

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 28, 2014

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

Commission File Number 1-6682

HASBRO, INC.

(Exact name of registrant as specified in its charter)

Rhode Island
(State of Incorporation)

05-0155090
(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861
(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 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 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
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
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 No

The number of shares of Common Stock, par value \$.50 per share, outstanding as of October 20, 2014 was 125,682,285.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	<u>September 28, 2014</u>	<u>September 29, 2013</u>	<u>December 29, 2013</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 452,184	588,668	682,449
Accounts receivable, less allowance for doubtful accounts of \$21,100, \$22,200 and \$19,000	1,314,022	1,215,289	1,093,620
Inventories	499,150	447,113	348,794
Prepaid expenses and other current assets	380,833	346,215	355,594
Total current assets	<u>2,646,189</u>	<u>2,597,285</u>	<u>2,480,457</u>
Property, plant and equipment, less accumulated depreciation of \$513,700, \$497,100 and \$500,500	<u>228,019</u>	<u>231,199</u>	<u>236,263</u>
Other assets			
Goodwill	593,719	594,208	594,321
Other intangibles, net, accumulated amortization of \$782,900, \$704,300 and \$744,800	337,894	414,033	375,999
Other	702,981	753,420	715,227
Total other assets	<u>1,634,594</u>	<u>1,761,661</u>	<u>1,685,547</u>
Total assets	<u>\$ 4,508,802</u>	<u>4,590,145</u>	<u>4,402,267</u>

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

LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY	September 28, 2014	September 29, 2013	December 29, 2013
Current liabilities			
Short-term borrowings	\$ 78,023	212,926	8,332
Current portion of long-term debt	-	430,424	428,390
Accounts payable	284,023	263,086	198,799
Accrued liabilities	651,982	742,443	727,759
Total current liabilities	1,014,028	1,648,879	1,363,280
Long-term debt	1,559,895	959,895	959,895
Other liabilities	392,366	410,672	351,304
Total liabilities	2,966,289	3,019,446	2,674,479
Redeemable noncontrolling interests	43,949	47,269	45,445
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	786,329	709,005	734,181
Retained earnings	3,513,546	3,354,820	3,432,176
Accumulated other comprehensive loss	(36,805)	(78,723)	(34,135)
Treasury stock, at cost; 83,535,298 shares at September 28, 2014; 79,855,578 shares at September 29, 2013; and 78,640,228 shares at December 29, 2013	(2,869,353)	(2,566,519)	(2,554,726)
Total shareholders' equity	1,498,564	1,523,430	1,682,343
Total liabilities, redeemable noncontrolling interests and shareholders' equity	\$ 4,508,802	4,590,145	4,402,267

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		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Net revenues	\$ 1,469,899	1,370,348	2,978,614	2,800,384
Costs and expenses:				
Cost of sales	602,766	568,582	1,181,647	1,136,724
Royalties	94,352	143,947	214,466	243,568
Product development	58,220	59,366	157,184	154,455
Advertising	147,492	136,487	296,444	277,278
Amortization of intangibles	12,809	14,224	38,103	37,677
Program production cost amortization	24,374	17,991	35,742	34,023
Selling, distribution and administration	244,072	231,045	643,202	633,238
Total costs and expenses	<u>1,184,085</u>	<u>1,171,642</u>	<u>2,566,788</u>	<u>2,516,963</u>
Operating profit	<u>285,814</u>	<u>198,706</u>	<u>411,826</u>	<u>283,421</u>
Non-operating (income) expense:				
Interest expense	24,710	41,194	69,940	86,398
Interest income	(745)	(1,326)	(3,236)	(4,239)
Other expense, net	17,795	2,925	10,556	10,766
Total non-operating expense, net	<u>41,760</u>	<u>42,793</u>	<u>77,260</u>	<u>92,925</u>
Earnings before income taxes	244,054	155,913	334,566	190,496
Income tax expense	63,899	30,070	90,077	34,844
Net earnings	<u>180,155</u>	<u>125,843</u>	<u>244,489</u>	<u>155,652</u>
Net loss attributable to noncontrolling interests	(302)	(731)	(1,530)	(731)
Net earnings attributable to Hasbro, Inc.	<u>\$ 180,457</u>	<u>126,574</u>	<u>246,019</u>	<u>156,383</u>
Net earnings attributable to Hasbro, Inc. per common share:				
Basic	<u>\$ 1.42</u>	<u>0.97</u>	<u>1.90</u>	<u>1.20</u>
Diluted	<u>\$ 1.40</u>	<u>0.96</u>	<u>1.88</u>	<u>1.19</u>
Cash dividends declared per common share	<u>\$ 0.43</u>	<u>0.40</u>	<u>1.29</u>	<u>1.20</u>

See accompanying condensed notes to consolidated financial statements.

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

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2014</u>	<u>September 29, 2013</u>	<u>September 28, 2014</u>	<u>September 29, 2013</u>
Net earnings	\$ 180,155	125,843	244,489	155,652
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	(35,682)	12,993	(31,640)	(8,880)
Net gains (losses) on cash flow hedging activities, net of tax	44,368	(12,580)	16,528	(198)
Unrealized holding (losses) gains on available-for-sale securities, net of tax	(143)	-	3,382	-
Reclassifications to earnings, net of tax:				
Net losses (gains) on cash flow hedging activities	5,886	(3,589)	7,410	(4,629)
Unrecognized pension and postretirement amounts	550	2,319	1,650	7,291
Total other comprehensive earnings (loss), net of tax	<u>14,979</u>	<u>(857)</u>	<u>(2,670)</u>	<u>(6,416)</u>
Comprehensive earnings	195,134	124,986	241,819	149,236
Comprehensive loss attributable to noncontrolling interests	(302)	(731)	(1,530)	(731)
Comprehensive earnings attributable to Hasbro, Inc.	<u>\$ 195,436</u>	<u>125,717</u>	<u>243,349</u>	<u>149,967</u>

See accompanying condensed notes to consolidated financial statements.

