget**" means the annual operating and capital budget of the Company for each Fiscal Year or portion thereof, which budget shall be prepared and adopted in accordance with Section 3.02, setting forth, among other things, the estimated receipts and expenditures of the Company for such Fiscal Year, including all programming and marketing expenditures, and any anticipated funding requirements and sources thereof, in each case, on a quarterly basis.

"**Acquired Network**" has the meaning set forth in Section 13.01(b).

"**Assignee**" means a Person to whom Membership Interests have been Transferred in accordance with Article 8 but who has not become a Substituted Member pursuant to Section 8.06.

"**Assignment Agreement**" means the Assignment and Assumption Agreement, dated as of the Formation Date, by and between Discovery and the Company.

"**Auction Interests**" has the meaning set forth in Section 15.04(a).

"**Board**" has the meaning set forth in Section 7.01.

"**Broadcast Television**" means free, over-the-air broadcast television networks and local television stations (whether digital or otherwise) in the United States that are licensed by the FCC, regardless of whether a viewer accesses the signal of such networks or stations over-the-air or through other means.

"**Business**" means the business of programming and distributing the Network in the United States, conducting the Company activities contemplated by this Agreement and the Ancillary Agreements and conducting any other ancillary activities that are approved by the Board, all for the purpose of undertaking and furthering the Mission.

"**Business Day**" means any day other than a Saturday, a Sunday or a holiday on which commercial banks in New York City are authorized or required by law to close.

"**Cable Television Network**" means a branded television service for the delivery of audio-visual television programming (including linear television services and television video-on-demand services) that is distributed in the United States by any Multichannel Video Programming Distributor (as defined by the FCC, including any successor terminology) and/or by any distributor using MVPD Technology (collectively, an "**MVPD**") to authorized

subscribers of such MVPD, excluding Broadcast Television. Notwithstanding anything to the contrary, the parties acknowledge and agree that the distribution (including streaming and/or downloading) of video, audio-visual and other programming via the public Internet (but not via an IPTV System), mobile wireless platforms, or any successor technology (*e.g.*, YouTube, Google Video, AOL Video, video webinars), including via any website or online service accessible over the public Internet, regardless of whether that site or service requires user registration or payment for access to such programming, shall not be considered distribution via a Cable Television Network.

"**Capital Account**" has the meaning set forth in Section 6.01(a).

"**Capital Contribution**" means the contribution or deemed contribution in cash or property to the capital of the Company made by or on behalf of a Member.

"**Changed Elements**" has the meaning set forth in the Hasbro Studios Programming Agreement.

"**Change of Control Transaction**" means:

(a) with respect to Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, any transaction or a series of related transactions (including a merger or consolidation) or other event that results in any single Person or "group" (as such term is used for purposes of Rule 13d-5 under the Exchange Act) consisting of any Person, other than one or more Permitted Holders, becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of thirty percent (30%) or more of the total voting power of the outstanding equity securi ties of Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, as applicable (exclusive of any voting power retained exclusively by any Permitted Holders, directly or indirectly), and such voting power is greater than the aggregate total voting power of the outstanding equity securities of Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, as applicable, owned or controlled, directly or indirectly, by the Permitted Holders (exclusive of any voting power retained, directly or indirectly, by other members of such "group" other than the Permitted Holders); provided that for purposes of this clause (a), with respect to preferred stock or other securities convertible into common stock of Discovery Ultimate Parent or Hasbro Ultimate Parent, the percentage of total voting power of any common stock, preferred stock or other securities convertible into common stock o f the Discovery Ultimate Parent or Hasbro Ultimate Parent, as applicable, shall be equal to the total voting power that such stock would represent after giving effect to the conversion of all such preferred stock or other securities convertible into common stock in accordance with its terms.

(b) with respect to Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, any transaction or a series of related transactions (including a merger or consolidation) or other event the result of

which is that any single Person or "group" (as such term is used for purposes of Rule 13d-5 under the Exchange Act) consisting of any Person, other than one or more Permitted Holders has the right, directly or indirectly, to elect a number of individuals to the board of directors (or similar governing body) of Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, as applicable, such that such individuals (whether new or continuing as directors) would, if elected, constitute a majority of the board of directors (or similar governing body) of such subject Person;

(c) with respect to Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) of all or substantially all of the assets of Discovery Ultimate Parent, Hasbro Ultimate Parent or any of their respective Affiliates that hold a Membership Interest, as applicable, to any other Person, other than to one or more Permitted Holders, in one transaction or a series of related transactions;

(d) with respect to Discovery Ultimate Parent, any act or failure to act that constitutes a violation of Section 13.01(b) by any Discovery Controlled Affiliate; or

(e) with respect to Hasbro Ultimate Parent, any act or failure to act that constitutes a violation of Section 13.02(b) by any Hasbro Controlled Affiliate.

In the event of the occurrence of a Change of Control Transaction, if the Member(s) entitled to make a termination election pursuant to Section 15.01(i) or 15.01(j), as the case may be, decline(s) to do so within the applicable specified election period, then the definitions of "**Change of Control Transaction**" and, if applicable, "**Permitted Holders**" and "**Permitted Transferees**" and, if applicable, Section 1.02(b) shall be modified appropriately by good faith agreement of the Members to reflect the new holders, direct and indirect, of the affected Membership Interests.

"**Channel Affiliate**" has the meaning set forth in Schedule 1 to the Discovery Services Agreement.

"**Chief Executive Officer**" has the meaning set forth in Section 3.01.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provision of succeeding law).

"**Common Unit**" has the meaning set forth in Section 3.03.

"**Company Intellectual Property**" has the meaning set forth in Section 7.21.

"**Company Minimum Gain**" has the meaning of "partnership minimum gain" that is set forth in Treasury Regulations Section 1.704-2(b)(2). The amount of Company Minimum Gain shall be determined in accordance with Treasury Regulations Section 1.704-2(d).

"**Comparable Frequency**" means, with respect to the airing of any HS Licensed Program licensed pursuant to the Hasbro Studios Programming Agreement or any Program

licensed pursuant to the Hasbro Programming License Agreement, that the buyer in a Sale has aired such HS Licensed Program or Program during the one-year period following the consummation of such Sale in question with comparable or greater frequency to or than the average frequency that such HS Licensed Program or Program was aired by the Company during the two-year period ending on the date of the consummation of such Sale; provided that if such HS Licensed Program or Program was aired by the Company for less than two years prior to the date of consummation of such Sale, such two-year period shall be deemed reduced for purposes of this definition to the actual period that the Company aired such HS Licensed Program or Program.

"**Competitive Cable Television Network**" means
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"**Competitive Person**" means (a) with respect to Discovery, any Person that directly or indirectly owns, operates, controls, manages or programs a Cable Television Network and (b) with respect to Hasbro, any Person that directly or indirectly owns, operates, controls or manages a toy or game manufacturer or distributor.

"**Confidential Information**" has the meaning set forth in Section 14.01(a).

"**Consolidating Member**" has the meaning set forth in Section 12.02(b).

"**Contributed Assets**" has the meaning set forth in the Assignment Agreement.

"**Controlled Affiliate**" of a Person means any Affiliate of the Person in question that is directly or indirectly, through one or more intermediaries, controlled by the Person in question.

"**Covered Person**" means a Member, Director, Officer or Affiliate of any Member and any officers, directors, stockholders, partners, members, employees, representatives or agents of a Member or its Affiliates, or any Person who was, at the time of the act or omission in question, such a Person.

"**DCI**" has the meaning set forth in the preamble hereof.

"**Delaware GCL**" means the Delaware General Corporation Law, as it may be succeeded or amended from time to time.

"**Depreciation**" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal

Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be determined in the manner described in Treasury Regulations Section 1.704-1(b)(2)(iv)(*g*)(*3*) or Treasury Regulations Section 1.704-3(d)(2), as applicable.

"**Digital Agreement**" has the meaning set forth in the Purchase Agreement (if the Digital Agreement has been executed or, to the extent the Digital Agreement has not been executed, shall mean the Digital Term Sheet).

"**Digital Term Sheet**" has the meaning set forth in the Purchase Agreement.

"**Director**" means an individual appointed by a Member to manage the activities and affairs of the Company as a member of the Board pursuant to Article 7.

"**Discovery Controlled Affiliate**" means Discovery Ultimate Parent and any of its Controlled Affiliates.

"**Discovery Disclosure Letter**" has the meaning set forth in the Purchase Agreement.

"**Discovery Estimated Tax Amount**" has the meaning set forth in Section 5.01(a)(1).

"**Discovery Final Tax Amount**" has the meaning set forth in Section 5.01(b)(1).

"**Discovery Kids Network**" means the English-language Cable Television Network currently distributed by Discovery in the United States known as "Discovery Kids Channel."

"**Discovery Kids Programming Library**" has the meaning set forth in the Assignment Agreement.

"**Discovery License**" has the meaning set forth in Section 15.05(a)(4).

"**Discovery Licensed Programming**" means (a) the Underlying Works (as such term is defined in the Discovery Programming License Agreement) and (b) the programming licensed by Discovery to the Company pursuant to the Discovery Programming Letter Agreements.

"**Discovery Material Breach**" means:

(i) in the case of a termination election by Hasbro pursuant to Section 15.01(g) prior to the Launch Date, a material breach by Discovery or its Controlled Affiliates of this Agreement or the Discovery Services Agreement that, individually or in the aggregate, has a material adverse effect on the Company, taken as a whole, or on Hasbro, taken as a whole; or

(ii) in the case of a termination election by Hasbro pursuant to Section 15.01(g) after the Launch Date, (x) material and repeated breaches by Discovery or its Controlled Affiliates of material covenants or obligations of Discovery or its Controlled Affiliates in this Agreement that cause material harm to the Company or Hasbro or (y) the

termination of the Discovery Services Agreement by the Company (in accordance with the terms thereof) resulting from Discovery's or its Controlled Affiliates material breach thereof.

"**Discovery Network**" means any English-language Cable Television Network owned, operated or programmed by any Discovery Controlled Affiliate and distributed in the United States.

"**Discovery Payment**" means each of the payments to be made to Discovery or its Affiliates by the Company under the Ancillary Agreements.

"**Discovery Programming Letter Agreements**" means, together, the two (2) Discovery Programming Letter Agreements between Discovery and the Company dated as of even date herewith.

"**Discovery Programming License Agreement**" means the Discovery Programming License Agreement entered into by and among Discovery and the Company as of the Formation Date.

"**Discovery Services Agreement**" means the Discovery Services Agreement entered into between Discovery and the Company as of the Formation Date.

"**Discovery Ultimate Parent**" means DCI and any successor or assigns thereof (whether by merger, sale of equity, operation of law or otherwise).

"**Discovery Vote**" has the meaning set forth in Section 7.03(a).

"**Distributable Cash**" means, as of any date, the excess of the cash and cash equivalents held by the Company over the sum of the amount determined by the Board to be reasonably necessary for the payment of the Company's expenses, current liabilities and other current obligations (whether fixed or contingent), including the Company's obligations with respect to the Discovery Payments and the Hasbro Payments, and for the establishment of appropriate reserves for other expenses, liabilities and obligations of the Company (including long-term items) as may arise, including the maintenance of adequate working capital for the continued conduct of the Business.

"**Effective Tax Rate**" means, at any time and from time to time, the percentage determined by the Board to be a reasonable estimate of the highest marginal combined federal, state, and local income tax rate (without giving effect to the deduction of state and local income taxes) as applicable to income earned by a corporation doing business in New York, New York with respect to taxable income allocated to the Members by the Company for federal income tax purposes.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Estimated Tax Date**" has the meaning set forth in Section 5.01(a)(3).

"**Estimated Tax Distribution Amount**" has the meaning set forth in Section 5.01(a).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Existing Merchandising Agreements**" means
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"**Fair Market Value**" means:

(a) for purposes of clauses (b), (c) and (d) of the definition of Gross Asset Value and for purposes of Sections 6.01(a)(1)(ii), 6.01(a)(2)(iii) and 15.06(b), "**Fair Market Value**" of property means the price at which a willing seller would sell and a willing buyer would buy the subject property having full knowledge of the facts, in an arms' length transaction without time constraints and without any compulsion to sell. Such determinations of Fair Market Value shall be made by the Board in the exercise of its judgment in good faith; provided, however, that if a determination of Fair Market Value results in a deadlock pursuant to the procedures set forth in Section 7.03(c), then the Board shall engage a Third-Party Appraiser and such appraiser's determination of the Fair Market Value shall be final and b inding on the parties; and

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"**Family Group**" means:

(a) with respect to any individual (other than **********): (i) such person's spouse, (ii) any lineal ancestor or descendant (natural or adopted) of such person and (iii) any trust or trusts in which any of the foregoing, individually or collectively, retains control over such trust or trusts in the capacity as trustee(s) and has, directly or indirectly, at least a majority of the beneficial interests; and

(b) with respect to **********: (i) ********** spouse, children (natural and adopted), grandchildren (natural and adopted) and other family members, (ii) any trust, corporation, foundation, limited or general partnership, limited liability company, limited liability limited partnership or any other entity (a "Subject Entity") established by **********, any person listed in clause (b)(i) or any combination thereof in connection with his, her or their good faith estate planning and similar wealth management programs and arrangements, provided that **********, any person listed in clause (b)(i) or any combination thereof retains control, directly or indirectly, of, or a substantial beneficial interest in, the corpus of such Subject Entity, (iii) any foundation, corporation, charitable organization or similar entity est ablished by **********, any person listed in clause (b)(i) or any combination thereof in connection with his, her or their charitable giving, provided that **********, any person listed in clause (b)(i) or any combination thereof retains control, directly or indirectly, of, or a substantial beneficial interest in, the corpus of such foundation, corporation, charitable organization or similar entity, (iv) any donee or other recipient of equity securities or interests in Discovery Ultimate Parent from **********, any person listed in clause (b)(i), (ii) or (iii) or any combination thereof, provided that **********, any person listed in clause (b)(i) or any combination thereof retains the right to direct the voting power represented by such equity securities or interests, and (v) upon the death of **********or any of the persons listed in clause (b)(i), such person's estate and the executor or personal representative thereof.

"**FCC**" means the U.S. Federal Communications Commission or any successor agency thereto.

"**Final Tax Distribution Amount**" has the meaning set forth in Section 5.01(b).

"**First Negotiation Notice**" has the meaning set forth in Section 8.01(b).

"**Fiscal Year**" means the calendar year or, in the case of the first and the last fiscal years of the Company, the fraction thereof commencing on the date on which the Company is formed under the Act or ending on the date on which the winding up of the Company is completed, as the case may be.

"**Formation Date**" means the date hereof.

"**14-and-Under Programming**" means programming that is targeted to the 14-and-under demographic or any subsidiary demographic (*e.g.*, the 12-and-under demographic).
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"**Funding Cap**" has the meaning set forth in Section 3.05.

"**GAAP**" means generally accepted accounting principles in the United States, as in effect from time to time.

"**Gross Asset Value**" means with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of the assets deemed contributed to the Company pursuant to Section 3.04 shall be the gross fair market value of such assets as set forth in the Members' Schedule;

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective Fair Market Values, as of the following times: (1) the acquisition of an additional Membership Interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution or for services to be rendered to or on behalf of the Company; (2) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for a Membership Interest in the Company; and (3) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that the adjustments pursuant to clauses (1) and (2) shall be made only if the Board reasonably determines in accordance with Article 7 that such adjustments are necessary or appropriate t o reflect the relative economic interests of the Members in the Company;

(c) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the Fair Market Value of such asset on the date of distribution; and

(d) The Gross Asset Value of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken

into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and Section 6.03(a); provided, however, that Gross Asset Value shall not be adjusted pursuant to this clause (d) to the extent the Board determines in accordance with Article 7 that an adjustment pursuant to clause (b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (d).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to clauses (a), (b), or (d) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profit and Net Loss.

"**Hasbro Brand**" means the specific trademark (or derivatives of the trademark) that is part of the Hasbro Intellectual Property and that is used as the title of a game (e.g., BATTLESHIP) or the title of a toy or non-game product line (e.g., TRANSFORMERS), including umbrella trademarks (or derivatives of the trademarks) that apply to multiple product lines (e.g., PLAYSKOOL) (but only the specific umbrella trademark (or derivatives of the trademark) and not any trademarks that apply to games, toys or product lines within such umbrella brand). For the avoidance of doubt, the mark CRANIUM as it appears on Schedule 7.15(e) is in reference to the CRANIUM game and not to the CRANIUM umbrella mark.

"**Hasbro Controlled Affiliate**" means Hasbro Ultimate Parent and any of its Controlled Affiliates.

"**Hasbro Core Brand Material Element**" means (x) with regard to games, any trademark (or derivatives of the trademark) that is part of the Hasbro Intellectual Property and that is used as the title of a game (e.g., BATTLESHIP), (y) with regard to toy or non-game product lines, any trademark (or derivatives of the trademark) that is used as the title for such toy or product line (e.g., TRANSFORMERS) and any principal character or principal feature associated with such toy or product line (e.g., "Optimus Prime," "Decepticons"), and (z) with regard to umbrella trademarks (or derivatives of the trademarks) that apply to multiple product lines, only the umbrella trademark (e.g., PLAYSKOOL) (or derivatives of the trademark) and not any trademarks that apply to games, toys or product lines within such umbrella brand.

"**Hasbro Core Brands**" has the meaning set forth in Section 7.15(e).

"**Hasbro - Discovery Agreement**" means the Hasbro-Discovery Agreement entered into by and between Hasbro and Discovery as of the Formation Date.

"**Hasbro Estimated Tax Amount**" has the meaning set forth in Section 5.01(a)(2).

"**Hasbro Intellectual Property**" has the meaning set forth in Schedule D hereto.

"**Hasbro Material Breach**" means

(i) in the case of a termination election by Discovery pursuant to Section 15.01(h) prior to the Launch Date, a material breach by Hasbro or its Controlled

Affiliates of this Agreement, the Hasbro Studios Programming Agreement, the Trademark License Agreement or the Digital Agreement that, individually or in the aggregate, has a material adverse effect on the Company, taken as a whole, or on Discovery, taken as a whole; or

(ii) in the case of a termination election by Discovery pursuant to Section 15.01(h) after the Launch Date, (x) material and repeated breaches by Hasbro or its Controlled Affiliates of material covenants or obligations of Hasbro or its Controlled Affiliates in this Agreement that cause material harm to the Company or Discovery or (y) the termination of the Hasbro Studios Programming Agreement or the Trademark License Agreement by the Company or the Company's election to terminate the Digital Agreement (each in accordance with the terms thereof) resulting from Hasbro's or its Controlled Affiliate's material breach thereof.

"**Hasbro Payments**" means each of the payments to be made to Hasbro or its Affiliates by the Company under the Ancillary Agreements.

"**Hasbro Programming License Agreement**" means the Hasbro Programming Library License Agreement entered into by and among Hasbro and the Company as of the Formation Date.

"**Hasbro Studios**" means Hasbro, Inc. or any subsidiary or division thereof designated by Hasbro, Inc. to produce, license or distribute television programming in the United States under the Hasbro Studios Programming Agreement.

"**Hasbro Studios Programming Agreement**" means the Hasbro Studios Programming Development and License Agreement entered into among Discovery, Hasbro, Hasbro Studios and the Company as of the Formation Date.

"**Hasbro Ultimate Parent**" means Hasbro, Inc. and any successor or assigns thereof (whether by merger, sale of equity, operation of law or otherwise).

"**Hasbro Vote**" has the meaning set forth in Section 7.03(a).

"**Hassenfeld Family**" means Alan or Sylvia Hassenfeld and each of their Family Groups.

"**Initial Annual Budgets**" has the meaning set forth in the Purchase Agreement.

"**Initial Business Plan**" has the meaning set forth in the Purchase Agreement.

"**Initial Period**" means
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"**Insufficient Bid**" has the meaning set forth in Section 15.04(b)(5).

"**Intellectual Property**" means any (a) patents, patent applications, invention disclosures, inventions conceived whether or not reduced to practice and whether patentable or unpatentable,

and related improvements, (b) trademarks, service marks, trade dress, logos, trade names, d/b/a's, jingles, slogans, and corporate names, and any telephone numbers containing or reflecting any of the other items identified in this definition, along with any associated goodwill, (c) copyrights, copyrightable works and works of authorship (including advertisements, commercials and promotional materials), (d) rights of publicity, (e) trade secrets and confidential business information (including ideas, formulas, compositions, know-how, research and development information, software, drawings, specifications, designs, plans, proposals, technical data, processes, techniques, databases, financial, marketing and business data, pricing and cost information, business, marketing and programming plans, and past and present customer, advertiser, website visitor, and supplier lists and information), (f) URLs, domain names and websites, including all content and materials displayed on and/or accessible through such sites, (g) copies and tangible embodiments of any of the foregoing (in whatever form or medium), and (h) licenses granting any rights with respect to any of the foregoing (including public performance licenses), (i) registrations and applications to register any of the foregoing, if applicable, and (j) rights to sue with respect to past, current and future infringements of any of the foregoing.

"**Intentions Notices**" has the meaning set forth in Section 15.03.

"**International Website**" has the meaning set forth in Section 13.01(d).

"**IPTV System**" means a system that digitally encodes audio-visual television programming services and uses internet protocol for the transmission and routing of such television programming services between or within the authorized point of reception and device(s) that enable the display of such services by subscribers (*e.g.*, cable card, digital television set-top box, cable-ready television); provided that the signal related to such IPTV System is delivered to subscribers via a secure and closed transmission path and is not distributed via the public Internet and, if required by applicable law, is delivered only in specific local communities where the distributor is expressly authorized by a governmental authority to serve those communities.

"**Latin America**" has the meaning set forth in Section 7.15(b)(2).

"**Launch Date**" means
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"**Letter Agreement**" means the Supplemental Letter Agreement between Discovery and Hasbro dated as of even date herewith.

"**Losses**" means any and all losses, liabilities, damages, assessments, fines, judgments, costs and expenses, including reasonable attorney's fees.

"**Material Breach**" means a Discovery Material Breach or Hasbro Material Breach, as applicable.

"**Member Nonrecourse Debt**" has the meaning of "partner nonrecourse debt" set forth in Treasury Regulations Section 1.704-2(b)(4).

"**Member Nonrecourse Debt Minimum Gain**" has the meaning of "partner nonrecourse debt minimum gain" that is set forth in Treasury Regulations Section 1.704-2(i)(2). The amount of Member Nonrecourse Debt Minimum Gain shall be determined in accordance with Treasury Regulations Section 1.704-2(i)(3).

"**Member Nonrecourse Deductions**" has the meaning of "partner nonrecourse deductions" set forth in Treasury Regulations Section 1.704-2(i)(1) and (2). The amount of Member Nonrecourse Deductions shall be determined in accordance with Treasury Regulations Section 1.702-2(i)(2).

"**Members' Schedule**" means Schedule A attached hereto, as set forth in Section 3.03.

"**Membership Interest**" means an ownership interest in the Company and includes any and all benefits to which the holder of such Membership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement, and which may be expressed as a number of Common Units or as a Percentage Interest.