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

	Nine Months Ended	
	September 28, 2014	September 29, 2013
Cash flows from operating activities:		
Net earnings	\$ 244,489	155,652
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of plant and equipment	82,536	75,526
Amortization of intangibles	38,103	37,677
Program production cost amortization	35,742	34,023
Deferred income taxes	(38,930)	604
Stock-based compensation	26,869	20,599
Change in operating assets and liabilities:		
Increase in accounts receivable	(274,182)	(203,159)
Increase in inventories	(172,496)	(133,738)
Decrease (increase) in prepaid expenses and other current assets	37,037	(20,672)
Program production costs	(26,393)	(31,520)
Increase in accounts payable and accrued liabilities	51,305	222,695
Other, including long-term royalty advances	22,746	(110,370)
Net cash provided by operating activities	<u>26,826</u>	<u>47,317</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(78,255)	(78,246)
Investments and acquisitions, net of cash acquired	-	(109,955)
Proceeds from partial sale of equity interest in joint venture	64,400	-
Other	4,009	3,121
Net cash utilized by investing activities	<u>(9,846)</u>	<u>(185,080)</u>
Cash flows from financing activities:		
Net proceeds from borrowings with maturity greater than three months	559,986	-
Repayments of borrowings with maturity greater than three months	(425,000)	-
Net proceeds from (repayments of) other short-term borrowings	71,172	(11,235)
Purchases of common stock	(338,184)	(86,972)
Stock option transactions	43,447	74,400
Excess tax benefits from stock-based compensation	8,507	12,772
Dividends paid	(162,789)	(104,164)
Net cash utilized by financing activities	<u>(242,861)</u>	<u>(115,199)</u>
Effect of exchange rate changes on cash	<u>(4,384)</u>	<u>(8,071)</u>
Decrease in cash and cash equivalents	<u>(230,265)</u>	<u>(261,033)</u>
Cash and cash equivalents at beginning of year	<u>682,449</u>	<u>849,701</u>
Cash and cash equivalents at end of period	<u>\$ 452,184</u>	<u>588,668</u>
Supplemental information		
Cash paid during the period for:		
Interest	\$ 80,384	76,700
Income taxes	\$ 65,286	50,548

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) Basis of Presentation

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 September 28, 2014 and September 29, 2013, 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 quarters ended September 28, 2014 and September 29, 2013 are each 13-week periods. The nine-month periods ended September 28, 2014 and September 29, 2013 are each 39-week periods.

The results of operations for the quarter and nine-month periods ended September 28, 2014 are not necessarily indicative of results to be expected for the full year, nor were those of the comparable 2013 periods representative of those actually experienced for the full year 2013.

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 fiscal year ended December 29, 2013 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 in its Annual Report on Form 10-K for the fiscal year ended December 29, 2013.

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

(2) Earnings Per Share

Net earnings per share data for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013 were computed as follows:

Quarter	2014		2013	
	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	\$ 180,457	180,457	126,574	126,574
Average shares outstanding	127,293	127,293	130,253	130,253
Effect of dilutive securities:				
Options and other share-based awards	-	1,410	-	1,592
Equivalent Shares	127,293	128,703	130,253	131,845
Net earnings attributable to Hasbro, Inc. per common share	\$ 1.42	1.40	0.97	0.96
Nine Months	2014		2013	
	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	\$ 246,019	246,019	156,383	156,383
Average shares outstanding	129,302	129,302	129,972	129,972
Effect of dilutive securities:				
Options and other share-based awards	-	1,487	-	1,601
Equivalent Shares	129,302	130,789	129,972	131,573
Net earnings attributable to Hasbro, Inc. per common share	\$ 1.90	1.88	1.20	1.19

For the quarters ended September 28, 2014 and September 29, 2013, options and restricted stock units totaling 675 and 775, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. For the nine-month periods ended September 28, 2014 and September 29, 2013, options and restricted stock units totaling 675 and 1,266, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

(3) Other Comprehensive Earnings (Loss)

Components of other comprehensive earnings (loss) are presented within the consolidated statements of comprehensive earnings. The following table presents the related tax effects on changes in other comprehensive earnings (loss) for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Other comprehensive earnings (loss), tax effect:				
Tax (expense) benefit on cash flow hedging activities	\$ (2,924)	2,548	11,987	(424)
Tax benefit (expense) on unrealized holding gains	80	-	(1,919)	-
Reclassifications to earnings, tax effect:				
Tax (benefit) expense on cash flow hedging activities	(2,129)	861	(2,471)	1,280
Tax benefit on unrecognized pension and postretirement amounts reclassified to the consolidated statements of operations	(312)	(712)	(936)	(2,136)
Total tax effect on other comprehensive (loss) earnings	\$ (5,285)	2,697	6,661	(1,280)

Changes in the components of accumulated other comprehensive loss for the nine months ended September 28, 2014 and September 29, 2013 are as follows:

	Pension and Postretirement Amounts	Gains (Losses) on Derivative Instruments	Unrealized Holding Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
2014					
Balance at December 29, 2013	\$ (64,841)	(7,313)	-	38,019	(34,135)
Current period other comprehensive earnings (loss)	1,650	23,938	3,382	(31,640)	(2,670)
Balance at September 28, 2014	\$ (63,191)	16,625	3,382	6,379	(36,805)
2013					
Balance at December 30, 2012	\$ (120,422)	(1,008)	-	49,123	(72,307)
Current period other comprehensive earnings (loss)	7,291	(4,827)	-	(8,880)	(6,416)
Balance at September 29, 2013	\$ (113,131)	(5,835)	-	40,243	(78,723)

At September 28, 2014, the Company had remaining net deferred gains on hedging instruments, net of tax, of \$16,625 in accumulated other comprehensive loss ("AOCE"). These instruments hedge payments related to inventory purchased in the third quarter of 2014 or forecasted to be purchased during 2014, 2015 and 2016, intercompany expenses expected to be paid or received during 2014 and 2015, cash receipts for sales made at the end of the third quarter of 2014 or forecasted to be made in the remainder of 2014 and interest payments related to long-term notes due 2021 and 2044. These amounts will be reclassified into the consolidated statements of operations upon the sale of the related inventory or recognition of the related sales or expenses. Of the amount included in AOCE at September 28, 2014, the Company expects approximately \$13,453 to be reclassified to the consolidated statements of operations within the next 12 months. However, the amount ultimately realized in earnings is dependent on the fair value of the hedging instruments on the settlement dates.