"**Merchandise License Agreement**" means any agreement entered into between Hasbro and the Company after the Formation Date pursuant to which the Company grants merchandising rights to Hasbro based on Intellectual Property owned or controlled by the Company.

"**Mission**" has the meaning set forth in Section 2.05.

"**MVPD**" has the meaning set forth in the definition of "Cable Television Network."

"**MVPD Technology**" means cable, wire or fiber of any material, satellite, satellite master antenna, single- and multi-channel multi-point microwave distribution (so-called BRS and EBS licensed by the FCC), an IPTV System, or any successor technology adopted by any Channel Affiliates from time to time as the principal method of video programming distribution for in-home viewing; provided that the signal relating to any such television service is not intended to be intelligibly received unless authorized by the video program distributor of such service and is distributed to subscribers via a secure and closed transmission path (regardless of the technology used for such distribution).

"**Net Profit**" or "**Net Loss**" means, for each Fiscal Year, an amount equal to the Company taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing such Net Profit or Net Loss shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B), or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*i*), and which are not otherwise taken into account in computing such Net Profit or Net Loss, shall be subtracted from such taxable income or loss;

(c) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (b) or (c) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profit or Net Loss and in the event of an adjustment pursuant to clause (b) of such definition, any such gain or loss shall be added to Net Profit or Net Loss, as the case may be, as if the Company had sold all of its assets at fair market value in liquidation in accordance with Section 15.06;

(d) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year;

(f) Notwithstanding anything to the contrary in the definition of the terms "**Net Profit**" and "**Net Loss**," any items which are specially allocated pursuant to Section 6.03 (other than as provided in Section 6.03(a)) or Section 6.04 hereof shall not be taken into account in computing such Net Profit or Net Loss; and

(g) For purposes of this Agreement, any deduction for a loss on a sale or exchange of Company property which is disallowed to the Company under Code Section 267(a)(1) or 707(b) shall be treated as a Code Section 705(a)(2)(B) expenditure.

The amounts of the items of Company income, gain, loss, or deduction available to be specially allocated pursuant to Section 6.03 or 6.04 shall be determined by applying rules analogous to those set forth in this definition of Net Profit and Net Loss.

"**Network**" means the English-language Cable Television Network to be distributed by the Company in the United States airing for 24 hours a day, seven days a week, which will initially be the Discovery Kids Network and which will, after the rebranding of the Discovery Kids Network, be distributed under the Agreed Name, together with any so-called "multiplexed" Cable Television Networks that are approved by the Board pursuant to Section 7.03; it being understood that the term "**Network**" shall be deemed to include any such "multiplexed" Cable Television Networks for all purposes under the Ancillary Agreements.

"****************************" means ************************ and their Family Group.

"**Nonrecourse Deductions**" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(1).

"**Nonrecourse Liability**" has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"**Offeree**" has the meaning set forth in Section 8.01(b).

"**Offeror**" has the meaning set forth in Section 8.01(b).

"**Officers**" has the meaning set forth in Section 7.09(a).

"**Operating Cash Flow Deficit**" has the meaning set forth in Section 3.05.

"**Percentage Interest**" means, with respect to a Member, such Member's percentage interest in the Company as determined by dividing the number of Common Units owned by such Member by the total number of Common Units then outstanding, as specified in Schedule A attached hereto as amended from time to time.

"**Permitted Holder**" means, subject to the last sentence in the definition of "Change of Control Transaction,"

(a) with respect to Discovery Ultimate Parent, each of the following Persons: (1) ******************; (2) any publicly-traded corporation listed on Schedule 1.01 attached hereto of which ****************** and his Family Group are the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that ****************** and his Family Group shall be deemed to have "beneficial ownership" of all securities that ****************** and his Family Group have the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of greater than 20 percent (20%) of the total voting power of the outstanding equity securities or interests of such publicly-traded corporation (exclusive of any voting power retained, directly or indirectly, by other me mbers of any "group" (as such term is used for purposes of Rule 13d-5 under the Exchange Act) other than ****************** and his Family Group) and such voting power is greater than the total voting power of the outstanding equity securities or interests of such publicly-traded corporation "beneficially owned" by any other Person (exclusive of any voting power retained exclusively by ****************** and his Family Group, directly or indirectly, as a member of any "group")); (3) Controlled Affiliates of ****************** ; (4) members of the Family Group of ****************** or their Controlled Affiliates; (5) the ******************; (6) ****************** (so long as it is a Controlled Affiliate of the ******************); and (7) Controlled Affiliates of the ******************;

(b) with respect to any Affiliate of Discovery Ultimate Parent which owns Membership Interests, (1) any Permitted Holder of Discovery Ultimate Parent or (2) any Wholly-Owned Affiliate of Discovery Ultimate Parent;

(c) with respect to Hasbro Ultimate Parent, each of the following Persons: (1) the Hassenfeld Family; and (2) Controlled Affiliates of the Hassenfeld Family; and

(d) with respect to any Affiliate of Hasbro Ultimate Parent which owns Membership Interests, (1) any Permitted Holder of Hasbro Ultimate Parent or (2) any Wholly-Owned Affiliate of Hasbro Ultimate Parent.

"**Permitted Transferee**" has the meaning set forth in Section 8.01(a), subject to the last sentence in the definition of "Change of Control Transaction."

"**Person**" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or any other entity.

"**Pre-Launch Programming Fees**" means an amount equal to (a) any amounts paid by the Company to Hasbro Studios pursuant to the Hasbro Studios Programming Agreement and (b) any amounts paid by the Company to Hasbro pursuant to the Hasbro Programming License Agreement, in each case, during the period commencing on the Formation Date and ending on the date of a Sale pursuant to Section 15.02(a).

"**Programming Guidelines**" has the meaning set forth in Section 7.12.

"**Purchase Agreement**" means the Purchase Agreement entered into by and among the Hasbro, Discovery and DCI on April 29, 2009.

"**Receiving Party**" has the meaning set forth in Section 14.01(b).

"**Regulatory Allocations**" has the meaning set forth in Section 6.04.

"**Related-Party Transaction**" has the meaning set forth in Section 7.13.

"**Sale**" means an auction and/or sale of the Company or the portion thereof as provided in Sections 15.02, 15.03 and/or 15.04 (whether by way of merger, consolidation, sale of equity, sale of assets or otherwise).

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Signing Date**" means the date of execution of the Purchase Agreement.

"**Subject Entity**" has the meaning set forth in the definition of "**Family Group**."

"**Subject Interests**" has the meaning set forth in Section 8.01(b).

"**Substituted Member**" has the meaning set forth in Section 8.06(a).

"**Superior Offer**" means any bid, offer or proposal made in writing on terms which are, taking into account all financial, regulatory, legal and other aspects of such bid, offer or proposal, including the financing terms thereof, (a) more favorable from a financial point of view to the Member or Members, as applicable, than any other competing bid, offer or proposal and (b) reasonably capable of being completed.

"**Tax Matters Partner**" has the meaning given to such term in Section 6231 of the Code.

"**Telecast Rights**" means the rights to create and/or authorize the creation of, a television program and to distribute and/or authorize the distribution of, such program on a Cable Television Network or via Broadcast Television in the United States.

"**Term**" means the period commencing on the Formation Date and ending on the date a Sale is consummated or the Company is earlier dissolved and terminated in accordance with the provisions of Article 15.

"**Termination Costs**" means any costs and expenses incurred or reasonably expected to be incurred by the Company that arise out of the termination of any contracts, agreements, or other arrangements or relationships with third parties (including employees of the Company) following a termination pursuant to the first and second sentences of Section 15.02(a) (*e.g.*, severance payable to employees, termination payments to extinguish contractual obligations, etc.).

"**Third-Party Appraiser**" means an independent third-party appraiser from a nationally recognized investment bank, independent accounting firm or appraisal firm familiar with the media and entertainment industries. Where the context contemplates that Discovery and Hasbro will mutually agree on a third-party appraiser, "Third-Party Appraiser" means such an appraiser mutually agreed upon by Discovery and Hasbro, and if Discovery and Hasbro are unable to agree upon such appraiser, each shall designate a third-party appraiser from a nationally recognized investment bank, independent accounting firm or appraisal firm familiar with the media and entertainment industries, which two appraisers shall designate a third appraiser to be the independent third-party appraiser.

"**Trademark License Agreement**" means the Trademark License Agreement entered into by and among the Company, Hasbro and Discovery as of the Formation Date.

"**Transfer**" means to transfer, sell, assign, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any portion of the ownership interest or other rights in question, irrespective of whether any of the foregoing are effected voluntarily or involuntarily, directly or indirectly, by merger, sale of equity, operation of law or otherwise. The terms "**Transferred**," "**Transferor,**" "**Transferee**" and similar variations shall have correlative meanings.

"**Treasury Regulations**" includes proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate of Formation and the corresponding sections of any regulations subsequently issued that amend or supersede those regulations.

"**Treasury Secretary**" has the meaning set forth in Section 11.03(b).

"**United States**" or "**U.S.**" means the United States and its territories, possessions and commonwealths (including Puerto Rico, the United States Virgin Islands and Guam).

"**Unrecouped Guarantees**" means an amount equal to (a) the sum of all Guarantee Payments paid to the Company pursuant to Section 1.03 of Schedule D minus (b) the sum of all Hasbro Revenue Share Payments payable by Hasbro pursuant to Section 1.04(a) of Schedule D that were recouped rather than paid in accordance with Section 1.03(b) of Schedule D, in each case, during the period commencing on the Formation Date and ending on the date of consummation of a Sale.

"**Unwind Price**" means:

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"**Withholding Advance**" has the meaning set forth in Section 5.02(b).

"**Wholly-Owned Affiliate**" of a Person means (i) any Wholly-Owned Subsidiary (as defined below) of such Person, (ii) any Affiliate of such Person that owns, directly or indirectly, all of the equity interests of such Person, and (iii) any direct or indirect Wholly-Owned Subsidiary of any such Affiliate described in clause (ii), where "**Wholly-Owned Subsidiary**" of a Person means any Affiliate of such Person all of the equity interests of which are owned, directly or indirectly, by such Person.

1.02. Construction.

(a) Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter, and words (including defined terms) in the singular include the plural and vice versa. All references to Articles and Sections refer to articles and sections of this Agreement (unless the context otherwise requires), and all

references to Schedules and Exhibits are to schedules and exhibits attached hereto (unless the context otherwise requires), each of which is made a part hereof for all purposes. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "for example," the abbreviation "*e.g.*" and similar variations shall be deemed to be followed by the phrase "by way of illustration and not limitation." The terms "hereof," "herein," "herewith," and "hereunder" and words of similar import shall be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Ag reement unless otherwise specified.

(b) Unless the context otherwise requires, in the event a Member directly Transfers a portion (but not all) of its Membership Interest to a Permitted Transferee and the Permitted Transferee is admitted as a Member: (1) such initial Member and Permitted Transferee shall (A) be grouped together and considered a single Member, (B) act collectively and (C) be represented by such initial Member, who shall have the authority to represent and bind such Permitted Transferee and to receive and provide all notices on its behalf; (2) with respect to Discovery, any references to Member or Discovery shall collectively refer to Discovery and such Permitted Transferee; and (3) with respect to Hasbro, any references to a Member or Hasbro shall collectively refer to Hasbro and such Permitted Transferee.

(c) Unless the context otherwise requires, in the event a Member Transfers its entire Membership Interest in accordance with Article 8, subject to Section 8.07, and the Transferee is admitted to the Company as a Substituted Member pursuant to Section 8.06, references to Member, Hasbro or Discovery, as applicable, in this Agreement shall mean such Substituted Member, and such Substituted Member shall be considered the initial Member for purposes of Section 1.02(b).

(d) For the avoidance of doubt, the terms of construction set forth in Sections 1.02(b) and (c) shall be fully applicable (except where they are not applicable by their terms above) whether or not a particular provision of this Agreement includes or does not include a specific reference to "Permitted Transferee."

(e) For purposes of this Agreement, any reference to a defined term in or provision of any Ancillary Agreement that shall have been terminated as of any date of determination shall, to the extent consistent with the substantive effect of such termination, be deemed to be a reference to such defined term or provision as in effect immediately prior to the termination of such Ancillary Agreement.

(f) For the purposes of this Agreement, although the Company would be an Affiliate and Controlled Affiliate of each of Discovery, DCI and Hasbro, the Parties have agreed that the Company shall not be treated as such for the purposes of this Agreement. Accordingly, without limiting the foregoing, any provision hereof purporting to be binding upon, or to obligate, a Member and its "Affiliates" or "Controlled Affiliates," or which requires a Member to cause its "Affiliates" or "Controlled Affiliates" to take, or refrain from taking, any action, shall be deemed to exclude the Company and its Controlled Affiliates unless expressly provided otherwise.

ARTICLE 2
Organization

2.01. Formation. Discovery has caused the Certificate to be filed with the Secretary of State of the State of Delaware. The Company shall cause the Certificate to be filed or recorded in any other public office where filing or recording is required or advisable. The Members and the Company shall do, and continue to do, all things that are required or advisable to maintain the Company as a limited liability company existing pursuant to the laws of the State of Delaware.

2.02. Name. The name of the Company is "**DHJV Company LLC**." The Board may change the name of the Company at any time and from time to time, subject to the affirmative written approval of each Member. The Business may be conducted in the name of the Company or such other names that comply with applicable law as the Board may select from time to time, subject to the affirmative written approval of each Member and compliance with the Ancillary Agreements.

2.03. Principal Office. The principal office of the Company shall be at such place as the Board may designate from time to time, which office need not be in the State of Delaware. The Company may also have such other offices as the Board may designate from time to time.

2.04. Registered Agent for Service of Process. The Company shall continuously maintain with the State of Delaware an agent for service of process, which agent shall be named in the Certificate, as it may be amended from time to time. The Board may change the agent for service of process as it from time to time may determine.

2.05. Mission. The "**Mission**" of the Company shall be to operate an English-language Network primarily programmed with 14-and-Under Programming.

2.06. Purposes. The purpose of the Company shall be solely to engage in the Business.

2.07. Term. The Company commenced on the date the Certificate was filed pursuant to the Act and shall exist perpetually unless earlier dissolved and terminated in accordance with the provisions of Article 15.

2.08. Limited Liability Company Agreement. Each Member hereby executes this Agreement for the purpose of establishing the affairs of the Company and the conduct of its business in accordance with the provisions of the Act. Each Member acknowledges that, during the Term, the rights and obligations of the Members with respect to the Company shall be determined in accordance with the Act and the terms and conditions of this Agreement; provided that to the extent that the rights and obligations of either Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

ARTICLE 3

Initial Business Plan; Annual Budget; Common Units; Capital Contributions

3.01. Initial Business Plan. The Initial Business Plan shall be the business plan of the Company for the period from the Formation Date through December 31, 2015 and sets forth the Initial Annual Budgets for each Fiscal Year during the Initial Period. Following the appointment of the chief executive officer of the Company (the "**Chief Executive Officer**"), the Members shall consult with the Chief Executive Officer regarding the Initial Business Plan and the Initial Annual Budgets, and after such consultations, Discovery and Hasbro may make any adjustments and modifications to the Initial Business Plan and the Initial Annual Budgets as they may mutually agree upon, which as so agreed shall constitute the applicable Initial Business Plan and the Initial Annual Budgets for purposes of this Agreement from and after the time so agreed.

3.02. Annual Budget.

(a) By October 15 of each calendar year beginning in 2009, the Chief Executive Officer shall cause to be prepared and presented to the Board the proposed Annual Budget for the next succeeding Fiscal Year (or, in the case of any Annual Budget for a Fiscal Year during the Initial Period, the Chief Executive Officer's proposed modifications, if any, to the applicable Initial Annual Budget for the next succeeding Fiscal Year). The proposed Annual Budget for all Fiscal Years shall set forth the annual operating and capital budget of the Company on a quarterly basis.

(b) For a period of 30 days following the date on which the proposed Annual Budget is presented to the Board, the Board shall review such Annual Budget and shall make such modifications to such proposed Annual Budget as are mutually desirable and agreeable. If the Board does not approve any proposed modifications to an Initial Annual Budget (including after applying the deadlock procedures set forth in Section 7.03(c)), then the Initial Annual Budget shall continue in effect with respect to any such Fiscal Year until the earlier of such time as such an Initial Annual Budget modification is approved or the end of the applicable Fiscal Year. If the Board does not approve an Annual Budget for any Fiscal Year after the Initial Period (including after the deadlock procedures set forth in Section 7.03(c)), then, subject to the Members' termination rights under Article 15, the Annual Budget for the immediately preceding Fiscal Year shall be the Annual Budget for the Fiscal Year in question. Notwithstanding the foregoing, to the extent that, after giving effect to Section 3.05, the Company would still reasonably be expected to have an Operating Cash Flow Deficit, then, unless the Board may otherwise determine, the Chief Executive Officer shall modify variable expense line items contained in any such Annual Budget in order to eliminate such Operating Cash Flow Deficit; provided, however, that any such modification shall be designed to minimize any reduction in the Company's programming expenditures to the maximum extent reasonably practicable and shall not reduce the budget for programming to be licensed by the Company from Hasbro Studios; provided further that if, after giving effect to Section 3.05 and after such modifications to variable expense line items are made, the Company would still reasonably b e expected to have an Operating Cash Flow deficit, then, unless the Board may otherwise determine, the Chief Executive Officer may reduce the budget for programming to be licensed by the Company from Hasbro Studios but on no more

than a *pro rata* basis as compared to the aggregate reduction of all variable expense line items.

3.03. Common Units. The Membership Interests of the Members shall be represented by issued and outstanding "**Common Units**." The Secretary, or other Officer, of the Company shall maintain a schedule of all Members, with their respective addresses and facsimile numbers and the Common Units held by them indicated therein, which shall be amended, modified or supplemented from time to time to reflect accurately any Transfer in accordance with Article 8 or any other future changes with respect to the Members and the Common Units, a copy of which as of the execution of this Agreement is attached hereto as Schedule A (the "**Members' Schedule**"). The number of Common Units issued to each Member as of the Formation Date is set forth opposite such Member's name on the Members' Schedule attached hereto as Schedule&nbs p;A.

3.04. Deemed Initial Capital Contributions; Tax Treatment. The parties agree that for federal income tax purposes, (i) the purchase of the fifty percent (50%) Membership Interest by Hasbro from Discovery pursuant to the Purchase Agreement shall be treated consistently and in accordance with Revenue Ruling 99-5, 1999-1 C.B. 434 and (ii) immediately after such purchase, the Company shall be classified as a partnership for federal income tax purposes.

3.05. Additional Capital Contributions; Funding Commitment. To the extent the revenues of the Company are insufficient to fund the Company's operating costs and expenses (an "**Operating Cash Flow Deficit**") as budgeted in the Initial Business Plan or any Annual Budget, each Member shall be obligated to make Capital Contributions to the Company in accordance with this Section 3.05, up to the aggregate amount of $15 million for each Member (the "**Funding Cap**"). Each month, not less than five Business Days prior to the last Business Day of such month, the Board, in consultation with the Company's Chief Executive Officer, shall determine the total amount of the Operating Cash Flow Deficit, if any, reasonably anticipated for the succeeding month. On or before the last Business Day of such month, each Member shall make a cash Capital Contribution in the amount of its proportionate share (based on its Percentage Interest) of the applicable Operating Cash Flow Deficit, provided that no Member shall be obligated to make an aggregate amount of Capital Contributions during the Term in excess of its Funding Cap. After a Member has made Capital Contributions pursuant to this Section 3.05 in an aggregate amount equal to its Funding Cap, no Member shall have any further obligations under this Section 3.05. Except as provided under this Section 3.05, neither Discovery nor Hasbro shall have any obligation or commitment to make any additional Capital Contributions or otherwise provide funds to the Company.

3.06. No Third Party Beneficiaries. The right of the Company to call for contributions of additional capital or arrange for loans to the Company under the terms of this Agreement does not confer any rights or benefits to or upon any Person who is not a party to this Agreement.

3.07. Return of Contributions. A Member shall not be entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member shall not be required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions. Subject to

Article 15, under any circumstances requiring a return of all or any portion of a Capital Contribution, no Member shall have the right to receive property other than cash; provided that in the event any property is distributed to the Members, except as otherwise provided in Article 15, each Member shall have the right to receive its *pro rata* portion of such property based on such Member's Percentage Interest.

ARTICLE 4
Members; Membership Interests

4.01. Voting Rights of Members. Members shall not be entitled to vote with respect to any matters except as required by nonwaivable provisions of applicable law or this Agreement. On all matters submitted to a vote of the Members, each of Discovery and Hasbro shall have one vote. This provision is in addition to, and does not affect, any provision of this Agreement or any Ancillary Agreement that requires the consent or approval of a Member with respect to a particular matter.

4.02. Meetings of Members.

(a) A quorum shall be present at a meeting of Members only if each of Discovery and Hasbro is represented at the meeting in person, via conference telephone or similar communications equipment or by proxy. With respect to any matter, any resolution adopted, decision made or action undertaken by the Members shall require the affirmative vote of each of Discovery and Hasbro. This provision is in addition to, and does not affect, any provision of this Agreement or any Ancillary Agreement that requires the consent or approval of a Member with respect to a particular matter.

(b) All meetings of the Members shall be held at such time and place as the Board may from time to time determine, provided that Members may participate in or hold any such meeting by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other. The Board shall provide each Member with at least 48 hours notice of any such meeting. Such notice need not state the purpose or purposes of, nor the business to be transacted at, such meeting, except as may otherwise be required by nonwaivable provisions of applicable law or this Agreement. Representation of a Member at a meeting shall constitute a waiver of notice of such meeting, except where a representative of a Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not called or convened lawfully or in accordance with this Agreement.

4.03. Proxies. A Member may vote either in person, via conference telephone or similar communications equipment, or by proxy executed in writing by such Member. A facsimile or similar transmission by any Member (including a facsimile delivered by electronic mail), or a photographic, photostatic or similar reproduction of a writing executed by such Member shall be treated as an execution in writing for purposes of this Section 4.03. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable.

4.04. Action of Members by Written Consent. Any action required or permitted to be taken at any meeting of the Members may be taken without a meeting, without prior notice, and

without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the Members and the consent is filed with the minutes of the proceedings of the Members.

4.05. Liability to Third Parties. No Member, Director or Officer shall be liable for the debts, obligations or liabilities of the Company in their capacity as such.

4.06. Lack of Authority. Except as specifically provided herein, none of the Members, in such capacity, shall have the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any obligations or liabilities on behalf of the Company.

ARTICLE 5
Distributions

5.01. Distributions.

(a) As soon as practicable after the delivery of the reports described in Section 12.02(a)(2) for a calendar quarter, the Tax Matters Partner shall estimate in good faith the taxable income to be allocated to each of Discovery and Hasbro for such calendar quarter. Thereafter, subject to any contractual restrictions to which the Company is subject, within five (5) days after such estimate is so determined, the Company shall distribute to the Members Distributable Cash, in accordance with their Percentage Interests, in an amount equal to the Estimated Tax Distribution Amount. For purposes of this Section 5.01(a), the "**Estimated Tax Distribution Amount**" shall equal the greater of the Discovery Estimated Tax Amount or the Hasbro Estimated Tax Amount.