(4) Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and certain accrued liabilities. At September 28, 2014, September 29, 2013 and December 29, 2013, the carrying cost of these instruments approximated their fair value. The Company's financial instruments at September 28, 2014, September 29, 2013 and December 29, 2013 also include certain assets and liabilities measured at fair value (see Notes 6 and 8) as well as long-term borrowings. The carrying costs and fair values of the Company's long-term borrowings as of September 28, 2014, September 29, 2013 and December 29, 2013 are as follows:

September 28, 2014		September 29, 2013		December 29, 2013	
Carrying	Fair	Carrying	Fair	Carrying	Fair

	Cost	Value	Cost	Value	Cost	Value
6.35% Notes Due 2040	\$ 500,000	602,050	500,000	535,000	500,000	532,750
6.30% Notes Due 2017	350,000	392,595	350,000	402,500	350,000	400,050
5.10% Notes Due 2044	300,000	310,500	-	-	-	-
3.15% Notes Due 2021	300,000	302,130	-	-	-	-
6.60% Debentures Due 2028	109,895	125,764	109,895	121,983	109,895	118,566
6.125% Notes Due 2014	-	-	430,424	437,750	428,390	435,838
Total long-term debt	1,559,895	1,733,039	1,390,319	1,497,233	1,388,285	1,487,204
Less: Current portion	-	-	430,424	437,750	428,390	435,838
Long-term debt excluding current portion	\$ 1,559,895	1,733,039	959,895	1,059,483	959,895	1,051,366

In May 2014, the Company issued \$600,000 in long-term debt which consists of \$300,000 of 3.15% Notes Due in 2021 and \$300,000 of 5.10% Notes Due in 2044 (collectively, the "Notes"). 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. Prior to the issuance of the Notes, the Company held forward-starting interest rate swap contracts to hedge the variability in the anticipated underlying U.S. Treasury interest rate associated with the expected issuance of the Notes. At the date of issuance, these contracts were terminated and the Company paid \$33,306, the fair value of the contracts on that date, to settle. Of this amount, \$6,373 relates to 3.15% Notes Due 2021 and \$26,933 relates to 5.10% Notes Due 2044, which has been deferred in AOCF and will be amortized to interest expense over the life of the respective Notes using the effective interest rate method. The proceeds from the Notes have been presented net of the payment for these contracts in the consolidated statements of cash flows.

The carrying cost of the 6.125% Notes Due 2014 included principal amounts of \$425,000 as well as fair value adjustments of \$5,424, and \$3,390 at September 29, 2013 and December 29, 2013, respectively, related to interest rate swaps. The interest rate swaps were terminated in November 2012 and the fair value adjustments at September 29, 2013 and December 29, 2013 represented the unamortized portions of the fair value of the interest rate swaps at the date of termination. At September 29, 2013 and December 29, 2013, the principal amount and fair value adjustment associated with the 6.125% Notes Due 2014 totaling \$425,000 were included in the current portion of long-term debt. All other carrying costs represent principal amounts and were included in long-term debt excluding the current portion at September 28, 2014, September 29, 2013 and December 29, 2013. The total principal amount of long-term debt, including the current portion, was \$1,559,895 at September 28, 2014 and \$1,384,895 at both September 29, 2013 and December 29, 2013.

The fair values of the Company's long-term debt are considered Level 3 fair values (see Note 6 for further discussion of the fair value hierarchy) and are measured using the discounted future cash flows method. In addition to the debt terms, the valuation methodology includes an assumption of a discount rate that approximates the current yield on a similar debt security. This assumption 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.

(5) Income Taxes

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 and international tax authorities in various tax jurisdictions.

The U.S. Internal Revenue Service completed an examination related to the 2008 and 2009 U.S. federal income tax returns in 2013. During the first quarter of 2014, as a result of amending tax years 2010 through 2012 and making similar adjustments identified in the completion of the 2008 and 2009 examinations, the Company recognized \$12,159 of previously accrued unrecognized tax benefits including the reversal of related accrued interest, primarily related to the deductibility of certain expenses, as well as the tax treatment of certain subsidiary and other transactions. Of this amount, \$324 was recorded as a reduction of deferred tax assets and the remainder as a reduction to income tax expense. The total income tax benefit resulting from the amended returns, including other adjustments, totaled \$13,480 during the first quarter of 2014.

The Company is no longer subject to U.S. federal income tax examinations for years before 2013. 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 2006. The Company is currently under income tax examination in several U.S. state and local and non-U.S. jurisdictions.

In connection with the Mexican tax examinations for the years 2000 to 2007 and 2009, the Company has received tax assessments totaling approximately \$295,530 (at September 28, 2014 exchange rates), which include interest, penalties and inflation updates, related to transfer pricing which the Company is vigorously defending. In order to continue the process of defending its position, the Company was required to guarantee the amount of the assessments for the years 2000 to 2004, as is usual and customary in Mexico with respect to these matters. Accordingly, as of September 28, 2014, bonds totaling approximately \$173,120 (at September 28, 2014 exchange rates) have been provided to the Mexican government related to the 2000 to 2004 assessments, allowing the Company to defend its positions. The Company is not currently required to guarantee the amounts of the 2005 through 2007 and 2009 assessments as they are in, or plan to be challenged in, administrative proceedings. The Company expects to be successful in sustaining its position with respect to these assessments as well as similar positions that may be taken by the Mexican tax authorities for 2008 and periods subsequent to 2009 if these disputes continue through litigation and/or administrative processes. However, in the interest of resolving these open disputes and to provide for a mutually agreeable framework in future years, the Company is party to discussions with the Mexican tax authorities to determine if the two parties can reach an agreed settlement of these issues. The Company expects that any such settlement would require some payment by the Company with respect to the prior years' under assessment as well as include a mutually agreed methodology for dealing with these transfer pricing issues in future years. As of September 28, 2014, the Company's liabilities for unrecognized tax benefits reflects the settlement offer the Company most recently made to the Mexican tax authorities related to the outstanding assessments and potential claims with respect to 2008 and completed periods subsequent to 2009 that are still subject to audit.