(1) The "**Discovery Estimated Tax Amount**" means (i) the taxable income to be allocated to Discovery for the calendar quarter ended on the Estimated Tax Date (as estimated in good faith by the Tax Matters Partner), multiplied by (ii) the Effective Tax Rate for such calendar quarter, and divided by (iii) Discovery's Percentage Interest.

(2) The "**Hasbro Estimated Tax Amount**" means (i) the taxable income to be allocated to Hasbro for the calendar quarter ended on the Estimated Tax Date (as estimated in good faith by the Tax Matters Partner), multiplied by (ii) the Effective Tax Rate for such calendar quarter, and divided by (iii) Hasbro's Percentage Interest.

(3) An "**Estimated Tax Date**" means the last day of a calendar quarter.

(b) Within five (5) days after the filing of the Company's federal income tax return for a taxable year, the Company shall distribute to the Members Distributable Cash, in accordance with their Percentage Interests, in an amount equal to the Final Tax Distribution Amount. For purposes of this Section 5.01(b), the "**Final Tax Distribution Amount**" shall equal the greater of the Discovery Final Tax Amount or the Hasbro Final Tax Amount.

(1) The "**Discovery Final Tax Amount**" means (i) the excess, if any, of (1) the taxable income allocated to Discovery for such taxable year as shown on such federal income tax return, multiplied by the Effective Tax Rate for such taxable year, over (2) the sum of the distributions to Discovery for each of the calendar quarters in such taxable year pursuant to Section 5.01(a), divided by (ii) Discovery's Percentage Interest.

(2) The "**Hasbro Final Tax Amount**" means (i) the excess, if any, of (1) the taxable income allocated to Hasbro for such taxable year as shown on such federal income tax return, multiplied by the Effective Tax Rate for such taxable year, over (2) the sum of the distributions to Hasbro for each of the calendar quarters in such taxable year pursuant to Section 5.01(a), divided by (ii) Hasbro's Percentage Interest.

(c) To the extent there is insufficient Distributable Cash to make the distributions required by Sections 5.01(a) or 5.01(b) at the time required, the Company shall distribute the available Distributable Cash to the Members in accordance with their Percentage Interests, and thereafter as Distributable Cash becomes available the Company shall distribute the excess of the amounts required to be distributed pursuant to Sections 5.01(a) and 5.01(b) over the amounts actually distributed.

(d) After the Company has made distributions required by Sections 5.01(a), 5.01(b), and 5.01(c), the Company shall, subject to any contractual restrictions to which the Company is subject, distribute, at least annually, all remaining Distributable Cash to the Members in accordance with their Percentage Interests.

(e) Distributions to each Member pursuant to this Agreement shall be made pursuant to payment instructions specified by each such Member by notice given to the Company pursuant to Section 16.02.

(f) No distribution shall be made by the Company except in accordance with this Article 5 and Article 15, except as otherwise agreed by the Board or the Members.

5.02. Tax Withholding.

(a) The Company shall seek to qualify for and obtain exemptions from any provision of the Code or any provision of state, local, or foreign tax law that would otherwise require the Company to withhold amounts from payments or distributions to the Members. If the Company does not obtain any such exemption, the Company is authorized, after notice to the Members, to withhold from any payment or distribution to either Member any amounts that are required to be withheld pursuant to the Code or any provision of any state, local, or foreign tax law that is binding on the Company.

(b) Any amount withheld with respect to any payment or distribution to any Member shall be credited against the amount of the payment or distribution to which the Member would otherwise be entitled. If the Code or any provision of any state, local, or foreign tax law that is binding on the Company requires that the Company remit to any taxing authority any withholding tax with respect to, or for the account of, any Member in its

capacity as a Member, the Company shall, to the extent that Company funds are available therefor, remit the full required amount of such withholding tax to the taxing authority and shall notify such Member in writing of its obligation to pay to the Company such withholding tax to the extent it exceeds the amount of any payment or distribution to which such Member would otherwise then be entitled. Each Member shall pay to the Company, within five Business Days after its receipt of written notice from the Company that withholding is required with respect to such Member, any amounts required to be remitted by the Company to any taxing authority with respect to such Member that are in excess of the amount of any payment or distribution to which such Member would otherwise be entitled. If the Company is required to remit any withhol ding tax with respect to, or for the account of, any Member prior to the Company's receipt of any payment required to be made by such Member pursuant to the preceding sentence, the amount of the payment required to be made by such Member shall be treated as a loan (the "**Withholding Advance**") from the Company to the Member, which shall accrue interest from the date the Company is required to remit such withholding tax until paid by such Member or credited against payments or distributions to which such Member would otherwise be entitled as provided in Section 5.02(c), at a rate of 15.0 percent (15.0%) per year, compounded semi-annually.

(c) Any Withholding Advance made to a Member and any interest accrued thereon shall be credited against, and shall be offset by, the amount of any later payment or distribution to which the Member would otherwise be entitled (without duplication of the credit provided in the first sentence of Section 5.02(b)), with any credit for accrued and unpaid interest as of the date such payment or distribution would otherwise have been made being applied before any credit for the amount of the Withholding Advance. Any Withholding Advance made to a Member and any interest accrued thereon, to the extent it has not previously been paid by the Member in cash or fully credited against payments or distributions to which the Member would otherwise be entitled, shall be paid by the Member to the Company upon the earliest of (1) the dissolution of the Company or (2) the date on which the Member ceases to be a Member of the Company.

(d) All amounts that are credited against distributions to which a Member would otherwise be entitled pursuant to this Article 5 shall be treated as amounts distributed to such Member for all purposes of this Agreement, and, if credited against payments to which a Member would otherwise be entitled under this Agreement or any other amount due to such Member from the Company, such amounts shall be treated as amounts paid to such Member for all purposes of this Agreement.

ARTICLE 6
Capital Accounts; Allocations of Profit and Loss

6.01. Capital Account.

(a) A separate Capital Account shall be maintained for each Member. With respect to each Member, "**Capital Account**" shall mean the fair market value of the property deemed to have been contributed by such Member to the Company pursuant to Section 3.04 (net of liabilities that are secured by such contributed property or that the Company or any other Member is considered to assume or take subject to under Code

Section 752) as set forth on the Members' Schedule, (1) increased by (i) any cash contributed or deemed contributed to the Company by such Member on or after the Formation Date, (ii) the Fair Market Value of any other property contributed or deemed contributed by such Member to the Company (net of liabilities that are secured by such contributed property or that the Company or any other Member is considered to assume or take subject to under Code Section 752), (iii) allocations to such Member of Net Profit and any items of income and gain that are specially allocated pursuant to Section 6.03, 6.04 or 6.05, (iv) any Company liabilities assumed by the Member or secured, in whole or in part, by any Company assets that are distributed to the Member, and (v) other additions allocated to such Member in accordance with the Cod e; and (2) decreased by (i) the amount of cash distributed to such Member by the Company, (ii) allocations to such Member of Net Loss and any items of loss and deduction that are specially allocated pursuant to Section 6.03, 6.04 or 6.05, (iii) the Fair Market Value of property distributed to such Member by the Company (net of liabilities that are secured by such distributed property or that such Member is considered to assume or take subject to under Code Section 752), and (iv) other deductions allocated to such Member in accordance with the Code.

(b) The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b)(2)(iv), and shall be interpreted and applied in a manner consistent with such regulations.

(c) In the event of a permitted Transfer of Common Units pursuant to Article 8, the Capital Account (or applicable portion thereof) of the Transferor shall become the Capital Account of the Transferee to the extent it relates to the Transferred Common Units.

6.02. In General.

(a) Net Profit or Net Loss for each Fiscal Year (or portion thereof) shall be allocated to the Members in accordance with their Percentage Interests:

(b) To the extent an allocation of Net Loss pursuant to Section 6.02(a) would cause a Member to have a deficit balance in its Adjusted Capital Account as of the end of the Fiscal Year to which the allocation relates (or would increase any such deficit), such Net Loss shall be reallocated to the other Members having positive Capital Account balances *pro rata* in accordance with the positive balance of such Members' Capital Accounts.

6.03. Special Allocations.

(a) Except as otherwise provided in Treasury Regulations Section 1.704-2(f), notwithstanding any other provision of this Article 6 , if there is a net decrease in Company Minimum Gain during any Company Fiscal Year, each Member shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in

proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items of Company income and gain to be allocated pursuant to this Section 6.03(a) shall be determined in accordance with Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.03(a) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) Except as otherwise provided in Treasury Regulations Section 1.704-2(i)(4), notwithstanding any other provision of this Article 6 other than Section 6.03(a), if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Fiscal Year, each Member with a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for the year (and, if necessary, for subsequent Fiscal Years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt (determined in accordance with Treasury Regulations Section 1.704-2(i)(4)). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items of Company income and gain to be allocated pursuant to this Section 6.03(b) shall be determined in accordance with Treas ury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.03(b) is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Section 1.704-1(b)(2)(ii)(*d*)(*4*), 1.704-1(b)(2)(ii)(*d*)(*5*), or 1.704-1(b)(2)(ii)(*d*)(*6*), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, any deficit balance of such Member's Adjusted Capital Account as quickly as possible; provided, however, that an allocation pursuant to this Section 6.03(c) shall be made only if and to the extent that such Member would have a deficit balance in its Adjusted Capital Account after all other allocations provided for in this Article 6 have been tentatively made as if this Section 6.03(c) were not in this Agreement.

(d) In the event any Member has a deficit Capital Account at the end of any Fiscal Year that is in excess of the sum of (i) the amount such Member is obligated to restore to the Company pursuant to any provision of this Agreement, (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Section 1.704-2(g)(1) and (iii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Section 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible; provided, however, that an allocation pursuant to this Section 6.03(d) shall be made only if and to the extent that such Member would have a deficit Capital Account in exc ess of such sum after all other allocations provided for in this Article 6 have been tentatively made as if Section 6.03(c) and this Section 6.03(d) were not in this Agreement.

(e) Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Members in accordance with their Percentage Interests.

(f) Any Member Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i).

(g) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*)(*4*) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Membership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of such asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profit and Net Loss. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1. 704-1(b)(2)(iv)(*m*)(*2*) or 1.704-1(b)(2)(iv)(*m*)(*4*), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in accordance with their Percentage Interests in the Company in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*)(*2*) applies, or to the Member to whom such distribution is made in the event Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*)(*4*) applies.

6.04. Curative Allocations. The allocations set forth in Section 6.02(b) and Section 6.03 hereof (the "**Regulatory Allocations**") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 6.04. Therefore, notwithstanding any other provision of this Article 6 (other than the Regulatory Allocations), the Board shall cause the Company to make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines to be appropriate in accordance with Article 6 so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not in this Agreement. In exercising its discretion under this Section 6.04, the Board shall take into account future Regulatory Allocations under Sections 6.03(a) and 6.03(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections 6.03(e) and 6.03(f).

6.05. Other Allocation Rules.

(a) If any fees or other payments deducted for federal income tax purposes by the Company are recharacterized by a final determination of the Internal Revenue Service as nondeductible distributions to any Member, then, notwithstanding all other allocation

provisions, items of income and gain shall be allocated to such Member (for each Fiscal Year in which such recharacterization occurs) in an amount equal to the fees or payments recharacterized.

(b) The Board is hereby authorized in its discretion to amend this Agreement without the consent of the Members in any manner necessary or desirable to (1) provide for "forfeiture allocations" under any final Treasury Regulations concerning the transfers of partnership interests in connection with the performance of services and (2) to enable the Company and any Person issued a Membership Interest for services to value for income tax purposes such compensatory membership interest at its liquidation value. Each Member hereby agrees, upon the request of the Board, to consent to and to provide any required information in connection with any such forfeiture allocations, related tax elections or other related actions of the Company.

(c) In the event that any item or items of income, gain, loss or deduction of the Company or any Member is reallocated between the Company and any Member pursuant to Section 482 of the Code, then the allocation of the income, gain, loss or deduction of the Company for the year in which such reallocation occurs shall be made in such a fashion that the Capital Accounts of all Members, after taking into account any deemed contributions or distributions arising in connection with such reallocation, shall be, to the fullest extent possible, in proportion to each Member's Percentage Interest.

(d) Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Treasury Regulations Section 1.752-3(a), the Members' interests in the Company's profits are in proportion to their Percentage Interests.

(e) To the extent permitted by Treasury Regulations Section 1.704-2(h)(3), the Board shall endeavor to treat distributions of cash as having been made from the proceeds of a Nonrecourse Liability or a Member Nonrecourse Debt only to the extent that such distributions would cause or increase a deficit balance in any Member's Adjusted Capital Account.

6.06. Tax Allocations: Code Section 704(c).

(a) Except as otherwise provided in this Section 6.06, all items of income, gain, loss and deduction recognized for income tax purposes shall be allocated to the Members in accordance with the allocation of the corresponding "book" items pursuant to Sections 6.02, 6.03, 6.04 and 6.05.

(b) In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed or deemed contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value using the remedial allocation method described in Treasury Regulations Section 1.704-3(d).

(c) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (b) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder.

(d) Any elections or other decisions relating to such allocations shall be made by the Board in any manner that reasonably reflects the purpose and intention of this Agreement.

6.07. Interim Allocations Due to Percentage Interest Adjustment. If a Percentage Interest is the subject of a Transfer or is changed pursuant to the terms of this Agreement during any Fiscal Year, the amount of Net Income and Net Loss to be allocated to the Members for such entire Fiscal Year in accordance with their respective Percentage Interests shall be allocated to the portion of such Fiscal Year which precedes the date of such Transfer or change (and if there shall have been a prior Transfer or change in such Fiscal Year, which commences on the date of such prior Transfer or change) and to the portion of such Fiscal Year which occurs on and after the date of such Transfer or change (and if there shall be a subsequent Transfer or change in such Fiscal Year, which precedes the date of such subsequent Transfer or change), in proportion to the number of days in each such por tion (or, in the case of a Transfer, in accordance with an interim closing of the books at the election and the expense of the parties to the Transfer), and the amounts of the items so allocated to each such portion shall be credited or charged to the Members in proportion to their respective Percentage Interest during each such portion of the Fiscal Year in question. Such allocation shall be made without regard to the date, amount or receipt of any distributions that may have been made with respect to the transferred Percentage Interest.

6.08. Section 754 Election. If requested to do so by any Transferor Member or any Transferee Member (or such Member's Assignee or Substituted Member), the Company shall make an election under Section 754 of the Code (and a corresponding election under applicable state and local law). Upon request of either Member, the Company shall also make an election under Section 754 of the Code upon a distribution of property or money to a Member

6.09. Deficit Capital Accounts. Notwithstanding anything to the contrary contained in this Agreement, the Members shall not be obligated at any time to repay or restore to the Company all or any part of any distributions made to the Members by the Company, nor shall any Member be required to restore a deficit Capital Account balance to the Company.

ARTICLE 7
Management and Operations

7.01. Management by the Board. Except for those matters for which the approval or consent of any Member is required by this Agreement, any Ancillary Agreement or by nonwaivable provisions of applicable law, the business and affairs of the Company and any subsidiary of the Company shall be managed by the Members acting through a Board of Directors (the "**Board**"), and the Board shall have, subject to the terms of this Agreement and the

Ancillary Agreements, full, exclusive and complete discretion, power and authority to manage, control, administer and operate the business and affairs of the Company and its subsidiaries. Decisions of the Board within its scope of authority shall be binding upon the Company and its Members (in their capacity as Members). Actions of the Board shall require the affirmative vote or consent of the Directors on the Board as provided in Sections 7.03 and 7.07.

7.02. Board. The number of Directors constituting the entire Board shall be six. Each of Discovery and Hasbro shall have the right to appoint three Directors, each of whom shall be an employee of such Member (unless otherwise approved by the non-appointing Member) and one of whom shall be the chief executive officer of such Member (or of DCI, in the case of Discovery). Each Member shall notify the Company and the other Member of the identity of each of its appointed Directors. Each Director shall hold office until the earliest of his or her death, resignation or removal as provided in Section 7.06.

7.03. Board Vote.

(a) The Directors appointed to the Board by Discovery shall collectively have one vote (the "**Discovery Vote**"), and the Directors appointed to the Board by Hasbro shall collectively have one vote (the "**Hasbro Vote**"). Any resolution adopted, decision made or action undertaken by the Board shall require two affirmative votes (*i.e.*, an affirmative Discovery Vote and an affirmative Hasbro Vote).

(b) Notwithstanding anything to the contrary as a result of a delegation of authority pursuant to this Article 7, in addition to any other matters the approval of which is reserved to the Board in accordance with the terms of this Agreement or the approval of which the Board may reserve to itself pursuant to its authority described in Section 7.01, the following actions shall require the express approval of the Board:

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(c) If the Board becomes deadlocked with respect to the approval of any proposed matter within the authority of the Board (*i.e.*, excluding matters reserved for Discovery or Hasbro) and the subsequent good faith efforts of the Directors do not resolve the deadlock, either Discovery or Hasbro may request that one designated representative from each party, who initially shall be David Zaslav and Brian Goldner, meet, confer and discuss in person or by telephone conference the deadlocked matter in an attempt to resolve the deadlock. Upon such request by either Discovery or Hasbro, such designated representatives are conferred with authority to cast the Discovery Vote and the Hasbro Vote, respectively, with respect to the deadlocked matter. In the event such representatives do not resolve the deadlock within 30 days after the initial vote of the Board on the matter, the matter shall be deemed not to have been approved by the Board. Discovery shall designate a successor representative (who shall be a senior member of management of Discovery) for purposes of this Section 7.03(c) if David Zaslav ceases to act as such representative, and Hasbro shall designate a successor representative (who shall be a senior member of management of Hasbro) for purposes of this Section 7.03(c) if Brian Goldner ceases to act as such representative.

7.04. Actions by the Board; Committees; Delegation and Duties.

(a) In managing the business and affairs of the Company and exercising its powers, the Board may act: (i) collectively through meetings and written consents pursuant to Sections 7.05 and 7.07, (ii) through committees pursuant to Section 7.04(b), or (iii) through Officers and other agents to whom authority and duties have been delegated pursuant to Section 7.09(a). No individual Director or Officer in his or her capacity as such or other Person shall have the authority to act for or on behalf of the Company, to do any act that would be legally binding on the Company or to incur any obligations or liabilities for or on behalf of the Company unless expressly authorized to do so by the Board or by this Agreement, including authorization under Section 7.09.

(b) The Board may, from time to time, designate one or more committees, each of which shall be composed of an equal number of Directors appointed by each of Discovery and Hasbro. Any such committee, to the extent provided in the authorizing resolutions of the Board, shall have and may exercise all of the authority of the Board, subject to the other provisions of this Agreement. The Directors appointed to a committee by Discovery shall collectively have one vote, and the Directors appointed to a committee by Hasbro shall collectively have one vote, with respect to all matters and actions considered or undertaken by such committee. At every meeting of any such committee, an affirmative vote of the Discovery Directors and an affirmative vote of the Hasbro Directors shall be necessary for the approval of any action and adoption of any resolution, a nd the presence of at least that number of Directors entitled to cast such affirmative votes shall constitute a quorum. The Board may dissolve any committee at any time.

7.05. Meetings; Alternates; Observers.

(a) Unless otherwise required by nonwaivable provisions of applicable law or this Agreement, the presence of at least one Director appointed by each of Discovery and Hasbro shall constitute a quorum for the transaction of business of the Board.

(b) Regular meetings of the Board or any committee designated by the Board may be held at such place or places as shall be determined from time to time by resolution of the Board or such committee, respectively; provided that any Director (in the case of the Board) or any Director who is a member of such committee (in the case of a committee) who was not present when such resolution was approved shall receive notice of any such meeting at least 72 hours in advance. Special meetings of the Board or any committee designated by the Board may be called by any Director (in the case of the Board) or any Director who is a member of such committee (in the case of a committee) on at least 72 hours notice to each other Director (in the case of the Board) or other Director who is a member of such committee (in the case of a committee). Such notice need no t state the purpose or purposes of, nor the business to be transacted at, such meeting, except as may otherwise be required by law or this Agreement. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not called or convened lawfully or in accordance with this Agreement.

(c) Pursuant to a written notice to the Company, any Director may appoint an alternate (an "**Alternate**") who may attend, participate and serve as a proxy for the absent Director that appointed such Alternate at any Board or committee meeting or for a stated period of time (provided that any Alternate shall be an employee of the Member (or its Wholly-Owned Affiliate) that designated the appointing Director who is familiar with the Business of the Company as a result of such employment). Alternates shall exercise the same rights as the absent Director could have exercised.

(d) Each Member may designate observers to attend any meeting of the Board or any committee (provided that any such observer shall be an employee of such Member (or its Wholly-Owned Affiliate) who is familiar with the Business of the Company as a result of such employment), and the Company shall provide each such observer with the

same financial and other information that is provided to Directors in connection with such meeting; provided that no such observer shall be counted for the purpose of determining a quorum for the transaction of business by the Board or committee, nor shall any such observer be permitted to vote on any matter considered by the Board or committee at such meeting; and provided further that the Company reserves the right to withhold any information and to exclude any such observer from any meeting if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its legal counsel.

7.06. Removal; Vacancies; Resignation.

(a) A Director may be removed only by the Member that appointed such Director, with or without cause, at any time in the sole discretion of such Member. Upon such removal or the earlier death or the resignation of any Director, the Member that appointed such Director shall appoint a successor, which successor shall be an employee of such Member (unless otherwise approved by the non-appointing Member). Each Member shall notify the Company and the other Member of any change in the identity of any of its appointed Directors.

(b) Any Director may resign at any time. Such resignation shall be made in writing to the Board and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

7.07. Action by Written Consent or Telephone Conference. Any action permitted or required by the Act or this Agreement to be taken at a meeting of the Board or of any committee designated by the Board may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by at least one Director or member of such committee, as the case may be, representing Discovery and one Director or member of such committee, as the case may be, representing Hasbro. The Directors or members of any committee designated by the Board may participate in or hold a meeting of the Board or any committee, as the case may be, by means of a conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meeting by such means shall constitute attendance and presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not called or convened lawfully or in accordance with this Agreement.

7.08. Compensation of Directors. None of the Directors shall receive any compensation for their services but shall be reimbursed by the Company for their reasonable out-of-pocket costs and expenses incurred in the course of their service hereunder in accordance with policies determined from time to time by the Board.

7.09. Officers.

(a) Subject to Section 7.09(b), the Board may, from time to time, designate one or more Persons to be officers of the Company (the "**Officers**"). Any Officer

so designated shall have such authority and perform such duties as the Board may, from time to time, delegate to them. The Board may assign titles to particular Officers (including Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Executive or other Vice President, Secretary or Treasurer). Unless the Board decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware GCL, the assignment of such title shall constitute the delegation to such Officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such Officer by the Board and any authority or duty expressly reserved by the Board and subject to the terms of this Agreement and the Ancillary Agreemen ts. The Board may delegate such authority and responsibility otherwise attributable to an Officer to an agent that is not an Officer.

(b) Notwithstanding any provision of this Agreement to the contrary, each of Discovery and Hasbro, acting individually, shall have the authority to discharge and remove the Chief Executive Officer at any time following 180 days after the appointment of such Chief Executive Officer; provided that in the event a Member discharges and removes the Chief Executive Officer pursuant to this Section 7.09(b), such Member may not discharge and remove any subsequent Chief Executive Officer until the second anniversary of such prior discharge and removal. The foregoing limitations in this Section 7.09(b) on the discharge and removal of the Chief Executive Officer shall not apply in the event of a termination for cause (which includes any material breach by the Company of any material provision of the Ancillary Agreements or Affiliation Agreements where the breach arose from the action or inaction of the management of the Company or as to which the management of the Company failed to take reasonable steps requested by such Member to cure such material breach). In the event of the death, resignation or removal the Chief Executive Officer, the appointment of any successor Chief Executive Officer shall be determined by the Board.

(c) Each Officer shall hold office until his or her successor shall be duly designated and qualified or until his or her death, resignation or removal in the manner hereinafter provided. Any number of offices may be held by the same Officer. The salaries or other compensation, if any, of the Officers and agents of the Company shall be fixed from time to time by the Board, subject to the terms of any applicable employment agreements. Subject to any applicable employment agreement, any Officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any Officer may be remove d as such, either with or without cause, by the Board, subject to Section 7.09(b). Designation of an Officer shall not of itself create a contract of employment between such Officer and the Company. Any vacancy occurring in any office of the Company shall be filled in accordance with this Section 7.09.

7.10. Actions of Subsidiaries. The Company shall not permit any subsidiary of the Company to take any action that (i) if taken by the Company, would require the approval of the Board or a Member, or (ii) would require the approval of the board of directors or other governing body or person of such subsidiary, unless such action by such subsidiary has been approved by the Board or such Member in accordance with the terms of this Agreement.

7.11. Affiliation Agreements. The Company shall, and shall cause its Controlled Affiliates to (and to the extent that Discovery or Hasbro has the authority and right (in its capacity as an individual party) to unilaterally cause the Company to not comply with any Affiliation Agreement, each of Discovery and Hasbro shall not take any action that would cause the Company not to), comply with and perform, in all material respects, all of their respective obligations under each Affiliation Agreement (including all obligations under any (a) Affiliation Agreement assumed by the Company pursuant to the Assignment Agreement (in the case of the Company and Hasbro, to the extent such obligations have not been redacted from the Affiliation Agreements delivered to the Company and Hasbro) or (b) any amendments or modifications of the Affiliation Agreements or any new, replacement or extension Affiliation Agreements entered into after the date hereof in accordance with Section 7.03(b)(10) to the extent such obligations are not redacted from the Affiliation Agreements delivered to the Company and Hasbro); provided that each of Discovery's and Hasbro's respective liability under this Section 7.11 resulting from breaches of any Affiliation Agreement shall be only to the extent such action by such Member gives rise to such breach. For the avoidance of doubt, the parties acknowledge and agree that to the extent any programming aired by the Company (including programming provided to the Company by Hasbro in accordance with the Hasbro Studios Programming Agreement) is determined to breach any Affiliation Agreement, such breach shall be deemed a breach solely by the Company, and neither Discovery nor Hasbro shall be deemed to have in any way caused such breach. Discovery shall, and shall cause its Controlled Affiliates to, comply with and perform, in all material respects, all of their respective obligations under each Affiliation Agreement to the extent that the failure to so comply therewith or perform thereunder would have a material and adverse effect on the Company's rights and obligations thereunder with respect to the Network.

7.12. Programming Guidelines. The Company shall conduct the businesses and operations of the Network, including programming the Network, in accordance with the Programming Guidelines set forth on Schedule E. Hasbro shall cause Hasbro Studios to develop the programming to be made available to the Company under the Hasbro Studios Programming Agreement in accordance with the Programming Guidelines set forth on Schedule E (the "**Programming Guidelines**"). To the extent that Discovery or any of the Discovery Controlled Affiliates develops programming to be made available to the Company, Discovery shall (or shall cause any such Discovery Controlled Affiliates to) develop such programming in accordance with the Programming Guidelines set forth on Schedule E.

7.13. Related-Party Transactions. Any agreement, contract or arrangement between the Company (or any subsidiary thereof) and any Member or their respective Affiliates (or any director or officer of such Member or any of its Affiliates) (a "**Related-Party Transaction**"); shall be on commercially reasonable, arms' length terms approved by the Board; provided that no such approval of the Board shall be required for any Related-Party Transaction that may be contained in this Agreement or the Ancillary Agreements, which have all been mutually agreed to by the parties. For the avoidance of doubt, no Affiliation Agreement in effect as of the Formation Date or approved by the Board shall be deemed a "Related Party Transaction."

7.14. Operation of the Network After the Formation Date. For the avoidance of doubt, from and after the Formation Date and during the Term, the Company (as opposed to Discovery)

shall conduct the businesses and operations relating to the Network, including programming the Network, subject to the terms of this Agreement and the Ancillary Agreements.

7.15. Network Programming.

(a) Discovery Programming Opportunities.

(1) Licenses: New Programming Opportunities. During the term of the Hasbro Studios Programming Agreement (as the same may be amended or extended), if any Discovery Controlled Affiliate intends to acquire or license English-language 14-and-Under Programming (other than Animal and Science Programming) from a third party (whether initiated by any Discovery Controlled Affiliate or a third party) for distribution on a Discovery Network in the United States, then, subject to any contractual limitations applicable to such programming, Discovery shall, at its option, either (A) prior to acquiring or licensing such programming, provide written notice to the Company of its intent with respect to such programming or (B) acquire or license such programming, in each case in accordance with this Section 7.15(a)(1).

(i) If Discovery provides written notice to the Company of its intent with respect to such programming pursuant to clause (A) of Section 7.15(a)(1): (x) if the Company is interested in securing rights with respect to such programming, Discovery shall allow the Company to negotiate (as compared to other Discovery Controlled Affiliates) for ten (10) Business Days after receipt of such notice with representatives of the relevant programmer to reach agreement with respect thereto prior to any Discovery Controlled Affiliate engaging in substantive negotiations during such ten (10) Business Day period with respect thereto; and (y) if the Company is not interested (in which case the Company shall promptly advise Discovery in writing) or an agreement between the Company and such programmer is not entered into within ten (10) Business Days following receipt of the notice described above in this subsection (i), then the Discovery Controlled Affiliate may negotiate and enter into an agreement with such programmer with respect to such programming, shall be free to exploit such programming and shall not be obligated to facilitate the Company's license or sublicense of such programming pursuant to 7.15(a)(1)(ii).

(ii) If Discovery acquires or licenses such programming pursuant to clause (B) of Section 7.15(a)(1) without having provided the notice under Section 7.15(a)(1)(i), Discovery shall use commercially reasonable efforts to secure for the Company (as compared to other Discovery Controlled Affiliates) a license or sublicense of such programming from Discovery or such third party on the same terms as such programming was made available to the relevant Discovery Controlled Affiliate; provided that Discovery shall be deemed to have used such commercially reasonable efforts if (x) Discovery's acquisition or license agreement with respect to such programming is assignable or such programming may otherwise be licensed or sublicensed to the Company or (y) Discovery negotiated for such right in its negotiation of such acquisition or license. &nb sp;If Discovery is able to assign, license or sublicense such programming to the Company, it shall promptly notify the Company thereof in writing. If the Company informs Discovery in writing within five (5) days after such notice that it

is interested in securing rights with respect to such programming, Discovery shall assign, license or sublicense the rights to such programming to the Company on a pass through basis, and the Company shall assume Discovery's obligations with respect thereto. If the Company has not informed Discovery in writing within five (5) days after such notice that it is interested in securing rights with respect to such programming, then Discovery shall be free to exploit such programming and shall not be obligated to license, sublicense of assign such programming to the Company on a pass through basis. If, despite its commercially reasonable efforts, Discovery is unable to assign, license or sublicense such programming to the Company, it shall promptly notify the Company thereof in writing. If the Company informs Discovery in writing within five (5) days after such notice that it is interested in securing rights with respect to such programming, then for a period not to exceed ten (10) Business Days after the Company delivers such notice, Discovery shall use commercially reasonable efforts to facilitate negotiations between the Company (as compared to other Discovery Controlled Affiliates) and representatives of the relevant programmer to reach agreement with respect to a license or sublicense thereto. If, after such ten (10) Business Day period, despite its commercially reasonable efforts, Discovery has been unable to facilitate such negotiations or an agreement is not entered into between the Company and such programmer, then Discovery shall be free to exploit such programming.

(iii) Notwithstanding anything to contrary in this Section 7.15(a)(1), in the event Discovery fails to comply with any of the foregoing procedures, Discovery shall nevertheless be deemed to be in compliance with its obligations under this Section 7.15(a)(1) with respect to any programming that the Company would be interested in securing rights in so long as the Company is assigned, licensed or sublicensed such programming within a reasonable period of time after the Company has requested such programming on terms that are no less favorable to the Company than the terms made available to the relevant Discovery Controlled Affiliate for such programming.

(2) Option: Discovery Produced-Programming. During the term of the Hasbro Studios Programming Agreement (as the same may be amended or extended), if any Discovery Controlled Affiliate produces English-language 14-and-Under Programming (other than Animal and Science Programming) based on Intellectual Property of Discovery for distribution on a Cable Television Network or Broadcast Television in the United States, then, subject to any contractual limitations applicable to such programming, Discovery shall provide, or cause to be provided, to the extent it is contractually permitted to, an exclusive option to the Company in accordance with the following terms:

(i) Discovery shall first provide written notice to the Company of its intent with respect to such programming;

(ii) if the Company is interested in securing rights with respect to such programming, the Company may elect to license such programming by providing written notice to Discovery within ten (10) Business Days following the notice described in subsection (i), and upon such election, the Company and the applicable Discovery

Controlled Affiliate shall enter into a license for such programming on terms corresponding to the license terms, mutatis mutandis, set forth in Section 1.01(c) (with regard to renewals for additional seasons) and Articles 2-15 of the Hasbro Studios Programming Agreement and, in addition, the applicable Discovery Controlled Affiliate shall make certain revenue share payments to the Company on the terms set forth in Section 1.05 of Schedule D; provided that with respect to digital rights to such programming, (x) ********** and (z) such programming would be deemed "Company Programming" under the Digital Agreement only to extent explicitly set forth therein; and

(iii) if the Company is not interested (in which case the Company shall promptly notify Discovery) or has not made such election described in subsection (ii) within ten (10) Business Days, then the applicable Discovery Controlled Affiliate shall be free to exploit such programming and shall not be obligated to license, sublicense or assign such programming to the Company.

(3) Waived Programming. Subject to 7.15(c), after the Company has informed Discovery that it is not interested in, the applicable time period with respect to Discovery's obligations hereunder has expired, or Discovery is otherwise permitted to exploit, any programming, in each case, in accordance with this Section 7.15(a), then the Company shall have no further rights to such programming or any renewals or future episodes or seasons of such program.

(b) Hasbro Programming Opportunities.

(1) Third-Party Discussions: Programming Opportunities. In addition to the obligations of Hasbro and Hasbro Studios to present programming opportunities based upon Hasbro's Intellectual Property to the Company pursuant to the Hasbro Studios Programming Agreement, during the term of the Hasbro Studios Programming Agreement (as the same may be amended or extended), Hasbro shall in good faith make the Company aware of future English-language opportunities from third parties with whom Hasbro has a contractual relationship with respect to merchandising rights or Telecast Rights for 14-and-Under Programming (excluding Animal and Science Programming) of which any Hasbro Controlled Affiliate becomes aware from time to time, provided that such proposed programming contains (x) Hasbro Intellectual Property but for which Hasbro is contractually rest ricted from producing or licensing such programming for distribution on a Cable Television Network in the United States and/or (y) Intellectual Property that is owned by, or with respect to which the right to produce or license related programming on a Cable Television Network is controlled by, third parties

that license merchandising rights to Hasbro with respect to such Intellectual Property. To the extent the Company is interested in securing rights with respect to such programming, Hasbro shall in good faith facilitate discussions between the Company and such third parties for the purpose of the Company's acquisition or license of such programming. Notwithstanding anything to contrary in this Section 7.15(b)(1), in the event Hasbro fails to comply with any of the foregoing procedures, Hasbro shall nevertheless be deemed to be in compliance with its obligations under this Section 7.15(b)(1) with respect to any programming that the Company would be interested in securing rights in so long as the Company is assigned, licensed or sublicensed such programming within a reasonable period of time after the Company has re quested such programming.

(2) First Look: Hasbro Studios Programming (Latin America). During the term of the Hasbro Studios Programming Agreement (as the same may be amended or extended), if any Hasbro Controlled Affiliate determines to seek distribution of Spanish-language 14-and-Under Programming (excluding Animal and Science Programming) on a Cable Television Network in Latin America or determines to license any third party to do so, then, subject to any contractual limitations applicable to such programming, Hasbro shall, to the extent it is contractually permitted to, provide a right of first look to Discovery (on behalf of Discovery Networks Latin America/U.S. Hispanic, so long as it is owned, operated or programmed by a Discovery Controlled Affiliate) in accordance with the following terms:

(i) Hasbro shall first provide written notice to Discovery of its intent with respect to such programming;

(ii) if Discovery is interested in securing rights to distribute such programming in Latin America, Hasbro shall provide Discovery with the first opportunity to negotiate (as compared to any opportunity that Hasbro Controlled Affiliates may afford to any other Cable Television Network in Latin America) for ten (10) Business Days with representatives of Hasbro Studios; and

(iii) if Discovery is not interested (in which case Discovery shall promptly notify Hasbro), the terms are not acceptable or an agreement is not entered into within ten (10) Business Days following the notice described in subsection (i) above, then Hasbro Studios shall be free to exploit such programming and negotiate and enter into an agreement with or with respect to another Cable Television Network, including for distribution of the programming on another Cable Television Network in Latin America, and shall not be obligated to license, sublicense or assign such programming to the Company.

(iv) Subject to 7.15(c), after Discovery has informed Hasbro that it is not interested in, the applicable time period with respect to Hasbro's obligations hereunder have expired, or Hasbro is otherwise permitted to exploit, any programming, in each case, in accordance with this Section 7.15(b), then Discovery shall have no further rights to such programming or any renewals or future episodes or seasons of such program.

For purposes of this Section 7.15(b)(2), “Latin America” means the Latin American countries and territories (including Puerto Rico but excluding the rest of the United States) where Discovery operates Discovery’s Networks Latin America /U.S. Hispanic (so long as it is owned, operated or programmed by a Discovery Controlled Affiliate).

(c) Changed Elements. In the event that (x) any programming is offered to a party by a Discovery Controlled Affiliate or a Hasbro Controlled Affiliate, as the case may be, pursuant to Section 7.15(a)(2) or (b)(2) and (y) such party does not elect to acquire or license such programming for any reason, if a Discovery Controlled Affiliate or a Hasbro Controlled Affiliate seeks to develop such programming with a Changed Element (as that term is defined in the Hasbro Studios Programming Agreement), then such programming shall again be subject to the provisions of this Section 7.15 if the procedures applicable with respect to Changed Elements pursuant to Section 1.03 of the Hasbro Studios Programming Agreement, applied mutatis mutandis, would require such programming to be resubmitted thereunder.

(d) Implementation. Discovery agrees that the Discovery Controlled Affiliates, and Hasbro agrees that the Hasbro Controlled Affiliates, respectively, will act in good faith to give effect to the intent and purposes of the their commitments under Section 7.15(a), 7.15(b) and 7.15(e), respectively, and will not conduct their businesses with the intent of circumventing the intent and purposes of their commitments under Section 7.15(a), 7.15(b) and 7.15(e), respectively.

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7.16. ******************* Commitments.

(a) Hasbro shall make (or cause to be made) certain advances and revenue share payments to the Company in accordance with the terms and provisions set forth on Schedule D.

(b) **
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(c) Discovery shall make (or cause to be made) certain revenue share payments to the Company in accordance with the terms and provisions set forth on Schedule D.

7.17. Network Content. The Members and the Company agree to the undertakings set forth on Schedule 7.17.

7.18. Transmission of the Network. The Members and the Company agree to the undertakings set forth on Schedule 7.18.

7.19. Cross Promotion. Subject to further exploration by the parties, Hasbro may provide promotional placement for the Network and its programming on domestic merchandise, on Hasbro.com and on brand-specific sites, and Discovery may leverage its marketing and distribution platforms, including television and digital, to promote the Network and its programming. Notwithstanding the foregoing, Discovery and Hasbro acknowledge and agree that the foregoing is a non-binding statement of intention only, and any cross-promotion obligations will ultimately be determined by mutual agreement of Discovery and Hasbro.

7.20. Other Discovery-Hasbro Relationships. Subject to further exploration, Discovery may provide international syndication for the Hasbro Studios programming outside of the United States. The parties will also explore ways for Hasbro Studios to work with Discovery Studios, including possible use of Discovery Studios' available production space in Los Angeles. Notwithstanding the foregoing, Discovery and Hasbro acknowledge and agree that the foregoing is a non-binding statement of intention only, and any agreements with respect to the matters described above in this Section 7.20 will ultimately be determined by mutual agreement of Discovery and Hasbro.

7.21. Future Merchandising Rights. Except for the rights granted under the Existing Merchandising Agreements as of the Signing Date, the Company shall not grant any merchandising rights for toys and games based on Intellectual Property owned or controlled by the Company ("**Company Intellectual Property**") to any third party unless it first provides written notice to Hasbro of its intent to grant such merchandising rights. If Hasbro is interested in securing toy and game merchandising rights with respect to such Company Intellectual Property, Hasbro may elect within thirty (30) days after receiving such notice from the Company to make an offer to the Company for such merchandising rights, the terms of which offer shall not be less favorable than the terms set forth on Schedule 7.21 attached hereto. If Hasbro makes an offer, the Company and Hasbro shall use their respective commercially reasonable efforts to negotiate in good faith and enter into a definitive merchandise licensing agreement within thirty (30) days after Hasbro makes an offer. If Hasbro notifies the Company in writing that it is not interested in securing such merchandising rights (which it shall do promptly) or has not made an offer within the thirty (30) day period specified above, or if Hasbro makes an offer but the Company and Hasbro have not entered into a binding agreement within the applicable thirty (30) day period specified above, then the Company may enter into negotiations with unrelated third parties with respect to such toy and game merchandising rights, provided that, if Hasbro has previously made an offer as provided above, before entering into any binding agreement with a third party, the Company shall first provide written notice to Hasbro of the proposed material terms, in reasonable detail, with the third party. Hasbro may elect within fift een (15) days after receiving such notice to match the material third party terms or, to the extent such terms are not reasonably capable of being matched, provide the economic equivalent thereof. If Hasbro elects to so match, the Company and Hasbro shall use their respective commercially reasonable efforts

to negotiate in good faith and enter into a definitive merchandise licensing agreement on the applicable terms. If Hasbro notifies the Company in writing that it is not interested in matching or has not made an election to match within the fifteen (15) day period specified above, then the Company may negotiate and enter into a binding agreement with such unrelated third party for such merchandising rights within three (3) months following Hasbro's notice or the expiration of such fifteen (15) day period, provided that the material terms agreed to with such third party shall be no more favorable to such third party than the material terms included in such notice to Hasbro.

ARTICLE 8
Transfers; Restrictions on Transfer

8.01. Limitation on Transfers. Except as provided in this Section 8.01, neither Member may Transfer, directly or indirectly, all or any part of its Membership Interest, including a Transfer of any economic or non-economic right to which such Membership Interest is entitled under this Agreement (whether voluntarily, involuntarily or by operation of law), unless approved by the Board. The Transferee of a Transfer of all or any part of a Membership Interest approved by the Board shall furnish to the Board such documentation as may be required pursuant to Section 8.06 and shall be admitted to the Company as a Member subject to Sections 8.03 and 8.06. For the avoidance of doubt, the restrictions of this Article 8 shall not apply and no consent of the Board shall ever be required for Transfers, at any time, of ownership interests in Discovery Ultimate Pare nt or Hasbro Ultimate Parent, it being understood that any such Transfer is subject to termination rights pursuant to Section 15.01(i) or (j), as the case may be, if the Transfer results in the occurrence of a Change of Control Transaction.

(a) Notwithstanding the foregoing restrictions of this Section 8.01, subject to Sections 8.03 and 8.06, the following Transfers of all or a portion of a Member's Membership Interest to the following Transferees (each, a "**Permitted Transferee**") shall be permitted and shall not require the consent of the Board:

(1) A Transfer of all or any portion of a Member's Membership Interest to any Wholly-Owned Affiliate of such Member, upon written notice to the other Member and the Company, which notice shall state the name and address of the Wholly-Owned Affiliate to whom such Transfer is made and the name(s) of the Persons owning interests in such Wholly-Owned Affiliate (it being understood that any subsequent Transfer of ownership interests in such Wholly-Owned Affiliate shall be subject to this Section 8.01); or

(2) Subject to Section 8.01(a)(3), Transfers by Discovery or Hasbro in one or more transactions of no more than an aggregate of twenty percent (20%) of the Membership Interest held by Discovery or Hasbro, as the case may be, on the Formation Date, or the equivalent thereof through the sale of equity in any direct or indirect holding company, provided that (i) the Transferor Member shall use commercially reasonable efforts to structure such Transfer as an indirect Transfer through the use of a holding company or similar arrangement, (ii) such Transferee shall in any event not be admitted as a Member hereunder without the prior written consent of the non-Transferor Member and shall only be entitled to the rights of an Assignee hereunder and (iii) such Transferee

shall not be a Competitive Person with respect to the non-Transferor Member without the prior written consent of such non-Transferor Member.

(3) Any direct or indirect Transfer of the ownership interest in a Membership Interest as part of a larger *bona fide* transaction (including by way of a sale of all or substantially all of the assets of such Members and its Controlled Affiliates to a single purchaser, which may be structured as an asset transaction including a direct Transfer of the Membership Interests) so long as the Transferred Membership Interests represent no more than fifteen percent (15%) of the value of the ownership interests or assets subject to a larger *bona fide* transaction. Notwithstanding the foregoing, the applicable Member shall have the right to terminate this Agreement under Section 15.01(i) or 15.01(j), as the case may be, if any Transfer of any direct or indirect ownership interest in a Membership Interest results in a Change of Control Transaction.