At September 28, 2014, the Company has liabilities for unrecognized tax benefits of \$105,945 which are included as a component of other liabilities in the consolidated balance sheet. During 2014, the Company increased these liabilities by \$33,295 to reflect the impact of a proposed resolution of certain tax matters. The Company believes it is reasonably possible that it may make approximately \$66,400 of tax payments and reduce its liability for uncertain tax benefits within the next 12 months related to the resolution of an uncertain tax position.

(6) Fair Value of Financial Instruments

The Company measures certain financial instruments at fair value. The 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.

Accounting standards permit entities to measure many financial instruments and certain other items at fair value and establish presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities. The Company has elected the fair value option for certain available-for-sale investments. At September 28, 2014, September 29, 2013 and December 29, 2013, these investments totaled \$24,292, \$23,452 and \$28,048, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheets. The Company recorded net gains and interest income of \$247 and \$2,487 on these investments in other (income) expense, net for the quarter and nine-months ended September 28, 2014, respectively, related to the change in fair value of such instruments. For the quarter and nine-month periods ended September 29, 2013 the Company recorded net losses of \$176 and \$166, respectively, in other (income) expense, net, related to the change in fair value of such instruments.

At December 29, 2013 the Company also held forward-starting interest rate swap agreements to hedge the variability of the anticipated underlying U.S. Treasury interest rate associated with the expected issuance of May 2014 long-term debt. See Notes 4 and 8 for further discussion. At September 28, 2014, the Company had an option agreement related to its investment in a joint venture. See Note 10 for further discussion.

At September 28, 2014, September 29, 2013 and December 29, 2013, the Company had the following assets and liabilities measured at fair value in its consolidated balance sheets:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 28, 2014				
Assets:				
Available-for-sale securities	\$ 31,097	6,805	18,632	5,660
Derivatives	41,475	-	41,475	-
Total assets	\$ 72,572	6,805	60,107	5,660
Liabilities:				
Derivatives	\$ 3,426	-	3,426	-
Option agreement	25,590	-	-	25,590
Total liabilities	\$ 29,016	-	3,426	25,590
September 29, 2013				
Assets:				
Available-for-sale securities	\$ 23,460	8	18,050	5,402
Derivatives	3,311	-	2,321	990
Total assets	\$ 26,771	8	20,371	6,392
Liabilities:				
Derivatives	\$ 8,324	-	8,324	-
December 29, 2013				
Assets:				
Available-for-sale securities	\$ 28,048	-	22,564	5,484
Derivatives	4,627	-	4,627	-

Total assets	\$	<u>32,675</u>	<u>-</u>	<u>27,191</u>	<u>5,484</u>
Liabilities:					
Derivatives	\$	<u>12,330</u>	<u>-</u>	<u>12,330</u>	<u>-</u>

Available-for-sale securities include equity securities of one company quoted on an active public market as well as certain investments valued at net asset values quoted on private markets that are not active. These net asset values are predominantly based on underlying investments which are traded on an active market; investments are redeemable within 45 days. At December 29, 2013 the Company also held an available-for-sale investment in Brazil similar to a repurchase agreement; this investment was valued at the principal plus any interest accrued on the instrument. Lastly, the Company holds an available-for-sale investment which invests in hedge funds which contain financial instruments that are valued using certain estimates which are considered unobservable in that they reflect the investment manager's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that these estimates are the best information available for use in the fair value of this investment. The Company's derivatives consist primarily of foreign currency forward contracts. At December 29, 2013, the Company also had forward-starting interest rate swap contracts related to the anticipated issuance of the Notes Due 2021 and 2044. The Company uses current forward rates of the respective foreign currencies and U.S. treasury interest rates to measure the fair value of these contracts. The option agreement included in other liabilities at September 28, 2014 is valued using an option pricing model based on the fair value of the related investment. At September 29, 2013, the Company also had derivative instruments consisting of warrants to purchase common stock of an unrelated company. The Company used the Black-Scholes model to value these warrants. One of the inputs used in both the option pricing and Black-Scholes models, volatility, is considered an unobservable input in that it reflected the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believed that this is the best information available for use in the fair value measurement. There were no changes in these valuation techniques during 2014.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Company's financial instruments which use significant unobservable inputs (Level 3):

	2014	2013
Balance at beginning of year	\$ 5,484	7,618
Gain (loss) from change in fair value	176	(1,226)
Issuance of option agreement	(25,590)	-
Balance at end of third quarter	<u>\$ (19,930)</u>	<u>6,392</u>

(7) Pension and Postretirement Benefits

The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013 are as follows:

	Quarter Ended			
	Pension		Postretirement	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Service cost	\$ 921	1,549	137	188
Interest cost	4,953	4,849	332	345
Expected return on assets	(5,469)	(5,600)	-	-
Net amortization and deferrals	1,210	2,418	(114)	(65)
Curtailment/settlement losses	-	1,064	-	-
Net periodic benefit cost	\$ 1,615	4,280	355	468

	Nine Months Ended			
	Pension		Postretirement	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Service cost	\$ 2,861	4,559	412	563
Interest cost	15,064	14,447	997	1,035
Expected return on assets	(16,587)	(16,691)	-	-
Net amortization and deferrals	3,713	7,206	(341)	(195)
Curtailment/settlement losses	-	6,485	-	-
Net periodic benefit cost	\$ 5,051	16,006	1,068	1,403

During the first three quarters of fiscal 2014, the Company made cash contributions to its defined benefit pension plans of approximately \$5,900 in the aggregate. The Company expects to contribute approximately \$1,000 during the remainder of fiscal 2014.