(b) If a Member (an "**Offeror**") intends to Transfer any Membership Interests held by such Member pursuant to Section 8.01(a)(2), then such Transferring Member shall first provide a written notice (an "**Offer Notice**") to the other Member (an "**Offeree**") of such intention, which written notice shall set forth the Membership Interests (or interest therein) proposed to be transferred (the "**Subject Interests**"). The Offeree shall have the right, exercisable upon written notice to the Offeror (a "**First Negotiation Notice**") within 30 days after the delivery of the Offer Notice, to enter into good faith negotiations for the Offeree to acquire such Subject Interests on terms mutually agreeable to both Members. In the event (i) the Offeree does not deliver a First Negotiation Notice to the Offeror within 30 days after its receipt of the Offer Notice or (ii) within the 30 days (or other mutually agreed upon time period) following the First Negotiation Notice, the Members do not mutually agree to the terms of the purchase of the Subject Interests by the Offeree, the right of first negotiation of the Offeree under this Section 8.01(b) shall expire with respect to such offering of the Subject Interests, and the Offeror shall be free thereafter to enter into a definitive agreement with a third party for the Transfer of such Subject Interests in accordance with Section 8.01(a)(2); provided that such definitive agreement (i) is entered into within 90 days thereafter, (ii) shall not provide for a Transfer on terms more favorable to such third party than the terms of the last offer made by the Offeree to the Offeror and (iii) should provide for a purchase price payable in cash. If the Subject Interests are not transferred to a third party in acco rdance with the foregoing sentence, then the Offeror shall again repeat the process set forth in this 8.01(b) prior to offering such Subject Interests to any third party at any time in the future. In the event that an Offeree purchases any Subject Interests from such Offeror pursuant to this 8.01(b), such transaction should be structured as a direct purchase, notwithstanding the proviso to Section 8.01(a)(2), and the Offeree shall only be entitled to the rights of Assignee hereunder with respect to such Membership Interests.

(c) Notwithstanding anything in this Agreement to the contrary, without the consent of the other Member, neither Member shall effect, or agree to effect, any Transfer that will adversely affect or change, or is reasonably likely to adversely affect or change, the partnership tax classification of the Company.

8.02. Assignee's Rights. Unless and until an Assignee becomes a Substituted Member pursuant to Section 8.06, the Assignee shall not be entitled to any of the rights granted to a holder of a Membership Interest hereunder or under applicable law, other than as contemplated by Section 8.06(b); provided that, without relieving the Transferring Member from any such limitations or obligations as more fully described in Section 8.03, such Assignee shall be bound by any limitations and obligations of the Transferring Member contained herein to which the Transferring Member would be bound under Section 8.03 on account of the Assignee's Membership Interest.

8.03. Transferor's Rights and Obligations.

(a) Subject to Section 8.07, any Member who shall Transfer all of its Membership Interest in the Company in accordance with the terms of this Agreement shall cease to be a Member with respect to such Membership Interest and shall no longer have any rights or privileges, or, except as set forth in this Section 8.03, duties, liabilities or obligations, of a Member with respect to such Transferred Membership Interest (it being understood, however, that the applicable provisions of Article 10 shall continue to inure to such Person's benefit), except that unless and until the Assignee is admitted as a Substituted Member in accordance with the provisions of Section 8.06 (such date of admission, the "**Admission Date**"), such Transferring Member shall retain all of the duties, liabilities and obligations of a Member with respect to such Memb ership Interest pursuant to the terms of this Agreement. Nothing contained herein shall relieve any Member who Transfers its Membership Interest in the Company from any duty, liability or obligation of such Member to the Company with respect to such Membership Interest that may exist on or prior to the Admission Date or that is otherwise specified in the Act or for any duty, liability or obligation to the Company or any other Person for any present or future breaches of any representations, warranties or covenants by such Member (in its capacity as such) contained herein or in the other agreements with the Company or for any duty, liability or obligation of such Member or its Affiliates in any capacity to the Company or any other Person under this Agreement or under any Ancillary Agreement.

(b) Notwithstanding the admission of a Substituted Member for it, each Member shall cause its Substituted Member to take all actions as are necessary for it to perform its obligations under, and unconditionally guarantees the full and prompt payment by any such Substituted Member of any and all payments required to be made by the Transferor Member pursuant to this Agreement. This guarantee is an absolute and continuing guarantee. Each such Transferor Member waives any and all defenses and discharges it may have or otherwise be entitled to as a guarantor or surety hereunder and further waives presentment for payment or performance, notice of nonpayment or nonperformance, demand and protest. Each Member expressly agrees that, following written notice to such Substituted Member and a reasonable opportunity to cure any breach, the Company and the other M ember may proceed directly against the Transferor Member and is not required to exhaust remedies against any such Substituted Member before proceeding against the Transferor Member. Notwithstanding the foregoing, the provisions of this Section 8.03(b) shall not apply with respect to any such Transferor Member in the event of a Sale in accordance with Section 15.03, 15.04 or 15.05.

8.04. Compliance with Law. Prior to the exercise of the right of a Member to Transfer any of its Membership Interests in accordance with Section 8.01, if the Transferee is not another Member, or a Permitted Transferee of such Member, the Company shall receive a favorable opinion of the Transferor's legal counsel or of other legal counsel acceptable to the Board to the effect that the Transfer is exempt from registration under the Securities Act and any applicable state securities laws.

8.05. Prohibited Transfer; Invalid Transfer. Any attempt to directly Transfer any Membership Interest not in compliance with this Agreement shall be null and void *ab initio* and neither the Company nor any transfer agent shall give any effect in the Company's records to such attempted Transfer.

8.06. Admission Procedure.

(a) An Assignee who is not a signatory to this Agreement may be admitted to the Company as a substituted Member (a "**Substituted Member**") only upon furnishing to the Board: (i) a counterpart signature page to this Agreement, and (ii) such other documents or instruments as may be necessary or appropriate to effect such Person's admission as a Substituted Member and to confirm the agreement of the Substituted Member to be bound by all the terms and provisions of this Agreement with respect to the Membership Interest acquired. Such admission shall become effective on the date on which the Board determines that such conditions have been satisfied.

(b) A direct Transfer of a Membership Interest shall be effective as of the date of assignment and compliance with the conditions to such Transfer hereunder and otherwise and such Transfer thereafter shall be shown on the books and records of the Company. Profits, losses and other Company items shall be allocated between the Transferor and the Transferee in accordance with Section 6.07. Distributions made before the effective date of such Transfer shall be paid to the Transferor, and distributions made after such date shall be paid to the Transferee.

(c) The Transferor of a Membership Interest shall pay, or reimburse the Company for, all costs reasonably incurred by the Company in connection with the Transfer promptly after the receipt by such Transferor of the Company's invoice for the amount due.

8.07. Certain Rights and Obligations not Transferable.

(a) The rights and obligations of Discovery set forth in Sections 3.05, 7.02, 7.03, 7.05, 7.11, 7.15, 13.01, 14.01 and Article 15 shall not be Transferable and shall not Transfer in connection with any Transfer by Discovery of its Membership Interests or the admission of a Substituted Member for Discovery; provided, however, that Discovery shall be entitled to Transfer any such rights and obligations to a Wholly-Owned Affiliate who is admitted as a Substituted Member; provided, further, that no such Transfer shall relieve Discovery of any such obligations. This Section 8.07(a) shall not be interpreted to limit any other restrictions on the Transfer of any rights or obligations of a Member in any other provision of this Agreement.

(b) The rights and obligations of Hasbro set forth in Sections 3.05, 7.02, 7.03, 7.05, 7.11, 7.15, 13.02, 14.01 and Article 15 shall not be Transferable and shall not Transfer in connection with any Transfer by Hasbro of its Membership Interests or the admission of a Substituted Member for Hasbro; provided, however, that Hasbro shall be entitled to Transfer any such rights and obligations to a Wholly-Owned Affiliate who is admitted as a Substituted Member; provided, further, that no such Transfer shall relieve Hasbro of any such obligations. This Section 8.07(b) shall not be interpreted to limit any other restrictions on the Transfer of any rights or obligations of a Member in any other provision of this Agreement.

(c) With respect to Sections 8.07(a) and (b), it is understood and agreed that a sale of all or substantially all of the assets of the Hasbro Controlled Affiliates, on one hand, or the Discovery Controlled Affiliates, on the other hand, respectively (whether by way of merger, sale of stock or assets or otherwise), including any Transfer made in accordance with Section 8.01(a)(3), shall not, by itself, constitute a Transfer of rights and obligations that is prohibited by this Section 8.07, subject to the other provisions of this Agreement that may provide for the termination of the Company. Accordingly, for example, subject to such other provisions, the rights and obligations of Hasbro would transfer to a third-party buyer of all or substantially all of the assets of the Hasbro Controlled Affiliates.

ARTICLE 9
Withdrawal and Resignation of Members

No Member shall have the power or right to withdraw or otherwise resign from the Company prior to the dissolution and winding up of the Company pursuant to Article 15. Upon a Transfer of all of a Member's Membership Interest in a Transfer permitted by this Agreement, subject to the provisions of Section 8.03, such Member shall cease to be a Member.

ARTICLE 10
Limitation on Liability and Indemnification

10.01. Limitation on Liability.

(a) No Covered Person shall be liable to the Company or to any Member for any act or omission performed or omitted by such Covered Person pursuant to authority granted to such Covered Person by this Agreement and, with respect to Officers only, performed or omitted by such Officer with a good faith belief that such act or omission was in, or not opposed to, the best interests of the Company; provided that, except as otherwise provided herein, such limitation of liability shall not apply to the extent the act or omission was attributable to such Covered Person's gross negligence, willful misconduct, fraud or knowing violation of law or this Agreement. No Member shall be liable to the Company or any other Member for any action taken by any other Member. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duti es) and liabilities relating thereto to the Company or to the Members, any Covered Person acting under this Agreement or otherwise shall not be liable to the Company or any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent they expressly restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity,

are agreed by the Members to modify such other duties and liabilities of such Covered Person. No Covered Person shall be personally liable to the Company or any Member for any error of judgment made in good faith by a responsible officer or officers of the Covered Person, except to the extent that such Covered Person's conduct constituted gross negligence, willful misconduct, fraud or knowing violation of law or this Agreement. Except as otherwise provided in this Section 10.01(a), no Covered Person shall be liable to the Company or any Member for any mistake of fact or judgment by the Covered Person in conducting the affairs of the Company or otherwise acting in respect of and within the scope of this Agreement, except to the extent that such Covered Person's conduct constituted gross negligence, willful miscond uct, fraud or knowing violation of law or this Agreement or any Ancillary Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, whenever in this Agreement or any other agreement contemplated hereby a Person or Persons are permitted or required to take any action or to make a decision in its or their "sole discretion" or "discretion," such Person or Persons shall be entitled to consider such interests and factors as it or they desire.

10.02. Duty of Directors. The Directors' duty of care in the discharge of their duties to the Company and the Members shall be limited to discharging their duties pursuant to this Agreement in good faith. In discharging their duties, the Directors shall not be liable to the Company or to any Member for any mistake or error in judgment or for any act or omission believed in good faith to be within the scope of authority conferred by law or by or pursuant to this Agreement. To the fullest extent permitted under the Act, it is expressly acknowledged and agreed that a Director shall act in the interests of the Member by whom he or she was appointed in considering matters that may come before the Board and that a Director shall have no liability to the Company or the Members for breach of the fiduciary duty of loyalty as a result of any action taken or approval give n by a Director that inures to the benefit of the Member by whom he or she was appointed.

10.03. Indemnification by the Company; Non-Exclusivity of Rights.

(a) The Company shall indemnify and hold harmless a Covered Person to the fullest extent permitted under the Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment), against all Losses reasonably incurred or suffered by such Covered Person (or one or more of such Covered Person's Affiliates) in connection with, relating to, or arising out of the business and operations of the Company; provided that no Covered Person shall be indemnified for any Losses suffered or incurred by such Covered Person that are attributable to such Person's or its Affiliate's (other th an the Company) or agent's gross negligence, willful misconduct, fraud or knowing violation of law or breach of this Agreement or any Ancillary Agreement; provided, further, that no Covered Person shall be indemnified for any Losses for which such Covered Person or its Affiliates is obligated to indemnify the Company pursuant to this Agreement or any of the Ancillary Agreements. Expenses, including attorneys' fees, reasonably incurred by any such indemnified Covered

Person in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Covered Person to repay such amount if it shall ultimately be determined that such Covered Person is not entitled to be indemnified by the Company. The Company shall have the right to control any proceeding for which a claim for indemnification is sought by a Covered Person if and to the extent that such claim relates to the business and operations of the Company. The indemnification obligations of the Company contained in this Section 10.03(a) shall apply to a Covered Person solely in such Covered Person's capacity as such on behalf of the Company with such duties, rights and obligations as are set forth in this Agr eement.

(b) Notwithstanding anything contained herein to the contrary (including in this Section 10.03), any indemnity by the Company relating to the matters covered in this Section 10.03 shall be provided out of and to the extent of Company assets (including any applicable policies of insurance) only and no Member shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnity of the Company.

(c) The right to indemnification and the advancement and payment of expenses conferred in this Section 10.03 shall not be exclusive of any other right which a Covered Person indemnified pursuant to this Section 10.03 may have or hereafter may acquire under any law (common or statutory), provision of the Certificate or this Agreement or the Ancillary Agreements, vote of the Members or disinterested Directors or otherwise.

10.04. Insurance. The Company may purchase and maintain insurance, at its expense, to protect itself and any Person who is an indemnified Person under Section 10.03 against any Loss, whether or not the Company would have the power to indemnify such Person against such Loss under Section 10.03.

10.05. Savings Clause. If this Article 10 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the indemnifying Person shall nevertheless indemnify and hold harmless each Person entitled to be indemnified pursuant to this Article 10 as to reasonable Losses paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article 10 that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE 11
Taxes

11.01. Tax Returns. The Tax Matters Partner (or any successor appointed by the Board) shall prepare and timely file all necessary federal and state income tax returns for the Company, including making the elections described in Section 11.02. Each Member shall furnish to the Tax Matters Partner all pertinent information in such Member's possession relating to the Company operations that is necessary to enable the Company's income tax returns to be timely prepared and filed.

11.02. Tax Elections.

(a) The Company's taxable year shall be the Fiscal Year. The Members shall determine whether to make or revoke any available election pursuant to the Code.

(b) Neither the Company nor any Director, Officer or Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election. No Member shall take any action (including the filing of an IRS Form 8832 Entity Classification Election) that would cause the Company to be characterized as an entity other than a partnership for federal income tax purposes except with the prior written consent of each Member.

11.03. Tax Matters Partner.

(a) Discovery is hereby designated as the Tax Matters Partner of the Company, as provided in Treasury Regulations pursuant to Section 6231 of the Code and analogous provisions of state law. Each Member, by the execution of this Agreement, consents to such designation of the Tax Matters Partner and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent.

(b) To the extent and in the manner provided by applicable law and Treasury Regulations, the Tax Matters Partner shall furnish the name, address, profits interest and taxpayer identification number of each Member and any Transferee to the Secretary of the Treasury or his delegate (the "**Treasury Secretary**").

(c) The Tax Matters Partner shall notify each Member of any audit that is brought to the attention of the Tax Matters Partner by notice from the Internal Revenue Service, and shall forward to each Member copies of any written notices, correspondence, reports or other documents received by the Tax Matters Partner in connection with such audit within 10 Business Days following its notification by the Internal Revenue Service or its receipt, as the case may be. The Tax Matters Partner shall provide the Members with reasonable advance notice of administrative proceedings with the Internal Revenue Service, including any closing conference with the examiner and any appeals conference.

(d) The Tax Matters Partner shall give the Members written notice of its intent to initiate judicial review, file a request for administrative adjustment on behalf of the Company, extend the period of limitations for making assessments of any tax against a Member with respect to any Company item, or enter into any agreement with the Internal Revenue Service that would result in the settlement of any alleged tax deficiency or other tax matter, or to any adjustment of taxable income or loss or any item included therein, affecting the Company or any Member. The Tax Matters Partner shall not take any such action under this Section 11.03(d) if the other Member elects within 30 Business Days after its receipt of the Tax Matters Partner's notice to require that the Tax Matters Partner refrain from taking such action.

(e) Subject to the foregoing provisions of this Section 11.03, the Tax Matters Partner is hereby authorized, but not required:

(1) to enter into any settlement with the Internal Revenue Service or the Treasury Secretary with respect to any tax audit or judicial review, in which agreement the Tax Matters Partner may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind either Member that (within the time prescribed pursuant to the Code and Treasury Regulations thereunder) files a statement with the Treasury Secretary providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on the behalf of such Member;

(2) if a notice of a final administrative adjustment at the Company level of any item required to be taken into account by a Member for tax purposes (a "**Final Adjustment**") is mailed to the Tax Matters Partner, to seek judicial review of such Final Adjustment, including the filing of a petition for readjustment with the U.S. Tax Court, the U.S. District Court for the district in which the Company's principal place of business is located, or elsewhere as allowed by law, or the U.S. Claims Court;

(3) to intervene in any action brought by any other Member for judicial review of a Final Adjustment;

(4) to file a request for an administrative adjustment with the Treasury Secretary at any time and, if any part of such request is not allowed by the Treasury Secretary, to file a petition for judicial review with respect to such request;

(5) to enter into an agreement with the Internal Revenue Service to extend the period for assessing any tax that is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Members (with respect to the Company) or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by applicable law or Treasury Regulations.

(f) The Company shall indemnify and reimburse the Tax Matters Partner for all reasonable expenses (including reasonable legal and accounting fees) incurred pursuant to this Section 11.03 in connection with any administrative or judicial proceeding with respect to the tax liability of the Members. The payment of all such reasonable expenses shall be made before any distributions are made to the Members. The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent provided herein or required by law, is a matter in the sole discretion of the Tax Matters Partner and the provisions on limitations of liability of Covered Persons and indemnification set forth in Article 10 shall be fully applicable to Discovery in its capacity as the Tax Matters Partner.

(g) Any Member that receives a notice of an administrative proceeding under Code Section 6233 relating to the Company shall promptly notify the Tax Matters Partner of the treatment of any Company item on such Member's federal income tax return that is or may be inconsistent with the treatment of that item on the Company's return.

(h) Any Member that enters into a settlement agreement with the Treasury Secretary with respect to any Company item in accordance with this Agreement shall notify the Tax Matters Partner of such agreement and its terms within 30 days after its date, and the Tax Matters Partner shall notify the other Members of the settlement agreement within 30 days of such notification.

ARTICLE 12
Books, Records, Reports, Accounts

12.01. Records and Accounting.

(a) The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 12.04 or pursuant to applicable laws. The Company shall comply with Section 404 of the Sarbanes-Oxley Act of 2002, as in effect from time to time. All matters concerning (i) the determination of the relative amount of allocations and distributions among the Members pursuant to this Agreement, and (ii) accounting procedures and determinations, and other determinations not specifically and expressly provided for by any applicable terms of this Agreement, shall be determined by the Board, whose determination shall be final and conclusive absent manifest clerical error and prov ided such determinations are consistent with the terms of this Agreement; provided, however, that the Company shall comply with any reasonable and customary corporate governance policies requested by Discovery or Hasbro (including any code of ethics) so long as such policies are applicable to such Member or any of its Controlled Affiliates.

(b) The Board shall engage a nationally recognized firm of independent certified public accountants to perform an audit of the Company's financial statements for each Fiscal Year; provided, however, that Discovery and Hasbro agree that the initial auditor of the Company shall be PricewaterhouseCoopers, subject to PricewaterhouseCoopers entering into a confidentiality agreement with the Company protecting against the disclosure of the Company's and the Members' confidential information, the form of which shall be reasonably satisfactory to Discovery and Hasbro. Notwithstanding the immediately preceding sentence, to the extent that one of the Members consolidates the financial position and results of the operations of the Company in accordance with GAAP, then such Member shall have the right to select the auditor of the Company, pro vided that: (i) subject to the following clause (ii), unless such Member has a good faith reason to use another auditor, it is expected that such auditor will be the same nationally recognized firm of independent certified public accountants that audits such Member's financial statements; (ii) any change in the Company's auditor shall be subject to the prior approval of the other Member, which approval shall not be unreasonably withheld, conditional or delayed; and (iii) such auditor shall agree to enter into a confidentiality agreement with the Company protecting against the disclosure of the Company's and the Members' confidential information, the form of which shall be reasonably satisfactory to Discovery and Hasbro.

(c) Each Member (or its authorized representatives) shall have the right, upon reasonable advance notice and during normal business hours, to inspect and copy any

of the books, records, documents and information of the Company, including financial information, ratings, forecasts, management reports and documents and other information relating to internal controls. Each Member shall also have the right to engage a firm of independent certified public accountants, at its own expense, to audit the Company's books, records and internal controls, and the Company shall cooperate with such Member and firm in connection with such audits, subject to such auditors entering into a confidentiality agreement with the Company protecting against the disclosure of the Company's and the Members' confidential information, the form of which shall be reasonably satisfactory to Discovery and Hasbro.

12.02. Member Reports.

(a) The Company shall deliver or cause to be delivered to each Member:

(1) within 21 days after the conclusion of each month, an unaudited standard management report containing (i) an income statement of the Company and its subsidiaries for such month, (ii) a consolidated balance sheet of the Company and its subsidiaries as of the end of such month, and (iii) a consolidated statement of cash flows for the Company and its subsidiaries as of the end of such month;

(2) within 28 days after the end of each fiscal quarter, an unaudited balance sheet and an unaudited statement of income and cash flows of the Company and its subsidiaries for and as at the end of such fiscal quarter, setting forth in comparative form with respect to the corresponding fiscal quarter for the previous Fiscal Year and with respect to the Annual Budget; provided, however, that the Company's failure to provide a statement of cash flows within 28 days after the end of any such fiscal quarter shall not be deemed a breach of this obligation so long as the Company provides such statement as promptly as reasonably practicable thereafter;

(3) upon the request of Discovery or Hasbro, within 90 days (or earlier as may be required to comply with securities laws applicable to such Member or its Affiliates) after the conclusion of any Fiscal Year, audited consolidated statements of income and cash flows of the Company and its subsidiaries for such Fiscal Year, changes in each Member's equity and each Member's Capital Account balance and an audited consolidated balance sheet of the Company and its subsidiaries as of the end of such Fiscal Year, all prepared in accordance with GAAP, consistently applied; and

(4) within 60 days after the conclusion of any Fiscal Year, an unaudited statement of changes in each Member's equity and each Member's Capital Account balance for such Fiscal Year.

(b) To the extent that a Member (the "**Consolidating Member**") consolidates the financial statements of the Company in accordance with GAAP, the Company shall deliver to each Member:

(1) within 6 Business Days after the conclusion of each month, an unaudited reporting package which contains a preliminary balance sheet and statement of

operations of the Company, prepared in accordance with GAAP, the format of which reporting packages shall be mutually determined by the Company and the Consolidating Member in good faith;

(2) within 11 Business Days after the conclusion of each month, an updated unaudited reporting package which contains any required updates to the preliminary balance sheet and statement of operations described in clause (1) of this subsection (b);

(3) on a timely basis in good faith, information with respect to Subsequent Events (as defined in accordance with GAAP) that may affect either accounting or disclosure matters on a periodic basis during a fiscal quarter and year–end close up through the time that the Consolidating Member files its consolidating financial statements with the U.S. Securities and Exchange Commission; and

(4) a representation letter on a quarterly and annual basis which provides customary representations of the Company with respect to the preparation of the financial information in the reporting packages described in clauses (1) and (2) of this subsection (b) and applicable internal controls over financial reporting.