(8) Derivative Financial Instruments

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, product sales 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, and Euros. Further, at December 29, 2013, and through the debt issuance date in May 2014, Hasbro used forward-starting interest rate swap agreements to hedge anticipated interest payments related to the May 2014 debt issuance. All contracts 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.

In 2013, the Company also had warrants to purchase common stock of an unrelated company that constituted and were accounted for as derivatives. For additional information related to these warrants see Note 6.

Cash Flow Hedges

The Company 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 foreign currency forward contracts are considered to be cash flow hedges. These instruments hedge a portion of the Company's currency requirements associated with anticipated inventory purchases, product sales and other cross-border transactions in 2014, 2015 and 2016.

At September 28, 2014, September 29, 2013 and December 29, 2013, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

	September 28, 2014		September 29, 2013		December 29, 2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedged transaction						
Inventory purchases	\$ 716,028	45,501	525,911	(6,114)	577,138	(7,493)
Intercompany royalty transactions	1,693	(1,493)	174,974	(2,258)	4,948	(2,774)
Sales	195,364	(6,484)	232,709	497	171,393	(1,965)
Other	27,549	(499)	27,148	1,000	46,563	302
Total	\$ 940,634	37,025	960,742	(6,875)	800,042	(11,930)

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 sheets at September 28, 2014, September 29, 2013 and December 29, 2013 as follows:

	September 28, 2014	September 29, 2013	December 29, 2013
Prepaid expenses and other current assets			
Unrealized gains	\$ 24,242	2,923	1,088
Unrealized losses	(6,356)	(1,572)	(702)
Net unrealized gain	<u>\$ 17,886</u>	<u>1,351</u>	<u>386</u>
Other assets			
Unrealized gains	\$ 23,127	109	-
Unrealized losses	(964)	(11)	-
Net unrealized gains	<u>\$ 22,163</u>	<u>98</u>	<u>-</u>
Accrued liabilities			
Unrealized gains	\$ 2,519	3,023	3,425
Unrealized losses	(5,539)	(8,652)	(13,671)
Net unrealized loss	<u>\$ (3,020)</u>	<u>(5,629)</u>	<u>(10,246)</u>
Other liabilities			
Unrealized gains	\$ 22	191	-
Unrealized losses	(26)	(2,886)	(2,070)
Net unrealized loss	<u>\$ (4)</u>	<u>(2,695)</u>	<u>(2,070)</u>

Net gains (losses) on cash flow hedging activities have been reclassified from other comprehensive earnings (loss) to net earnings for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013 as follows:

	Quarter Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Statements of Operations Classification				
Cost of sales	\$ (3,165)	1,614	(3,363)	1,650
Royalties	(923)	(303)	(1,533)	(347)
Sales	(3,477)	2,906	(4,340)	4,441
Net realized (losses) gains	<u>\$ (7,565)</u>	<u>4,217</u>	<u>(9,236)</u>	<u>5,744</u>

In addition, net gains of \$62 were reclassified to earnings as a result of hedge ineffectiveness for the nine-month period ended September 28, 2014, and net gains of \$233 and \$165 were reclassified to earnings as a result of hedge ineffectiveness for the quarter and nine-month periods ended September 29, 2013, respectively.

During the fourth quarter of 2013, the Company entered into forward-starting interest rate swap agreements to hedge the variability of the anticipated underlying U.S. Treasury interest rate associated with the expected issuance of long-term debt to repay the 6.125% Notes Due 2014 with a principal amount of \$425,000. These derivative instruments were designated and effective as cash flow hedges. At December 29, 2013, the total notional amounts of the Company's forward-starting interest rate swap agreements was \$300,000. Unrealized gains of \$3,172 were recorded to the consolidated balance sheets as of December 29, 2013. During the first quarter of 2014, the notional amounts of the Company's forward-starting interest rate swap agreements were increased to \$500,000. The instruments were settled on the date of the issuance of the related debt and the deferred loss of \$33,306 is being amortized to interest expense over the life of the debt using the effective interest rate method. For the quarter and nine months ended September 28, 2014, the Company amortized \$450 and \$707, respectively, related to these contracts which is included in interest expense.

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 nature of the derivative contracts involved, the Company does not use hedge accounting for these contracts. At September 28, 2014, September 29, 2013 and December 29, 2013 the total notional amounts of the Company's undesignated derivative instruments were \$413,065, \$257,325 and \$294,888, respectively.

At September 28, 2014, September 29, 2013 and December 29, 2013, the fair values of the Company's undesignated derivative financial instruments were recorded in the consolidated balance sheets as follows:

	September 28, 2014	September 29, 2013	December 29, 2013
Prepaid expenses and other current assets			
Unrealized gains	\$ 4,876	1,761	-
Unrealized losses	(3,450)	(1,107)	-
Net unrealized gain	<u>1,426</u>	<u>654</u>	<u>-</u>
Other assets			
Unrealized gains	-	298	1,069
Unrealized losses	-	(80)	-
Net unrealized gain	<u>-</u>	<u>218</u>	<u>1,069</u>
Accrued liabilities			
Unrealized gains	-	-	478
Unrealized losses	-	-	(492)
Net unrealized loss	<u>-</u>	<u>-</u>	<u>(14)</u>
Other liabilities			
Unrealized gains	303	-	-
Unrealized losses	(705)	-	-
Unrealized loss	<u>(402)</u>	<u>-</u>	<u>-</u>
Total unrealized gain, net	<u>\$ 1,024</u>	<u>872</u>	<u>1,055</u>

The Company recorded net losses (gains) of \$20,050 and \$19,988 on these instruments to other (income) expense, net for the quarter and nine-month periods ended September 28, 2014, respectively, and \$(2,467) and \$(2,557) on these instruments to other (income) expense, net for the quarter and nine-month periods ended September 29, 2013, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains and 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 4 and 6.