(c) The Company shall deliver or cause to be delivered, within 90 days after the end of each Fiscal Year, to each Person who was a holder of a Membership Interest at any time during such Fiscal Year, all information necessary for the preparation of such Person's federal and state income tax returns.

12.03. Accounts. The Board shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company's name with financial institutions and firms that the Board determines. The Board may not commingle the Company's funds with the funds of any Member.

12.04. Other Information. In addition to the other rights specifically set forth in this Agreement, each Member shall be entitled to all information to which such Member is entitled to have access pursuant to Section 18-305(a) of the Act under the circumstances and subject to the conditions therein stated.

ARTICLE 13
Exclusivity Covenants

13.01. Exclusivity Covenants of Discovery.

(a) Commencing on the Formation Date, during the Term, subject to the other provisions of this Section 13.01, none of the Discovery Controlled Affiliates shall, directly or indirectly, (i) own an economic interest in, or operate, control or participate in the management of any Competitive Cable Television Network or (ii) re-brand any of Discovery Ultimate Parent's or its Controlled Affiliates' Cable Television Networks as a Competitive Cable Television Network.

(b) **********.

(c) **********.

(d) **********.

13.02. Exclusivity Covenants of Hasbro.

(a) Commencing on the Formation Date, during the Term, subject to the other provisions of this Section 13.02, none of the Hasbro Controlled Affiliates shall, directly or indirectly, own an economic interest in, or operate, control or participate in the management of any Competitive Cable Television Network.

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13.03. Other Opportunities. Subject to compliance with the other provisions of this Article 13 and their other commitments under this Agreement and the Ancillary Agreements:

(a) any Director or Member or its Affiliate (other than the Company) may conduct any business or activity whatsoever outside of the Company without any accountability to the Company or any other Member (and all revenue and expenses attributable to any such business or activity shall be for the sole account of the Director or Member or its Affiliate (other than the Company) performing such business and activity) regardless of whether (i) such outside business or activity of such Director or Member or such Affiliate competes with the business of the Company, (ii) such outside business or

activity by such Director or Member or such Affiliate is or is not in the best interests of the Company or the other Members (unless such business or activity is performed on behalf of the Company), or (iii) such Director or Member or such Affiliate became aware of such outside business or activity in her or his role with the Company or as a Member (including through its appointed Directors), as applicable, and this Agreement shall not give the Company, any Member or other Person any interest in, or right to, any such outside business or activity or any proceeds, income or profit thereof or therefrom.

(b) the Company and the Members hereby acknowledge that the conduct (or the omission of conduct) of any business or activity outside of the Company shall not (i) constitute a breach of this Agreement; (ii) constitute a breach of any fiduciary or other duty owed to the Company or any Member (and to the extent any such duty exists at law or in equity it is hereby expressly waived in perpetuity); or (iii) otherwise give rise to any liability to the Company or any Member; and

(c) no Director or Member shall be obligated hereunder to offer any business opportunity to the Company or any other Member or be restricted from pursuing any business opportunity offered to the Company.

ARTICLE 14
Confidentiality

14.01. Confidentiality.

(a) Each of the Members acknowledges that, from time to time, it and its Affiliates may receive information from or regarding the other Member (or its Affiliates) or the Company in the nature of trade secrets or that otherwise is confidential, the release or disclosure of which could be damaging to the other Member (or its Affiliates), the Company or Persons with which it does business. Each of the Members and the Company acknowledges that, from time to time, it may ** ***. The confidential information, ** and information related to other programming services or networks described in this Section 14.01(a) ar e collectively referred to as "**Confidential Information**."

(b) Each of the Members and the Company receiving any Confidential Information (each, a "**Receiving Party**") shall hold in strict confidence any Confidential Information it receives with the same degree of care as it uses to avoid unauthorized use, disclosure, publication or dissemination of its own confidential information of a similar nature, but in no event less than a reasonable degree of care; provided that a Receiving Party may disclose such Confidential Information to any Affiliate, Covered Person or professional advisor of such Receiving Party that agrees to abide by the restrictions in this Section 14.01; provided, further, that a Receiving Party may disclose such Confidential Information to the extent required by any legal, accounting or regulatory requirements (including the

requirements of any securities exchange) or in connection with enforcing its rights under this Agreement or the Ancillary Agreements; and provided, further, that the Receiving Party disclosing such Confidential Information shall be responsible for any breaches of confidentiality by any such Affiliate, Covered Person or professional advisor of such Receiving Party. For the avoidance of doubt, the restrictions in this Section 14.01(b) shall continue to apply to a Member after it has ceased to be a Member.

(c) The restrictions in this Section 14.01 shall not apply to any Confidential Information as to which the Receiving Party can demonstrate that such Confidential Information: (1) is or became public knowledge through no action of such Receiving Party or its Affiliates, officers, directors, representatives or agents in violation of this Agreement; (2) has been provided to such Receiving Party without restriction by an independent third party who has not, directly or indirectly, received such Confidential Information from such Receiving Party (or the Company); (3) was properly in the possession of such Receiving Party prior to the time of receipt of such Confidential Information; (4) is required to be disclosed by law, regulation or court order (provided that such Receiving Party shall notify the Board, or Discovery in the case of **********, promptly of any request for that Confidential Information, before disclosing it if practicable); (5) was developed independently by such Receiving Party in the course of work by employees or other agents of such Receiving Party without use of such Confidential Information; or (6) has been provided to such Receiving Party independently of such Receiving Party's activities with respect to the Company.

ARTICLE 15
Termination, Dissolution and Liquidation

15.01. Termination. Upon the first to occur of the following, the joint venture created hereby shall be terminated in accordance with the procedures and provisions of this Article 15, subject to the other provisions of this Article 15:

(a) the unanimous approval thereof by the Members;

(b) subject to Section 16.16, the entry of a decree of administrative or judicial dissolution of the Company under the Act;

(c) the sale of all or substantially all of the assets of the Company;

(d) at either Member's election by providing written notice thereof to the Company and the other Member at any time within ninety (90) days following the occurrence of the events specified in Schedule C attached hereto; provided that a termination election may not be made by a Member pursuant to this Section 15.01(d) if one of the foregoing occurred principally as a result of a breach of this Agreement or any Ancillary Agreement by such Member or its Affiliate;

(e) at either Member's election by providing thirty (30) days prior written notice thereof to the Company and the other Member at any time within the one-year period commencing on October 1, 2019;

(f) at either Member's election at any time from and after January 1, 2014, by providing written notice thereof to the Company and the other Member at any time within ninety (90) days after the commencement of any full Fiscal Year if the Board has not approved the Annual Budget for such full Fiscal Year and the two immediately preceding full Fiscal Years;

(g) at Hasbro's election by providing written notice thereof to the Company and Discovery following the occurrence of a Discovery Material Breach; provided that, in the event of a Discovery Material Breach pursuant to clause (i) or (ii)(x) of the definition of "Discovery Material Breach", upon Hasbro's written notice to Discovery of its intention to terminate the joint venture as a result of such a Discovery Material Breach (which notice shall provide in reasonable detail the nature of such alleged Discovery Material Breach and its qualification as a "Discovery Material Breach" in accordance with such definition), (i) Discovery shall have forty-five (45) days (or thirty (30) days to the extent such breach involves solely the payment of money) from the date of such notice to cure (such that the underlying matter no longer constitutes a Discovery Material Breach) any such Discovery Material Breach, (ii) such forty-five (45) day period (but not such thirty (30) day period) shall be extended for an additional forty-five (45) day period so long as Discovery is diligently seeking to cure such Discovery Material Breach; and (iii) if such Discovery Material Breach is of a type that cannot be cured and money damages would provide a full remedy for the harm resulting from such Discovery Material Breach, Discovery shall be deemed to have cured such Discovery Material Breach with respect to such harm by making a payment to the Company or Hasbro, as applicable, in an amount sufficient to compensate the Company or Hasbro, as applicable, for such harm; provided, however, that a termination election may not be made by Hasbro pursuant to this Section 15.01(g) if such Discovery Material Breach occurred principally as a result of a breach of this Agreement or any Ancillary Agreement by the Company, Hasbro or any of Hasbro's Affiliates; provided further, that, for the avoidance of doubt, Hasbro may deliver written notice of a termination election following the occurrence of a Discovery Material Breach and prior to expiration of any applicable cure period;

(h) at Discovery's election by providing written notice thereof to the Company and Hasbro following the occurrence of a Hasbro Material Breach; provided that, in the event of a Hasbro Material Breach pursuant to clause (i) or (ii)(x) of the definition of "Hasbro Material Breach", upon Discovery's written notice to Hasbro of its intention to terminate the joint venture as a result of such a Hasbro Material Breach (which notice shall provide in reasonable detail the nature of such alleged Hasbro Material Breach and its qualification as a "Hasbro Material Breach" in accordance with such definition), (i) Hasbro shall have forty-five (45) days (or 30 days to the extent such breach involves solely the payment of money) from the date of such notice to cure (such that the underlying matter no longer constitutes a Hasb ro Material Breach) any such Hasbro Material Breach, (ii) such forty-five (45) day period (but not such thirty (30) day period) shall be extended for an additional forty-five (45) day period so long as Hasbro is diligently seeking to cure such Hasbro Material Breach; and (iii) if such Hasbro Material Breach is of a type that cannot be cured and money damages would provide a full remedy for the harm resulting from such Hasbro Material Breach, Hasbro shall be deemed to have cured such Hasbro Material Breach with respect to such harm by making a payment to the Company or Discovery, as applicable,

in an amount sufficient to compensate the Company or Discovery, as applicable, for such harm; provided, however, that a termination election may not be made by Discovery pursuant to this Section 15.01(h) if such Hasbro Material Breach occurred principally as a result of a breach of this Agreement or any Ancillary Agreement by the Company, Discovery or any of Discovery's Affiliates; provided further, that, for the avoidance of doubt, Discovery may deliver written notice of a termination election following the occurrence of a Hasbro Material Breach and prior to expiration of any applicable cure period;

(i) at Discovery's election by providing written notice thereof to the Company and Hasbro at any time (i) following thirty (30) days after, but prior to ninety (90) days after, the occurrence of a Change of Control Transaction with respect to Hasbro Ultimate Parent or any of its Affiliates that hold a Membership Interest prior to the Launch Date or (ii) following 180 days after, but prior to the first anniversary of, the occurrence of a Change of Control Transaction with respect to Hasbro Ultimate Parent or any of its Affiliates that hold a Membership Interest on or after the Launch Date, provided that, notwithstanding clause (i) and (ii), Discovery may provide such notice at any time prior to ninety (90) days after the occurrence of any Change of Control Transaction described in Section 13.02(b); or

(j) at Hasbro's election by providing written notice thereof to the Company and Discovery at any time (i) following 30 days after, but prior to ninety (90) days after, the occurrence of a Change of Control Transaction with respect to Discovery Ultimate Parent or any of its Affiliates that hold a Membership Interest prior to the Launch Date or (ii) following 180 days after, but prior to the first anniversary of, the occurrence of a Change of Control Transaction with respect to Discovery Ultimate Parent or any of its Affiliates that hold a Membership Interest on or after the Launch Date, provided that, notwithstanding clause (i) and (ii), Hasbro may provide such notice at any time prior to ninety (90) days after the occurrence of any Change of Control Transaction described in Section 13.01(b).

Subject to the foregoing termination rights, the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member, or the admission of additional Members or Substituted Members shall not automatically cause a termination hereunder, and the Company shall continue in existence notwithstanding such an event, subject to the terms and conditions of this Agreement.

15.02. Effect of Termination.

(a) Pre-Launch Termination for Material Breach or Change of Control. Upon a termination election to dissolve the joint venture prior to the Launch Date pursuant to Section 15.01(g) or (h), with respect to a Material Breach, or upon a termination election to dissolve the joint venture pursuant to Section 15.01(i)(i) or (j)(i), with respect to a Change of Control Transaction occurring prior to the Launch Date, Discovery or its designated Affiliate shall purchase all Membership Interests owned by Hasbro and its Affiliates (representing one-half of all Membership Interests outstanding), and Hasbro shall be obligated to sell such Membership Interests to Discovery or its designated Affiliate, in exchange for the Unwind Price in accordance with Section 15.04(e). Upon such a Sale, any agreements with and commitments to the Company of Has bro under this Agreement and the Ancillary Agreements shall automatically be deemed terminated in accordance with the terms thereof upon

consummation of the Sale; provided that such termination shall not relieve any party from any liabilities that accrued prior to such termination and that provisions under Ancillary Agreements that expressly survive a termination of such Ancillary Agreement shall survive in accordance with the applicable terms thereof. In the event of such termination election pursuant to Section 15.01(g) or (h), the terminating Member shall also have the right, in lieu of the remedy set forth in the first sentence of this Section 15.02(a), to either (1) purchase all Membership Interests owned by the non-terminating Member at a price equal to the *pro rata* share (based on Percentage Interest) of Fair Market Value in accordance with Section 15.04(e), or (2) cause the Board to initiate an auction in accordance with the procedures set forth in Section 15.04. The terminating Member may exercise its rights under clause (1) or (2) by delivering written notice thereof at any time within thirty (30) days after it has delivered its termination notice under Section 15.01(g) or (h), as applicable, and, if the terminating Member elects to exercise its rights under clause (1) or (2), the Fair Market Value shall be determined in accordance with the procedures in Section 15.02(b); provided that such terminating Member shall not obligated to select as between (1) or (2) until thirty (30) days after the Fair Market Value has been so determined.

(b) Calculation of Fair Market Value. Upon a termination election to dissolve the joint venture pursuant to Section 15.01 (other than Sections 15.01(a), 15.01(b) or 15.01(c)) on or after the Launch Date (or in the event of an election pursuant to clause (1) or (2) of Section 15.02(a)), then Discovery and Hasbro shall commence an appraisal process pursuant to this Section 15.02(b). Discovery and Hasbro shall use good faith efforts to mutually agree on the Fair Market Value within 30 days following such termination election (and either party may elect to retain a third-party appraiser at its own expense to assist it in its valuation).

(c) Post-Launch Termination. With respect to any termination election on or after the Launch Date, within thirty (30) days after the final determination of the Fair Market Value pursuant to Section 15.02(b):

(1) "Jump Ball." In the case of a termination election pursuant to Section 15.01(d), (e) or (f) on or after the Launch Date, unless the Members mutually agree to withdraw the termination election within such thirty (30) days after such determination of the Fair Market Value, the Members shall initiate the procedures set forth in Section 15.03;

(2) Hasbro Material Breach or Change of Control. In the case of a termination election pursuant Section 15.01(h) or (i)(ii) on or after the Launch Date, Discovery shall deliver written notice to Hasbro and the Company of its election to (x) withdraw the termination election, and Discovery shall (A) reimburse the Company and Hasbro for all reasonable out-of-pocket costs incurred by the Company or Hasbro, respectively, in connection with the performance of their respective obligations under this Section 15.02 (including the costs and fees of the Third-Party Appraiser but excluding the costs of any third-party appraiser retained by Hasbro to assist Hasbro in its valuation) and (B) waive any future right to elect a termination of the Company with respect to the Hasbro Material Breach or Change of Control giving rise to such termi nation, except a one-time right to commence a new termination process after a quiet period of at least six (6) months but not more than one year after the withdrawal of its termination election, which, unless the Members otherwise agree, shall be subject to all applicable procedures of Sections 15.02, 15.03 and 15.04 as if such termination election were being first elected as of such date, (y) purchase all Membership Interests owned by Hasbro at a price equal to the *pro rata* share (based on Percentage Interest) of Fair Market Value in accordance with Section 15.04(e) or (z) cause the Board to initiate an auction in accordance with the procedures set forth in Section 15.04; or

(3) Discovery Material Breach or Change of Control. In the case of a termination election pursuant Section 15.01(g) or (j)(ii) on or after the Launch Date, Hasbro shall deliver written notice to Discovery and the Company of its election to (x) withdraw the termination election and Hasbro shall (A) reimburse the Company and Discovery for all reasonable out-of-pocket costs incurred by the Company or Discovery, respectively, in connection with the performance of their respective obligations under this Section 15.02 (including the costs and fees of the Third-Party Appraiser but excluding the costs of any third-party appraiser retained by Discovery to assist Discovery in its valuation) and (B) waive any future right to elect a termination of the Company with respect to the Discovery Material Breach or Change of Control giving rise to such termination, except a one-time right to commence a new termination process after a quiet period of at least six (6) months but not more than one year after the withdrawal of its termination election, which, unless the Members otherwise agree, shall be subject to all applicable procedures of Sections 15.02, 15.03 and 15.04 as if such termination election were being first elected as of such date, (y) purchase all Membership Interests owned by Discovery at the *pro rata* share (based on Percentage Interest) of Fair Market Value in accordance with Section 15.04(e) or (z) cause the Board to initiate an auction in accordance with the procedures set forth in Section 15.04.

15.03. Buy-Sell ("Jump Ball"). In the case of a termination election pursuant to Section 15.01(d), (e) or (f) on or after the Launch Date, unless the Members mutually agree to withdraw the termination election within thirty (30) days after such determination of the Fair Market Value, on the 30th day after the determination of the Fair Market Value pursuant to Section 15.02(b), each Member shall simultaneously notify the other in writing of its irrevocable election to either (i) purchase all of the Membership Interests not held by it and its Affiliates or (ii) sell all of the Membership Interests held by it and its Affiliates (each notice delivered pursuant to clause (i) and (ii), an "**Intentions Notice**") in each case at the *pro rata* share (based on Percentage Interest) of Fair Market Value. Upon receipt of the Inte ntions Notices:

(a) One Seller/One Buyer. If one Member elects to purchase Membership Interests and the other Member elects to sell Membership Interests, then the Members shall, in accordance with Section 15.04(e), consummate the purchase and sale of all Membership Interests not owned by the purchasing Member and its Affiliates, and the other Member shall be obligated to sell its and its Affiliates Membership Interests to the Member who has elected to purchase Membership Interests at a price equal to the *pro rata* (based on Percentage Interest) share of the Fair Market Value.

(b) Two Sellers. If each Member elects to sell Membership Interests, then the Members shall promptly commence an auction pursuant to Section 15.04.

(c) Two Buyers. If each Member elects to purchase Membership Interests, the Member that delivered the termination election shall, within ten (10) days after the date of exchange of the Intentions Notices, submit to the other Member a binding offer to purchase such Membership Interests in accordance with Section 15.04(e) for a price, payable in cash, in excess of the purchase price that would have been payable for such Membership Interests if such sale had been consummated pursuant to Section 15.03(a). The other Member shall have the corresponding right to receive and review the terms of such bid in writing and shall have three (3) Business Days after receipt of the terms of such bid to submit a higher bid, and such process shall continue until a Member's bid prevails with respect to such Membership Interests; provided that for any bid to be deemed a prevailing bid for the purposes of this Section 15.03(c), such bid shall be at a price, payable in cash, no less than $1,000,000 more than the preceding applicable bid. Upon final determination of a prevailing bid, the Member making the prevailing bid shall purchase all Membership Interests owned by the other Member and its Affiliates at the prevailing bid price in cash in accordance with Section 15.04(e).

15.04. Auction.

(a) Initiation of Auction. Promptly, and in any event within thirty (30) days, following the initiation of an auction of the Company pursuant to Sections 15.02(a)(2), 15.02(c)(2), 15.02(c)(3) or 15.03(b), the Members (as provided in Section 15.04(b)(6)) shall engage an investment bank of nationally recognized standing for the purpose of advising the Members, the Company and the Board on the Sale of the Company. The auction shall be for all of the then-outstanding Membership Interests of the Company (the "**Auction Interests**"). For the avoidance of doubt, the preceding sentence is not intended to limit how the Sale of

the Auction Interests may be structured (*i.e.*, whether by way of merger, consolidation, sale of equity, sale of assets or otherwise).

(b) Auction Procedures. The auction contemplated hereunder shall be conducted in accordance with the following procedures:

(1) Member Bidding. Neither Member may participate as a bidder in the auction except as provided in Section 15.04(b)(5).

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(4) No Third Party Bids. If the auction results in no bid for the Auction Interests, then the Board shall continue to operate the Company pursuant to the terms of this Agreement until such time as the terminating Member (or, in the case of a termination election pursuant to Section 15.01(d), (e) or (f), either Member) determines, after a quiet period of at least **********, to commence a new termination process, which, unless the Members may otherwise agree, shall be subject to all applicable procedures of Sections 15.02, 15.03 and 15.04, as applicable, as if such termination election were being first elected as of such date.

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(i) "Jump Ball" Termination. In the case of a termination election pursuant to Section 15.01(d), (e) or (f), each Member shall simultaneously provide the other with its Intentions Notice, in each case at the *pro rata* share (based on Percentage Interest) of such Insufficient Bid, payable in cash, and upon receipt of the Intentions Notices, the procedures set forth in Section 15.03(a), 15.03(b) or 15.03(c), as applicable, shall again apply with respect to such Sale, provided that (x) the purchase price payable pursuant to Section 15.03(a) shall be the *pro rata* share (based on Percentage Interest) of such Insufficient Bid, payable in cash, (y) if each Member elects to sell Membership Interests pursuant to Section 15.03(b), the Insufficient Bid, if payable in cash, shall prevail with respect to the Auction In terests, and (z) if each Member elects to purchase Membership Interests pursuant to Section 15.03(c), the first binding offer to purchase Membership Interests submitted by a Member shall be for a purchase price, payable in cash, no less than the *pro rata* share (based on Percentage Interest) of such Insufficient Bid; or

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(iii) Termination for Change of Control. In the case of a termination election pursuant to Section 15.01(i) or (j), each Member shall simultaneously provide the other with its Intentions Notice, in each case at the *pro rata* share (based on Percentage Interest) of such Insufficient Bid, payable in cash, and upon receipt of the Intentions Notices, the procedures set forth in Section 15.03(a), 15.03(b) or 15.03(c), as applicable, shall apply with respect to such Sale, provided that (w) the purchase price payable pursuant to Section 15.03(a) shall be the *pro rata* share (based on Percentage Interest) of such Insufficient Bid, payable in cash, (x) if each Member elects to sell Membership Interests, the Insufficient Bid, if payable in cash, shall prevail with respect to the Auction Interests, (y) if each Member elects to purchas e Membership Interests pursuant to Section 15.03(c), the first binding offer to purchase Membership Interests submitted by the terminating Member shall be for a purchase price, payable in cash, no less than the *pro rata* share (based on Percentage Interest) of such Insufficient Bid, and (z) the terminating Member may elect to withdraw its termination election at any time prior to the entering into of a definitive agreement with the buyer (provided that such terminating Member shall (A) reimburse the Company and the other Member for all reasonable out-of-pocket costs incurred by them, respectively, in connection with the performance of their respective obligations in connection with the auction process (excluding the costs of any third-party appraiser retained by the other Member to assist the other Member in its valuation) and (B) waive any future right to elect a termination of the Company with respect to the Change of Control giving rise to such termination, except a one-ti me right to commence a new termination process after a quiet period of at

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**********, which, unless the Members otherwise agree, shall be subject to all applicable procedures of Sections 15.02, 15.03 and 15.04 as if such termination election were being first elected as of such date.

(6) Control of Process. Each Member shall, and shall cause the Directors appointed by such Member to, cooperate with the other Member and the Company in good faith and take all necessary or desirable actions within its control in support of all steps, actions and other matters necessary or desirable to effectuate any Sale in accordance with this Article 15 for the highest price reasonably attainable and shall not take any action to frustrate the timely effectuation of any such Sale. If the Members are not able to mutually agree on any Sale matter and the subsequent good faith efforts of the Members do not resolve the deadlock (e.g., which bid constitutes a Superior Offer under Section 15.04(b)(2)), either Discovery or Hasbro may trigger the deadlock procedures under Section 7.03(c); provided that any time periods applicable to the procedures set forth in this Article 15 shall toll until the resolution of any such deadlock. In the event the designated representatives do not resolve the deadlock within ten (10) days after initially conferring, either Discovery or Hasbro may elect for the Members to engage a Third Party Appraiser or another mutually agreed third party arbiter to resolve such matter and, upon such engagement, the Members shall submit to the Third-Party Appraiser or other arbiter their respective position in writing together with reasonable supporting materials. The Third-Party Appraiser's or other arbiter's determination shall be final and binding on the parties for the purposes herein and the costs and fees of the Third-Party Appraiser or other arbiter shall be borne by the non-prevailing Member. Notwithstanding the foregoing, in the event of an auction and a proposed Sale to a third party following a termination pursuant to Section 15.01(g) or (h), the terminat ing Member shall have the authority and right to make final decisions on any Sale matter as to which the Members are not able to agree, so long as such terminating Member (w) makes decisions consistent with the other terms and procedures set forth in this Article 15, (x) consults with the non-terminating Member in good faith and keeps the non-terminating Member informed of its decisions, and (y) acts in good faith for the purposes of maximizing the value to the Members resulting from such Sale in a commercially reasonable and non-discriminatory manner with respect to such non-terminating Member. To the extent the terminating Member agrees to provide representations and warranties (including with respect to the Company and the Business) and/or agrees to accept monetary indemnification obligations in connection with a Sale to a third party, the non-terminating Member shall be obligated to provide and accept them also to the extent they are customary, *pro rata* as between the Members (base d on each Member's Percentage Interest) and, without limiting the foregoing, the maximum liability in connection therewith is the non-terminating Member's *pro rata* share (based on Percentage Interest) of the proceeds of such Sale. If there is a dispute as to whether any such proposed provisions are customary, such dispute shall be resolved in accordance with the procedures set forth in the second, third and fourth sentences of this Section 15.04(b)(6). The terms of a Sale to a third party may not impose non-monetary liabilities or obligations on the non-terminating Member without the consent of the non-terminating Member; provided that such consent shall not be unreasonably withheld, conditioned or

delayed to the extent such non-monetary liabilities or obligations are ministerial in nature or otherwise necessary to transfer and convey the Membership Interests to the Transferee, free and clear of all Liens, other than those created by or under this Agreement, under federal or state securities laws or by the Company. At the closing of such Sale, the Transferor Member(s) shall deliver, against delivery of the purchase price in cash, all such customary documents and instruments as are reasonably requested by the Transferee to transfer and convey the Membership Interests to the Transferee, free and clear of all Liens, other than those created by or under this Agreement, under federal or state securities laws or by the Company.

(c) Prevailing Third Party Buyer. If the prevailing party of such auction is a third party, such Sale shall be consummated in accordance with the definitive sale agreement for such Sale, and the proceeds thereof shall be allocated between the Members *pro rata* (based on Percentage Interest).

(d) Prevailing Member Buyer. If the prevailing party of such auction is Discovery or Hasbro, then the prevailing Member shall purchase all Membership Interests owned by the other Member at the *pro rata* share (based on Percentage Interest) of such prevailing bid, which Sale shall be consummated in accordance with Section 15.04(e).

(e) Closing of Sale Between Members. The closing of any Sale between the Members pursuant to Sections 15.02, 15.03 or 15.04 shall take place at the principal office of the Company (or at such other place as mutually agreed) on a date mutually agreed upon by the Transferee and Transferor Member(s) in such Sale, but in any event, no more than thirty (30) days (subject to extension for any applicable waiting period under the HSR Act, any applicable foreign antitrust requirement and any required governmental consents) following the final determination of the Transferee and Transferor Member(s) and the purchase price with respect to such Sale in accordance with Section 15.02, 15.03 or 15.04, as applicable. The Member that is the buyer may designate one or more Affiliates or any other Person as the Transferee to purchase all or part of the Membership Interests transferred hereunder; provided that such Member shall remain obligated to consummate the Sale if such designees fail to do so. At the closing of such Sale, the Transferor Member(s) shall deliver, against delivery of the purchase price in cash, all such customary documents and instruments as are reasonably requested by the Transferee to transfer and convey the Membership Interests to the Transferee, free and clear of all Liens, other than those created by or under this Agreement, under federal or state securities laws or by the Company; provided that the Transferor shall not be obligated to make representations and warranties with respect to the Company or the Business. The Transferee shall pay the purchase price at closing, by wire transfer in immediately available funds to an account or accounts designated by the Transferor Member(s) at least two Business Days prior to such closing. The parties to such Sale shall use commercially reasonable efforts to resolve any objections raised by the applicable regulatory authorities to such Sale; provided that no Transferor Member shall be required to take any action that would reduce its net after-tax proceeds (determined without taking into account any available tax attributes of such Transferor Member and its Controlled Affiliates) from the Sale, and no Member shall be required to take any action that is adverse to the interest of such Member or its Affiliates as determined by such Member in the exercise of its reasonable business judgment.

15.05. Effect of Sale.

(a) Sale to Third Party. If the procedures set forth in Sections 15.02, 15.03 and/or 15.04 result in a Sale to a third party, then:

(1) Merchandise and Trademark License Agreements. The terms of any Merchandise License Agreement and the Trademark License Agreement shall automatically be deemed amended such that the terms thereof shall terminate ********** from the date of the consummation of such Sale;

(2) Hasbro Studios Programming Agreement. The Hasbro Studios Programming Agreement shall terminate on the date of the consummation of such Sale, but the buyer shall have the option, at no additional cost (other than the payment of unpaid license fees when due and payable), to extend the term of the Company's license of any HS Licensed Program licensed thereunder prior to the date of consummation of the Sale for:

(i) in the event of a termination election pursuant to Section 15.01(d), (e) or (f) ("Jump Ball"), all or any portion of the remaining term of the Company's license for such HS Licensed Program thereunder but in no event more than **********from the date of the consummation of such Sale, provided that if any such HS Licensed Program is not aired by the buyer with Comparable Frequency during any successive ********** period following the date of consummation of such Sale, then the license to the buyer for such HS Licensed Program shall automatically become a non-exclusive license as of the last day of such ********** period, and Hasbro Studios shall also be free to exploit such HS Licensed Program;

(ii) in the event of a termination election pursuant to Section 15.01(g) (Discovery Material Breach), all or any portion of the remaining term of the Company's license for such HS Licensed Program thereunder but in no event more than ********** from the date of the consummation of such Sale;

(iii) in the event of a termination election pursuant to Section 15.01(h) (Hasbro Material Breach), all or any portion of the remaining term of the Company's license for such HS Licensed Program thereunder;

(iv) in the event of a termination election pursuant to Section 15.01(i) (Hasbro Change of Control), all or any portion of the remaining term of the Company's license for such HS Licensed Program thereunder; provided that if any such HS Licensed Program is not aired by the buyer with Comparable Frequency during any successive ********** period following the date of consummation of such Sale, then the license to the buyer for such HS Licensed Program shall automatically become a non-exclusive license as of the last day of such ********** period, and Hasbro Studios shall also be free to exploit such HS Licensed Program; or

(v) in the event of a termination election pursuant to Section 15.01(j) (Discovery Change of Control), all or any portion of the remaining term of the Company's license for such HS Licensed Program thereunder but in no event more than ********** from the date of the consummation of such Sale, provided that the license to the buyer for each such HS Licensed Program shall automatically become a non-exclusive license on the ********** of the consummation of such Sale, and Hasbro Studios shall also be free to exploit such HS Licensed Program;

(3) Hasbro Programming Library License Agreement. The Hasbro Programming License Agreement shall terminate on the date of the consummation of such Sale, but the buyer shall have the option, at no additional cost (other than the payment of unpaid license fees when due and payable), to extend the term of the Company's license of any Program licensed thereunder prior to the date of consummation of the Sale for the same periods (subject to any applicable limitations thereon regarding Comparable Frequency) set forth in Section 15.05(a)(2) with respect to HS Licensed Programs;

(4) Discovery Programming Library and License Agreement. Discovery shall have the option, exercisable by delivery of written notice to the buyer and the Company at any time after the ********** of the Sale, to (i) acquire the library that it contributed to the Company by paying the Company the fair market value of such library as of such time (which value shall be reduced by the fair market value of Discovery's license to certain rights of such library pursuant to the Discovery Programming License Agreement (the "**Discovery License**")) and/or (ii) terminate the Company's license to the Discovery Licensed Programming by paying the Company the fair market value of such license as of such time, in each case, as determined by an independent third-party appraiser mutually agreed to by Discovery and the buyer; provid ed that, in the event that Discovery does not elect to purchase such library pursuant to clause (i), the Discovery License shall survive the consummation of such Sale indefinitely;

(5) Program-Based Revenue Share Payments. The buyer shall have the option, at no additional cost, to extend the commitments to the Company of: (A) Hasbro to make Hasbro Revenue Share Payments pursuant to Section 1.04 of Schedule D with respect to any Program-Based Merchandise for the remaining term (as determined in accordance with Section 15.05(a)(2) and (3)) of the license to the underlying Network Program, subject to the applicable terms of Schedule D; and (B) Discovery to make Discovery Revenue Share Payments pursuant to Section 1.05 of Schedule D with respect to Discovery-produced programming licensed by Discovery pursuant to Section 7.15(a)(2) for the remaining term of the Company's license to such Discovery-produced programming, subject to the applicable terms of Schedule&n bsp;D;

(6) Movie-Based Revenue Share Payments. The buyer shall have the option, at no additional cost, to extend the commitments to the Company of Hasbro to make Hasbro Revenue Share Payments pursuant to Section 1.04 of Schedule D with respect to any Picture-Based Merchandise for the remaining term (as determined in

accordance with Section 15.05(a)(2) and (3)) of the license to the underlying Network Program, subject to the applicable terms of Schedule D;

(7) Unrecouped Guarantees. Except in the case of a termination pursuant to Section 15.01(h) (Hasbro Material Breach), the Company shall pay to Hasbro any Unrecouped Guarantees at the consummation of the Sale; provided that, for the avoidance of doubt, no such Unrecouped Guarantees shall be payable to Hasbro in the case of a termination pursuant to Section 15.01(e) or at the consummation of any other Sale after the Recoupment End Date (as such term is defined in Schedule D) (except that this clause (7) shall not affect the Company's obligation to pay any amounts payable pursuant to Section 1.03(d) of Schedule D); and

(8) Other Commitments. Any remaining agreements with and commitments to the Company of Hasbro or Discovery under this Agreement and the Ancillary Agreements, including the Digital Agreement, other than as provided for in this Section 15.05(a), shall automatically be deemed terminated in accordance with the terms thereof upon consummation of the Sale and the consummation of the transactions provided for in such Ancillary Agreements to be effected in connection with a Sale or other termination of the Company; provided that Article 16 (other than with respect to Section 16.22) shall survive indefinitely; provided, further that such termination shall not relieve any party from any liabilities that accrued prior to such termination and that provisions under Ancillary Agreements that expressly survive a termination of the agreemen t shall survive in accordance with the applicable terms thereof.

(b) Sale to Hasbro. If the procedures set forth in Sections 15.02, 15.03 and/or 15.04 result in a Sale to Hasbro, then:

(1) Trademark License Agreements. The terms of the Trademark License Agreement shall automatically be deemed amended such that the term of the licenses granted by Discovery thereunder shall terminate ********** from the date of such consummation of such Sale;

(2) Discovery Programming Library and License Agreement. Discovery shall have the option, exercisable by delivery of written notice to Hasbro and the Company at any time after the ********** of the Sale, to (i) acquire the library that it contributed to the Company by paying the Company the fair market value of such library as of such time (which value shall be reduced by the fair market value of the Discovery License) and/or (ii) terminate the Company's license to the Discovery Licensed Programming by paying the Company the fair market value of such license as of such time, in each case, as determined by an independent third-party appraiser mutually agreed to by Discovery and Hasbro; provided that, in the event that Discovery does not elect to purchase such library pursuant to clause (i), the Discovery License shall survive t he consummation of such Sale indefinitely; and

(3) Program-Based Revenue Share Payments. Hasbro shall have the option, at no additional cost, to extend the commitments to the Company of Discovery to make Discovery Revenue Share Payments pursuant to Section 1.05 of Schedule D with

respect to Discovery-produced programming licensed by Discovery pursuant to Section 7.15(a)(2) for the remaining term of the Company's license to such Discovery-produced programming, subject to the applicable terms of Schedule D;

(4) Other Commitments. Any remaining agreements with and commitments to the Company of Discovery under this Agreement and the Ancillary Agreements, other than as provided for in this Section 15.05(b), shall automatically be deemed terminated in accordance with the terms thereof upon consummation of the Sale and the consummation of the transactions provided for in such Ancillary Agreements to be effected in connection with a Sale or other termination of the Company; provided that Article 16 (other than with respect to Section 16.22) shall survive indefinitely; provided, further that such termination shall not relieve any party from any liabilities that accrued prior to such termination and that provisions under Ancillary Agreements that expressly survive a termination of the agreement shall survive in accordance with the appl icable terms thereof.

(c) Sale to Discovery. If the procedures set forth in Sections 15.02, 15.03 and/or 15.04 result in a Sale to Discovery on or after the Launch Date, then:

(1) Merchandise and Trademark License Agreements. The terms of any Merchandise License Agreement and the Trademark License Agreement shall automatically be deemed amended such that the term of (a) the licenses granted by the Company under the Merchandise License Agreement and (b) the licenses granted by Hasbro under the Trademark License Agreement shall terminate ********** from the date of such consummation of such Sale;

(2) Hasbro Studios Programming Agreement. The Hasbro Studios Programming Agreement shall terminate on the date of such consummation of such Sale, but Discovery shall have the option, at no additional cost (other than the payment of unpaid license fees when due and payable), to extend the term of the Company's license of any HS Licensed Program licensed thereunder prior to the date of consummation of the Sale for the same periods (subject to any applicable limitations thereon regarding Comparable Frequency) set forth in Section 15.05(a)(2) with respect to HS Licensed Programs;

(3) Hasbro Programming Library License Agreement. The Hasbro Programming License Agreement shall terminate on the date of the consummation of such Sale, but Discovery shall have the option, at no additional cost (other than the payment of unpaid license fees when due and payable), to extend the term of the Company's license of any Program licensed thereunder prior to the date of consummation of the Sale for the same periods (subject to any applicable limitations thereon regarding Comparable Frequency) set forth in Section 15.05(a)(2) with respect to HS Licensed Programs;

(4) Program-Based Revenue Share Payments. Discovery shall have the option, at no additional cost, to extend the commitments to the Company of Hasbro to make Hasbro Revenue Share Payments pursuant to Section 1.04 of Schedule D with

respect to any Program-Based Merchandise for the remaining term (as determined in accordance with Section 15.05(a)(2) and (3)) of the license to the underlying Network Program, subject to the applicable terms of Schedule D;

(5) Movie-Based Revenue Share Payments. Discovery shall have the option, at no additional cost, to extend the commitments to the Company of Hasbro to make Hasbro Revenue Share Payments pursuant to Section 1.04 of Schedule D with respect to any Picture-Based Merchandise for the remaining term (as determined in accordance with Section 15.05(a)(2) and (3)) of the license to the underlying Network Program, subject to the applicable terms of Schedule D;

(6) Unrecouped Guarantees. Except in the case of a termination pursuant to Section 15.01(h) (Hasbro Material Breach), the Company shall pay to Hasbro any Unrecouped Guarantees at the consummation of the Sale; provided that, for the avoidance of doubt, no such Unrecouped Guarantees shall be payable to Hasbro in the case of a termination pursuant to Section 15.01(e) or at the consummation of any other Sale after the Recoupment End Date (except that this clause (6) shall not affect the Company's obligation to pay any amounts payable pursuant to Section 1.03(d) of Schedule D); and

(7) Other Commitments. Any remaining agreements with and commitments to the Company of Hasbro under this Agreement and the Ancillary Agreements, including the Digital Agreement, other than as provided for in this Section 15.05(c), shall automatically be deemed terminated in accordance with the terms thereof upon consummation of the Sale and the consummation of the transactions provided for in such Ancillary Agreements to be effected in connection with a Sale or other termination of the Company; provided that Article 16 (other than with respect to Section 16.22) shall survive indefinitely; provided, further that such termination shall not relieve any party from any liabilities that accrued prior to such termination and that provisions under Ancillary Agreements that expressly survive a termination of the agreement shall survi ve in accordance with the applicable terms thereof.

15.06. Winding Up. Upon a termination election to dissolve the Company pursuant to Section 15.01(a), (b) or (c), or following a sale of assets pursuant to the procedures set forth in Section 15.04, the Board shall cause the liquidation of the Company pursuant to the following terms:

(a) To the extent the Board determines that any of the assets of the Company shall be sold, such assets shall be sold as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice.

(b) The Board shall cause the Company to distribute cash and all remaining property of the Company to the Members in accordance with the following order of priority:

(1) First, the Board shall pay, satisfy or discharge from Company funds any and all of the debts, liabilities and obligations of the Company (including any

outstanding Discovery Payments or Hasbro Payments and, to the extent required to be paid as of such time, if any, Unrecouped Guarantees) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the Board may reasonably determine), all in accordance with Section 18-803 of the Act and such other provisions of the Act as may be applicable.

(2) Lastly, the Board shall distribute any remaining cash and other property (valued at its Fair Market Value) (1) to the Members in accordance with the positive balances of their respective Capital Accounts and (2) thereafter to the Members in accordance with their Percentage Interests.

(c) The distribution of cash and property to a Member in accordance with the provisions of Section 15.06(b) shall constitute a complete return to such Member of its Capital Contributions and a complete distribution to such Member of its Membership Interest and all of the Company's property. To the extent that a Member returns funds to the Company, such Member shall have no claim against any other Member for those funds.

(d) In connection with a liquidation pursuant to this Section 15.06, the Members shall cooperate with each other and the liquidator in good faith to minimize adverse tax consequences to the Members.

15.07. Deferment. Notwithstanding anything to the contrary in this Article 15, but subject to the order of priorities set forth therein, if upon dissolution of the Company, the liquidator determines that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss (or would otherwise not be beneficial) to the Members, the liquidator may, in its sole discretion, defer for a reasonable amount of time the liquidation of any assets except those necessary to satisfy Company liabilities and reserves.

15.08. Certificate of Cancellation. Upon completion of the liquidation and distribution of the Company assets as provided herein, if applicable, the Company shall be deemed terminated, and the Directors or Officers (or such other authorized Person or Persons as the Act may require or permit) shall file a Certificate of Cancellation with the Secretary of State of the State of Delaware, cancel any other filings made pursuant to this Agreement, and take such other actions as may be necessary to terminate the Company.

15.09. Reasonable Time for Winding Up. In connection with the dissolution of the Company, a reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to this Article 15 in order to minimize any losses otherwise attendant upon such winding up.

15.10. Remedies for Breach. In the event of a termination election by a Member pursuant to Sections 15.01(g) or (h), each Member expressly agrees that any remedy under this Article 15, as the case may be, is not the exclusive remedy with respect to any breach by the breaching Member and that the non-breaching Member shall maintain all rights, claims and remedies available to the non-breaching Member with respect to any such breach.

ARTICLE 16
General Provisions

16.01. Amendment or Modification. This Agreement may be amended or modified only by written agreement of all of the Members.

16.02. Notices. Except as may otherwise be expressly set forth in this Agreement, the terms notice, notify and the like when used herein shall mean written notice (including facsimile or similar writing) and shall be sufficiently given if given to a party at such party's address or facsimile number as set forth in Schedule A attached hereto, or such other address or facsimile number as such party may hereafter specify to the Company and the other Members or parties for such purpose. Each such notice or other communication shall be effective: (a) if given by facsimile, when such facsimile is transmitted to the facsimile number specified above and the appropriate confirmation is received; (b) if given by mail, three Business Days after such communication is mailed by registered or certified mail postage prepaid, addressed as aforesaid; (c)&n bsp;if given by reputable national overnight courier, on the date of delivery as reflected in the records of such courier; or (d) if given by any other means, when delivered personally to the party or when delivered at the address specified above. The parties may also mutually elect to give written notice by electronic mail to individual addresses designated by the parties from time to time, in which event such notices shall be effective when the recipient confirms receipt by reply electronic mail. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

16.03. Public Announcements. All media releases, public announcements and public disclosures by any party relating to this Agreement or the subject matter of this Agreement (including promotional or marketing materials) shall be coordinated with and subject to the approval of Discovery and Hasbro prior to release, other than any announcement intended solely for internal distribution within such party's organization or any disclosure required by legal, accounting or regulatory requirements (including the requirements of any securities exchange).

16.04. Enforcement of Company's Rights. Notwithstanding anything to the contrary elsewhere in this Agreement or the Ancillary Agreements, without any consent or approval of the Board, (i) Hasbro shall have the right to cause the Company to exercise the Company's rights (including all rights to access and information) and enforce the Company's remedies with respect to any and all Related-Party Transactions between the Company, on the one hand, and Discovery or any of its Affiliates, on the other hand, including pursuant to this Agreement and the Ancillary Agreements, and (ii) Discovery shall have the right to cause the Company to exercise the Company's rights (including all rights to access and information) and enforce the Company's remedies with respect to any and all Related-Party Transactions between the Company, on the one hand, and Hasbro or any of its Affiliates, on the other hand, including pursuant to this Agreement and the Ancillary Agreements; provided, however, that if a Member alleges that any other Member or their respective Affiliates has breached the terms of any such Related-Party Transactions, the alleging Member shall pay all legal fees and expenses reasonably incurred in connection with the Company's enforcement of its rights and remedies with respect to such alleged breaches under the terms of such Related-Party Transactions (except to the extent that the

payment of such fees and expenses are otherwise allocated pursuant to the express terms of such agreement) in the event that the matter proceeds to a final judgment not subject to appeal pursuant to which the Company does not prevail in whole or in part in proving any such breach. If either Member makes a claim that the Company has breached any of its obligations in connection with a Related-Party Transaction between the Company and such Member, the other Member shall have the right to cause the Company to defend such claim.