(9) Acquisitions

On July 8, 2013, the Company acquired a majority interest in Backflip Studios, LLC ("Backflip"), a mobile game developer based in Boulder, Colorado. The Company paid \$112,000 in cash to acquire a 70% interest in Backflip. The Company is consolidating the financial statements of Backflip and reporting the 30% redeemable noncontrolling interests as a separate line in the consolidated balance sheets and statements of operations.

Based on a valuation of approximately \$160,000, the Company allocated approximately \$6,000 to net tangible assets, \$35,000 to identifiable intangible assets, \$119,000 to goodwill, and \$48,000 to redeemable noncontrolling interests. The valuation was based on an income approach which utilizes discounted future cash flows expected to be generated from the acquired business. Identifiable intangible assets include property rights which are being amortized over the projected revenue curve over a period of four years. The carrying value and amortization curve of these intangible assets are based on cash flows associated with game titles released and planned to be released as of the date of acquisition. Actual results achieved from these acquired game titles may impact the carrying value of these intangibles or the timing of amortization expense. Goodwill reflects the value to the Company from leveraging Backflip's expertise in developing and marketing mobile digital games, including the continued expansion of its own brands in this arena. Goodwill will be tested for impairment at least annually during the fourth quarter of the Company's fiscal year, unless an event occurs or circumstances change that indicate that the carrying value may not be recoverable.

The 30% redeemable noncontrolling interests has been presented in the consolidated balance sheets as temporary equity between liabilities and shareholders' equity. This presentation is required because the Company has the obligation to purchase the remaining 30% of Backflip in the future contingent on the achievement by Backflip of certain predetermined financial performance metrics. The Company does not know the ultimate timing that these predetermined financial metrics may be met and, thereby, cannot currently estimate the purchase price of the remaining 30%.

Actual and pro forma results have not been disclosed because they are not material to the consolidated financial statements. The balance of the redeemable noncontrolling interests was \$43,949 at September 28, 2014, \$47,269 at September 29, 2013 and \$45,445 at December 29, 2013. Net loss attributable to noncontrolling interests for the quarter and nine-months ended September 28, 2014 was \$302 and \$1,530, respectively compared to a net loss of \$731 for both the quarter and nine months ended September 29, 2013.

(10) Equity Method Investment

The Company owns an interest in a joint venture, Hub Television Networks, LLC (the "Network"), with Discovery Communications, Inc. ("Discovery"). The Network was established to create a cable television network in the United States dedicated to high-quality children's and family entertainment. On September 23, 2014, the Company and Discovery amended their relationship with respect to the Network. Prior to the amendments each of the Company and Discovery owned a 50% equity interest in the Network. Pursuant to these amendments Discovery has increased its equity interest in the Network to 60%, and the Company retains a 40% equity interest in the Network. The change in equity

interests was accomplished partly through a redemption of interests owned by the Company and partly through the purchase of interests by Discovery from the Company. In connection with this reduction in its equity ownership the Company was paid a cash purchase price of \$64,400 by Discovery. In connection with amendments, the Company and Discovery also entered into an option agreement related to the Company's remaining 40% ownership in the Network and also modified the terms of a license agreement between the Company and the Network. As a result of the reduction in the Company's ownership in the Network, the Company also received a benefit from a reduction in amounts due to Discovery under an existing tax sharing agreement. In connection with the restructuring of the Company's investment in the Network, the quarter and nine-month periods ended September 28, 2014 include a net expense of \$11,566, primarily related to a charge resulting from an option agreement and the Company's share of severance charges recognized by the Network, partially offset by a gain from the reduction of amounts due to Discovery under a tax sharing agreement.

The Company and Discovery entered into an option agreement that allows either Discovery to call or Hasbro to put the Company's remaining 40%, exercisable during the one-year period following December 31, 2021. The exercise price of the option agreement is 80% of the then fair market value of the Network, subject to a fair market value floor. The Company recorded a charge in other expense, net for the third quarter and nine months of 2014, related to the fair market value of the option agreement totaling \$25,590. This amount is included as a component of other liabilities as of September 28, 2014.

During the quarter and nine months ended September 28, 2014, the Company's share in the earnings of the Network, excluding the amounts included in the charge described above, were \$1,892 and \$5,491, respectively, compared to losses of \$91 and \$1,024 for the quarter and nine months ended September 29, 2013. As of September 28, 2014, September 29, 2013 and December 29, 2013, the Company's investment in the Network totaled \$258,295, \$329,722 and \$321,876, respectively. The Company monitors the valuation of its investment in the Network primarily based on a discounted cash flow model. The underlying cash flows are based on long-term financial plans for the Network, which include projections for growth in revenues and profitability. Should the Network not achieve its profitability and growth targets, the carrying value of the Company's investment may become impaired.

(11) Segment Reporting

Hasbro is a worldwide leader in children's and family leisure time products and services with a broad portfolio of brands and entertainment properties across toys, games, licensed products ranging from traditional to high-tech and digital, and film and television entertainment. The Company's segments are (i) U.S. and Canada, (ii) International, (iii) Entertainment and Licensing, and (iv) Global Operations.

The U.S. and Canada segment includes the marketing and selling of boys' action figures, vehicles and play sets, 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 and trading card and role-playing games primarily within the United States and Canada. Within the International segment, the Company markets and sells both toy and game products in markets outside of the U.S. and Canada, primarily in the European, Asia Pacific, and Latin American regions. The Company's Entertainment and Licensing segment includes the Company's lifestyle licensing, digital gaming, movie and television entertainment operations. The Global Operations segment is responsible for manufacturing and sourcing finished products for the Company's U.S. and Canada and International segments.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain corporate expenses, including substantially all costs incurred related to the 2013 business restructurings, 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 and corporate administration, are allocated to segments based upon expenses and foreign exchange rates fixed at the beginning of the year, with adjustments to actual expenses and 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 nine months are not necessarily representative of those which may be expected for the full year 2014, nor were those of the comparable 2013 periods representative of those actually experienced for the full year 2013. 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 quarter and nine-month periods ended September 28, 2014 and September 29, 2013 are as follows.

	Quarter Ended			
	September 28, 2014		September 29, 2013	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. and Canada	\$ 764,268	2,388	735,619	1,290
International	649,284	78	582,676	55
Entertainment and Licensing	53,378	7,362	48,637	6,806
Global Operations (a)	2,969	593,435	3,416	591,867
Corporate and Eliminations	-	(603,263)	-	(600,018)
	<u>\$ 1,469,899</u>	<u>-</u>	<u>1,370,348</u>	<u>-</u>
	Nine Months Ended			
	September 28, 2014		September 29, 2013	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. and Canada	\$ 1,484,968	5,065	1,466,921	3,384
International	1,351,608	170	1,212,665	280
Entertainment and Licensing	135,915	14,100	114,747	12,328
Global Operations (a)	6,123	1,200,303	6,051	1,097,852
Corporate and Eliminations	-	(1,219,638)	-	(1,113,844)
	<u>\$ 2,978,614</u>	<u>-</u>	<u>2,800,384</u>	<u>-</u>
	Operating profit (loss)			
	September 28, 2014		September 29, 2013	
	External	Affiliate	External	Affiliate
U.S. and Canada	\$ 169,850	146,991	252,541	243,738
International	116,451	105,663	148,097	115,951
Entertainment and Licensing	493	7,625	21,120	16,622
Global Operations (a)	15,704	17,578	15,770	3,638
Corporate and Eliminations (b)	(16,684)	(79,151)	(25,702)	(96,528)
	<u>\$ 285,814</u>	<u>198,706</u>	<u>411,826</u>	<u>283,421</u>
	Total assets			
	September 28, 2014		September 29, 2013	
	External	Affiliate	External	Affiliate
U.S. and Canada	\$ 3,380,207		6,564,121	3,066,301
International	2,394,325		2,290,130	2,233,115
Entertainment and Licensing	754,575		1,383,554	691,795
Global Operations	2,293,319		2,755,595	2,172,816
Corporate and Eliminations (b)	(4,313,624)		(8,403,255)	(3,761,760)
	<u>\$ 4,508,802</u>	<u>-</u>	<u>4,590,145</u>	<u>4,402,267</u>

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

(b) Certain long-term assets, including property, plant and equipment, goodwill and other intangibles, which benefit multiple operating segments, are included in Corporate and eliminations. 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 differences between actual and budgeted amounts are reflected in Corporate and eliminations. Corporate and eliminations also includes the elimination of inter-company balance sheet amounts. During 2013, certain inter-company balances were settled between each of the U.S. and Canada segment, Entertainment and Licensing segment and Corporate and eliminations. This reduced the amount of reported total assets of the U.S. and Canada and Entertainment and Licensing segments and increased the amount reported in Corporate and eliminations at September 28, 2014 and December 29, 2013 compared to September 29, 2013.

The following table represents consolidated International segment net revenues by major geographic region for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
	Europe	\$ 403,602	376,648	827,412
Latin America	163,163	131,914	313,466	260,443
Asia Pacific	82,519	74,114	210,730	197,125
Net revenues	<u>\$ 649,284</u>	<u>582,676</u>	<u>1,351,608</u>	<u>1,212,665</u>

The following table presents consolidated net revenues by class of principal products for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
	Boys	\$ 478,509	392,014	1,062,082
Games	395,221	387,450	841,449	873,774
Girls	407,718	388,696	710,235	652,889
Preschool	188,451	202,188	364,848	385,227
Net revenues	<u>\$ 1,469,899</u>	<u>1,370,348</u>	<u>2,978,614</u>	<u>2,800,384</u>

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

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 and entertainment plans, anticipated product and entertainment performance,

business opportunities, plans and strategies, financial goals, cost savings and efficiency enhancing initiatives and expectations for achieving the Company's financial goals and other objectives. See Item 1A, in Part II of this report and Item 1A, in Part I of the Annual Report on Form 10-K for the year ended December 29, 2013, 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

Hasbro, Inc. ("Hasbro" or the "Company") is a branded-play company dedicated to fulfilling the fundamental need for play for children and families through creative expression of the Company's world class brand portfolio. From toys and games, to television programming, motion pictures, digital gaming and a comprehensive licensing program, Hasbro executes its brand blueprint in all of its operations. At the center of this blueprint, Hasbro re-imagines, re-invents and re-ignites its owned and controlled brands and imagines, invents and ignites new brands, through toy and game innovation, immersive entertainment offerings, including television programming and motion pictures, and a broad range of licensed products, ranging from traditional to high-tech and digital, under well-known brand names structured within the Company's brand architecture and offering consumers the ability to experience these brands in all areas of their lives.

To accomplish these objectives, Hasbro offers consumers the ability to experience its branded play through innovative toys and games, digital media, lifestyle licensing, publishing and entertainment, including television programming and motion pictures. The Company's focus remains on growing its owned and controlled brands, developing new and innovative products which respond to market insights, offering entertainment experiences which allow consumers to experience the Company's brands across multiple forms and formats and optimizing efficiencies within the Company to increase operating margins and maintain a strong balance sheet.