16.05. Entire Agreement. This Agreement and the schedules and exhibits attached hereto, together with the Ancillary Agreements, embody the entire understanding and agreement among the parties and supersede any prior understanding and agreement by or among the parties, written or oral, relating to the subject matter hereof.

16.06. Waiver. No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedy that may be available to the parties hereto at law, in equity or otherwise.

16.07. Injunctive and Other Relief. Each party acknowledges and agrees on behalf of itself and its Affiliates that the rights afforded herein are unique and that any violation of this Agreement or any Ancillary Agreement may cause irreparable injury to the Company or non-breaching party for which monetary damages are inadequate, difficult to compute, or both. Accordingly, each party expressly agrees that, in addition to any other remedies which the Company or non-breaching party may have, the Company and non-breaching party shall be entitled to injunctive or other equitable relief for any breach or threatened breach of any term, provision or covenant of this Agreement or any Ancillary Agreement by the breaching party. Nothing contained herein shall prevent or delay the Company or non-breaching party from seeking specific performance or other equitable remedies in th e event of any breach or intended breach by any party of such party's obligations hereunder or any Ancillary Agreement. In addition, the non-breaching party may bring an action on their own or on behalf of the Company against the breaching parties with respect to any breach or bring any action as may be permitted to recover damages on behalf of the Company or the non-breaching party. In any such proceeding or action, the prevailing party or parties shall be entitled to receive from the non-prevailing party or parties, in addition to such other damages and relief as may be awarded, the costs and expenses incurred by it or them in connection with such action, including attorneys' fees.

16.08. Alternative Dispute Resolution. If any dispute, claim or controversy arising out of or relating to this Agreement or any Ancillary Agreement, or the breach, termination or validity thereof, cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association ("**AAA**") under its Commercial Mediation Rules before pursuing any other remedies that they may have at law; provided that, for the avoidance of doubt, this Section 16.08 shall not limit or restrict any party from seeking injunctive or other equitable relief at any time, and no party seeking any such equitable relief shall be required to first enter into any negotiations or

mediation pursuant to this Section 16.08 or otherwise; and provided further that such mediation shall be non-binding, and no party shall have any obligation to participate further in such mediation after the first mediation session or to agree to any settlement proposed in mediation. Subject to the provisos in this Section 16.08, the initial mediation session under Rule M-8 of the Commercial Arbitration Rules shall occur within thirty (30) days after the demand for mediation is received by the AAA.

16.09. Limitation of Liability. Notwithstanding anything to the contrary herein, (a) with respect to any claim that a Member or any of its Affiliates has breached this Agreement or any Ancillary Agreement, such Member and its Affiliates shall not be liable for any consequential, special, indirect, incidental, punitive or exemplary Losses (other than any Losses for diminution in actual value of the Membership Interests of the other Member), except to the extent such Losses arise out of a claim payable to a third party in respect of a third party claim and (b) if a Sale is consummated in accordance with the first sentence of Section 15.02(a) of this Agreement and Hasbro receives the Unwind Price, Discovery and its Affiliates shall thereafter not be obligated to indemnify and hold harmless Hasbro or the Company under this Agreement or any Ancillary Agreement for any indemnifiable Losses incurred or suffered by Hasbro, the Company or any of their related Indemnified Persons (other than (i) any such Losses arising out of a Third Party Claim or Excluded Liability or (ii) reasonable out-of-pocket expenses incurred by Hasbro in connection with the consummation of such Sale).

16.10. Binding Effect. Subject to the restrictions on Transfers set forth in Article 8, this Agreement shall be binding on and inure to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

16.11. Governing Law; Waiver of Jury. THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIV ER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

16.12. Consent to Jurisdiction and Service of Process. Subject to Section 16.08, any legal action, suit or proceeding arising out of or relating to this Agreement, or the breach, termination or validity thereof, shall be instituted in any state or federal court in the State of New York located in the County of New York or any state or federal court in the State of

Delaware. Each Party agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that its property is exempt or immune from attachment or execution, that the action, suit or proceeding is brought in an inconvenient forum, that the venue of the action, suit or proceeding is improper or that this Agreement, the agreements contemplated hereby or the subject matter hereof or thereof may not be enforced in or by such court. Each Party further irrevocably submits to the exclusive jurisdiction of any such court in any such action, suit or proceeding. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any Party if given by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such Party as herein provided.

16.13. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and that provision shall be enforced to the greatest extent permitted by law.

16.14. Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Member and the Company shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

16.15. No Third-Party Beneficiaries. The provisions hereof are solely for the benefit of the Company, its Members and, to the extent specifically set forth herein, the Directors, Officers and Covered Persons, and are not intended to, and shall not be construed to, confer a right or benefit on any creditor (in its capacity as such) of the Company or any other Person.

16.16. Waiver of Certain Rights. Each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the property of the Company, other than pursuant to Article 15.

16.17. Opt-out of Article 8 of the Uniform Commercial Code. The Members hereby agree that the Common Units shall not be securities governed by Article 8 of the Uniform Commercial Code of the State of Delaware (and the Uniform Commercial Code of any other applicable jurisdiction).

16.18. Delivery by Facsimile. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or facsimile delivered by electronic mail (a "**pdf file**"), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, and without affecting the effectiveness of any previous execution thereof by facsimile or pdf file, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreeme nt or instrument shall raise the use of a facsimile machine or pdf file to deliver a signature or the fact that any signature or agreement or instrument was transmitted or

communicated through the use of a facsimile machine or pdf file as a defense to the formation of a contract and each such party forever waives any such defense.

16.19. Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

16.20. No Presumption. With regard to each and every term and condition of this Agreement and any and all agreements and instruments subject to the terms hereof (including the Ancillary Agreements), the parties hereto understand and agree that the same have or has been mutually negotiated, prepared and drafted, and if at any time the parties hereto desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto (including the Ancillary Agreements), no consideration will be given to the issue of which party hereto actually prepared, drafted or requested any term or condition of this Agreement or any agreement or instrument subject hereto (including the Ancillary Agreements).

16.21. Expenses. Discovery and Hasbro shall each bear and pay their own costs and expenses incurred in connection with the preparation, execution, delivery and performance of this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby. For the avoidance of doubt, Hasbro shall bear all costs, expenses, fees or commissions to which any Persons set forth in Section 5.2 of the Hasbro Disclosure Letter (as defined in the Purchase Agreement) or any of their respective Affiliates are entitled in connection with this Agreement, the Ancillary Agreements and the consummation of the transactions contemplated hereby or thereby.

16.22. DCI Guarantee.

(a) DCI, for the benefit of Hasbro and the Company, in consideration of the covenants and agreements of Hasbro and the Company under this Agreement, hereby (i) agrees to cause Discovery, for so long as Discovery remains a Controlled Affiliate of DCI, and DCI's other Controlled Affiliates to take all actions as are necessary for Discovery and DCI's other Controlled Affiliates to perform and comply with their covenants and agreements hereunder and under the Ancillary Agreements, and (ii) unconditionally guarantees the full and prompt payment by Discovery, for so long as Discovery remains a Controlled Affiliate of DCI, and DCI's other Controlled Affiliates of any and all payments required to be made by Discovery or any of DCI's other Controlled Affiliates pursuant to this Agreement or any of the Ancillary Agreements. This guarantee is an absolute and continuing guarantee. DCI waives any and all defenses and discharges that it may have or otherwise be entitled to as a guarantor or surety hereunder (except payment or performance or other defense available to the underlying party) and further waives presentment for payment or performance, notice of non-payment or non-performance, demand and protest. DCI expressly agrees that Hasbro may proceed directly against DCI under this Section 16.22 concurrently with proceeding against Discovery, for so long as Discovery remains a Controlled Affiliate of DCI, or any of DCI's other Controlled Affiliates and is not required to exhaust remedies against Discovery, for so long as Discovery remains a Controlled Affiliate of DCI, or any of DCI's other Controlled Affiliates before proceeding against DCI. For the

avoidance of doubt, for the purposes of this Section 16.22, DCI's Controlled Affiliates shall not include, the Company and the Company's Controlled Affiliates.

(b) Notwithstanding anything to the contrary contained herein, the other provisions of Article 16 shall apply with respect to DCI and its obligations under this Section 16.22. All notices and other communications to be given to DCI hereunder shall be delivered to the address and facsimile number of Discovery on Schedule A hereto (as such address may be changed from time to time in accordance with Section 16.02).

{*signature page follows*}

IN WITNESS WHEREOF, the Members, the Company and DCI have executed this Agreement as of the date first above written.

DISCOVERY COMMUNICATIONS, LLC

By: /s Bruce Campbell
Name: Bruce Campbell
Title: President, Digital Media and Corporate Development

HASBRO, INC.

By: /s/ Brian Goldner
Name: Brian Goldner
Title: President and Chief Executive Officer

DHJV COMPANY LLC

By its Members:

DISCOVERY COMMUNICATIONS, LLC

By: /s Bruce Campbell
Name: Bruce Campbell
Title: President, Digital Media and Corporate Development

HASBRO, INC.

By: /s/ Brian Goldner
Name: Brian Goldner
Title: President and Chief Executive Officer

DISCOVERY COMMUNICATIONS, INC.

By: /s Bruce Campbell
Name: Bruce Campbell
Title: President, Digital Media and Corporate Development

SCHEDULE A

DHJV COMPANY LLC
MEMBERS' SCHEDULE
(May 22, 2009)

Member's Name and Address	Common Units	Fair Market Value of Contributions for Common Units	Percentage Interest
Discovery Communications, LLC One Discovery Place Silver Spring, MD 20910 Facsimile No.: (240) 662-1500 Attention: Chief Executive Officer with a copy to: Discovery Communications, LLC (same address as above) Facsimile No.: (240) 662-1485 Attention: General Counsel and a copy to: Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019-6064 Facsimile No.: (212) 757-3900 Attention: James Schwab	10,000,000	$300,000,000	50%
Hasbro, Inc. 1011 Newport Avenue Pawtucket, Rhode Island Facsimile No.: (401) 721-7244 Attention: Chief Executive Officer with a copy to: Hasbro, Inc. (same address as above) Facsimile No.: (401) 709-6459 Attention: Chief Legal Officer and a copy to: Dow Lohnes PLLC 1200 New Hampshire Avenue, NW Suite 800 Washington, D.C. 20036 Facsimile No.: (202) 776-2222 Attention: John Byrnes	10,000,000	$300,000,000	50%
TOTAL	20,000,000	$600,000,000	100%

SCHEDULE B

[RESERVED]

SCHEDULE C

BENCHMARKS

The joint venture may be terminated in accordance with the procedures and provisions of Article 15, subject to the other provisions of Article 15, at either Member's election by providing written notice thereof to the Company and the other Member at any time within ninety (90) days following December 31, 2015:

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SCHEDULE D

REVENUE SHARE PAYMENTS

Unless otherwise noted, all references to "Sections" in this Schedule D refer to sections of this Schedule D. The terms "hereof," "herein," "herewith," and "hereunder" and words of similar import shall be construed to refer to this Schedule D as a whole (including all of the exhibits hereto) and not to any particular provision of this Schedule D unless otherwise specified.

Section 1.01 Definitions.

(a) "**Ancillary Rights**" means:

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(b) "**Digital Rights**" means
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(c) "**Download-To-Own Rights**" means the rights to design, develop, manufacture, produce, promote, market, advertise, offer, sell, rent and distribute and/or license third Persons to offer, manufacture and/or distribute Hasbro Programming via download-to-own or download-to-rent technologies, whether through third-party platforms (e.g., iTunes) or platforms controlled by Hasbro or its Affiliates (e.g., the Hasbro.com website).

(d) "**Friends and Family**" means entities that license programs to Company for distribution on the Network and license to Hasbro the right to design, develop, manufacture, produce, promote, market, advertise, offer, sell and distribute toys or games referring to or containing or embodying scenes, storylines, characters or other material elements from such programs. The entities set forth on Attachment 1.01(d) to this Schedule D are entities that, as of the date hereof, would constitute Friends and Family entities if, as of the date hereof, such entities licensed programs to Company for distribution on the Network, which attachment Hasbro shall update upon written notice to Company in order to add entities that meet, or delete entities that cease to meet, the foregoing definition, as and when such license agreements with such entities come into effect or cease bein g effective.

(e) "**Hasbro Intellectual Property**" means any and all Intellectual Property rights owned by or licensed to Hasbro and/or its Affiliates (including without limitation any Intellectual Property for which Telecast Rights are licensed to Hasbro for creation and distribution of programming by Hasbro Studios), excluding rights in and to Intellectual Property owned by Friends and Family that are not licensed to Hasbro or its Affiliates. For the purposes of the definitions of "Ancillary Rights," "Picture-Based Merchandise," "Principally Derived" and "Program-Based Merchandise" set forth in this Schedule D only, the term "Hasbro Intellectual Property" excludes Hasbro Programming.

(f) "**Hasbro Library Program**" means a Program included in the Hasbro Programming Library (as defined in the Programming Agreement).

(g) "**Hasbro Programming**" means HS Licensed Programs and Hasbro Library Programs.

(h) "**Home Entertainment Rights**" means the rights to design, develop, manufacture, produce, promote, market, advertise, offer, sell, rent and distribute and/or license third Persons to offer, manufacture and/or distribute Hasbro Programming in tangible home entertainment formats, including VHS, DVD, CD-ROM and any successor technologies. For the avoidance of doubt, "Home Entertainment Rights" do not include "Download-to-Own Rights."

(i) "**HS Licensed Program**" has the meaning set forth in the Hasbro Studios Programming Agreement.

(j) "**Merchandise**" means any and all products and services that Hasbro or its Affiliates design, develop, manufacture, produce, promote, market, advertise, offer, sell, rent and distribute at any time and/ or license third Persons to offer, manufacture and/or distribute at any time. "Merchandise" includes video games, whether sold as a physical product or via download, but excludes the exploitation of Ancillary Rights, Digital Rights, Home Entertainment Rights and Download-To-Own Rights.

(k) "**Picture**" means
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(l) "**Picture-Based Merchandise**" means**********.

(m) "**Principally Derived**" means:

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(n) "**Program-Based Merchandise**" means:

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Section 1.02 Calculation of Revenue.

(a) "**Net Revenues**" means
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(b) "**Net Sales**" means:

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Section 1.03 Guarantee Payments.

(a) Subject to Section 1.08 of the Hasbro Studios Programming Agreement, Hasbro shall be obligated to pay to the Company as Hasbro Revenue Share Payments (as defined in Section 1.04(a) below) or as guarantee payments ("**Guarantee Payments**") as provided in this Section 1.03 an amount (the "**Total Guarantee Amount**") equal to One Hundred Twenty-Five Million Dollars ($125,000,000). On the first day of the calendar quarter that begins after the mutually agreed date of the public announcement of the re-branding of the Network or, if earlier, July 1, 2009 (the "**Initial Guarantee Payment Date**"), Hasbro shall pay to the Company an initial Guarantee Payment of Twenty-Five Million Dollars ($25,000,000). Subject to Section 1.08 of the Hasbro Studios Programming Agreement, on each subsequent date specified in the table below (e ach such date, a "**Guarantee Payment Date**"), if, as of such Guarantee Payment Date, the total amount of Hasbro Revenue Share Payments paid to the Company before such Guarantee Payment Date plus any prior Guarantee Payments paid to the Company is less than the total amount corresponding to such Guarantee Payment Date in the below table (each a "**Guarantee Scheduled Total**"), then Hasbro shall pay to the Company on such Guarantee Payment Date an amount equal to such Guarantee Scheduled Total, less the sum of all Hasbro Revenue Share Payments and Guarantee Payments paid to the Company prior to such Guarantee Payment Date.

Guarantee Scheduled Total	Guarantee Payment Date
$25,000,000	Initial Guarantee Payment Date
$50,000,000	November 1, 2010
$75,000,000	November 1, 2011
$100,000,000	November 1, 2012
$125,000,000	November 1, 2013

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(c) Examples. Attachment 1.03(c) attached hereto sets forth, for illustrative purposes only, hypothetical calculations of Guarantee Payments in accordance with the terms of this Section 1.03.

(d) **********.

Section 1.04 Hasbro Revenue Share Payments.

(a) Hasbro shall pay the following amounts to the Company (collectively, the "**Hasbro Revenue Share Payments**") in accordance with Section 1.06:

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(b) Hasbro's obligations to make Hasbro Revenue Share Payments hereunder with respect to:

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(c) **********.

(d) For the avoidance of doubt:

(1) all amounts payable hereunder that are based upon revenues received by or the gross price invoiced by Hasbro or any of its Affiliates shall be based upon the amount paid by or invoiced to a third party, disregarding any internal accounting treatment of such amounts by Hasbro or its Affiliates; and

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Section 1.05 Discovery Merchandising Revenue Payments.

Discovery shall make revenue share payments to the Company (the "**Discovery Revenue Share Payments**," and together with the Hasbro Revenue Share Payments, the "**Revenue Share Payments**") with respect to Discovery-produced Programming (as defined in the Digital Term Sheet) licensed by Discovery pursuant to Section 7.15(a)(2) of the LLC Agreement, with respect to which Sections 1.01, 1.02 and 1.04 shall apply, *mutatis mutandis*, to determine the amounts payable by Discovery to the Company with respect thereto. For the avoidance of doubt, Discovery shall not be required to pay the Company any percentage of Discovery's revenues in respect of merchandising rights in any Discovery Intellectual Property (but not including, for the further avoidance of doubt, payments in respect of Discovery-produced Programming as set f orth in the immediately preceding sentence), including**********.

Section 1.06 Payments, Reporting and Audit Rights.

(a) Each of Hasbro and Discovery shall make the Revenue Share Payments pursuant to Section 1.04 or Section 1.05, respectively, to the Company on a quarterly basis not later than sixty (60) days after each March 31, June 30, September 30, and December 31. Each Hasbro Revenue Share Payment shall be accompanied by a written report substantially in the form attached hereto as Attachment 1.06(a)(i) (the "**Hasbro Report**") that shows the calculation of the Hasbro Revenue Share Payments due during the immediately preceding calendar quarter. Each Discovery Revenue Share Payment shall be accompanied by a written report substantially in the form attached hereto as Attachment 1.06(a)(ii) that shows the calculation of the Discovery Revenue Share Payments due during the immediately preceding calendar quarter (the "**Discovery Report**" and, together wit h the Hasbro Report, the "**Reports**").

(b) Hasbro shall maintain all material receipts, invoices and other documents specifically relating to the calculation of the Hasbro Revenue Share payments, and any other reasonably related materials (the "**Hasbro Records**") for a period of two (2) years following delivery of each Hasbro Report (the "**Hasbro Retention Period**"); and (ii) Discovery shall maintain all material receipts, invoices and other documents specifically relating to the calculation of the Discovery Revenue Share payments, and any other reasonably related materials (the "**Discovery Records**") for a period of two (2) years following delivery of each Discovery Report (the "**Discovery Retention Period**"); provided, however, that, in each case, in the event that a dispute arises in connection with this Schedule D prior to the expiration of the H asbro Retention Period or the Discovery Retention Period, as the case may be, the Hasbro Retention Period or the Discovery Retention Period shall be extended automatically until the resolution of such dispute becomes final and non-appealable and all obligations of the Parties relating to one another related to such resolution have been satisfied in full.

(c) Hasbro and Discovery, as the case may be, shall, upon reasonable request by Company, no more than once per year during the Hasbro Retention Period or the Discovery Retention Period, as the case may be, and during reasonable office hours, make the Hasbro Records or the Discovery Records, as the case may be, available for inspection by Company and its authorized representatives, who shall have the right to take and make (at Company's expense) copies of or extracts from any Hasbro Records or any Discovery Records, as the case may be; provided that such inspections and any audit shall not unreasonably disrupt Hasbro's business or Discovery's business, as the case may be, and the Parties will endeavor in good faith so that any inspection and any audit under this Schedule D or the other ancillary agreements are coordinated to the extent reasonably practicable.

(d) Any such examination pursuant to Section 1.06(c) above shall be at the Company's expense; provided, however, that if such examination reveals an underpayment of Hasbro Revenue Share Payments or Discovery Revenue Share Payments, as the case may be, in excess of ten percent (10%) in any quarter, then the underpaying Party shall reimburse the Company for all actual and verifiable expenses incurred in connection with such examination. The Company and its representatives shall not disclose to any other Person, firm, corporation, or other entity any information acquired as a result of any such examination; provided, however, that nothing herein contained will be construed (i) to prevent the Company and/or its duly authorized representatives from testifying in any arbitration or court proceeding with respect to the information obtained as a res ult of such examination in any proceeding instituted to enforce the rights of the Company under the terms of this Agreement; and/or (ii) to prevent the Company from disclosing a Report if disclosure is required by court order or subpoena, provided that the Company shall give Hasbro or Discovery, as the case may be, sufficient advance written notice of each required disclosure to enable Hasbro or Discovery, as the case may be, to obtain, if possible, protective orders or other confidentiality protections with respect to the required disclosure.

ATTACHMENT 1.01(d)
FRIENDS AND FAMILY ENTITIES

ATTACHMENT 1.03(c)

ILLUSTRATIVE EXAMPLES OF GUARANTEE PAYMENT AND RECOUPABLE ADVANCE MECHANISM

ATTACHMENT 1.04(d)(2)(ii)
EXISTING THIRD-PARTY
HOME ENTERTAINMENT RIGHTS OR DOWNLOAD-TO-OWN RIGHTS
IN HASBRO LIBRARY PROGRAMS

ATTACHMENT 1.06(a)(i)
HASBRO REPORT FORM

SCHEDULE E

PROGRAMMING GUIDELINES

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EXHIBIT 12

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Six Months and Quarter Ended June 28, 2009

(Thousands of Dollars)

	Six Months	Quarter
Earnings available for fixed charges:		
Net earnings	$ 59,005	39,275
Add:		
Fixed charges	34,332	21,231
Income taxes	26,436	17,579
Total	$119,773	78,085
Fixed charges:		
Interest expense	$ 27,218	17,503
Rental expense representative of interest factor	7,114	3,728
Total	$ 34,332	21,231
Ratio of earnings to fixed charges	3.49	3.68

Exhibit 31.1

CERTIFICATION

I, Brian Goldner, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting 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: July 31, 2009

/s/ Brian Goldner

Brian Goldner
President and Chief
Executive Officer

CERTIFICATION

I, Deborah Thomas, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting 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: July 31, 2009

/s/ Deborah Thomas

Deborah Thomas
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 Quarterly Report on Form 10-Q for the quarter ended June 28, 2009, as filed with the Securities and Exchange Commission (the "10-Q 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-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian Goldner
Brian Goldner
President and Chief Executive Officer of Hasbro, Inc.

Dated: July 31, 2009

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 Quarterly Report on Form 10-Q for the quarter ended June 28, 2009, as filed with the Securities and Exchange Commission (the "10-Q 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-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Deborah Thomas
Deborah Thomas
Senior Vice President and Chief Financial Officer of Hasbro, Inc.

Dated: July 31, 2009

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.