Hasbro earns revenues and generates cash primarily through the sale of a broad variety of toy and game products and distribution of television programming based on the Company's properties, as well as through the out-licensing of rights for use of its properties in connection with complementary products, including digital media and games and lifestyle products, offered by third parties, or in certain situations, toy products where Hasbro considers the out-licensing of brands to be more effective. The Company's brand architecture includes franchise brands, key partner brands, challenger brands, gaming mega brands and new brands. The Company's franchise and challenger brands represent Company-owned brands or brands, which if not entirely owned, are broadly controlled by the Company, and have been successful over the long term. Franchise brands are the Company's most significant owned or controlled brands which it believes have the ability to deliver significant revenue over the long-term. Challenger brands are brands which have not yet achieved franchise brand status, but have the potential to do so with investment and time. The Company's franchise brands are LITTLEST PET SHOP, MAGIC: THE GATHERING, MONOPOLY, MY LITTLE PONY, NERF, PLAY-DOH and TRANSFORMERS, while challenger brands include BABY ALIVE, FURBY, FURREAL FRIENDS and PLAYSKOOOL. Hasbro has a large portfolio of owned and controlled brands, which can be introduced in new forms and formats over time. These brands may also be further extended by pairing a licensed concept with an owned or controlled brand. By focusing on these brands, Hasbro is working to build a more consistent revenue stream and basis for future growth, and to leverage profitability. During 2013, net revenues from the Company's franchise brands increased by 15% and totaled 44% of total consolidated net revenues. This trend continued in the third quarter and first nine months of 2014 as the Company's franchise brands grew approximately 36% and 31%, respectively, compared to the third quarter and first nine months of 2013.

The Company's innovative product offerings encompass a broad variety of toys including boys' action figures, vehicles and play sets, girls' toys, electronic toys, plush products, preschool toys and infant products, electronic interactive products, creative play and toy-related specialty products. Games offerings include action battling, board, off-the-board, digital, card, electronic, trading card and role-playing games.

While Hasbro believes it has built a more sustainable revenue base by developing and maintaining its owned or controlled 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 and allow the Company to offer innovative products based on movie, television, music and other entertainment properties owned by third parties. The Company's primary licenses include agreements with Marvel Characters B.V. ("Marvel") for characters in the Marvel Universe, including SPIDER-MAN and the AVENGERS; Lucas Licensing Ltd. ("Lucas"), related to the STAR WARS brand; Sesame Workshop, related to the SESAME STREET characters; and Rovio Entertainment Ltd. related to the ANGRY BIRDS brand. Both Marvel and Lucas are owned by The Walt Disney Company ("Disney").

In September 2014, the Company's strategic partnership with Disney expanded to include product offerings, specifically small and fashion dolls, based on the DISNEY PRINCESS and FROZEN brands, commencing in 2016. In 2013, Hasbro and Disney amended both the Marvel and Lucas agreements which extended the term of the license for Marvel characters through 2020 and provides additional guaranteed royalty payments with respect to both MARVEL and STAR WARS products in anticipation of expected future motion pictures and other related entertainment through 2020. Sales of MARVEL and STAR WARS products can vary based on the popularity of theatrical and television entertainment in any given year. In 2013, the Company's offerings included products related to several MARVEL properties backed by entertainment, including products based on the theatrical motion picture releases of IRON MAN 3 in May 2013 and THOR: THE DARK WORLD in November 2013. During the first three quarters of 2014, the Company released products related to three theatrical releases based on MARVEL properties, CAPTAIN AMERICA: THE WINTER SOLDIER in April 2014, THE AMAZING SPIDER-MAN 2 in May 2014 and GUARDIANS OF THE GALAXY in August 2014. Hasbro also commenced shipments of product related to the fourth quarter 2014 introduction of all new television entertainment based on the STAR WARS brand, STAR WARS REBELS. In addition to offering products based on licensed entertainment properties, the Company offers products which are licensed from outside inventors.

The Company seeks to build all-encompassing brand experiences and drive product-related revenues by increasing the visibility of its brands through entertainment such as motion pictures and television programming. Since 2007, the Company has had a number of motion pictures based on its brands released by major motion picture studios, including four motion pictures based on its TRANSFORMERS brand, one of which, TRANSFORMERS: AGE OF EXTINCTION, was released in June 2014 by Paramount Pictures, two motion pictures based on its G.I. JOE brand, including G.I. JOE: RETALIATION released in March 2013, and a major motion picture based on its gaming mega brand, BATTLESHIP. In October 2014, Universal Pictures released a motion picture based on the OUJIA brand. The Company has motion picture projects based on other brands in development for potential release in future years.

In addition to using motion pictures to provide entertainment experiences for its brands, the Company has an internal wholly-owned production studio, Hasbro Studios, which is responsible for the creation and development of television programming based on Hasbro's brands. This programming is currently aired in markets throughout the world. Hasbro Studios programming is distributed primarily to Hub Television Network, LLC, formally known as Hub Network and, as of October 13, 2014, is now the Discovery Family Channel (the "Network"), in the United States. Internationally, Hasbro Studios also distributes to various broadcasters and cable networks. Lastly Hasbro Studios programming is distributed on various digital platforms globally, including Netflix and iTunes. Beginning in 2015, Hasbro Studios will begin distributing certain programming domestically to other outlets, including Cartoon Network. The Company's television initiatives support its strategy of growing its brands well beyond traditional toys and games and providing entertainment experiences for consumers of all ages in many forms or formats.

The Network is the Company's joint venture with Discovery Communications, Inc. ("Discovery") and is a cable television network in the United States dedicated to high-quality children's and family entertainment and educational programming. Programming on the Network includes content based on Hasbro's brands as well as programming developed by third parties. Prior to September 2014, the Company and Discovery each owned a 50% equity interest in the Network. In September 2014, Hasbro and Discovery amended their relationship with respect to the Network, reducing Hasbro's equity interest from 50% to 40%.

Hasbro's strategic blueprint and brand architecture also focus on extending its brands further into digital media and gaming, including through the licensing of the Company's properties to a number of partners who develop and offer digital games and other gaming experiences based on those brands. One example of these digital gaming relationships is the Company's agreement with Electronic Arts Inc. ("EA") under which EA has the rights to develop eight of Hasbro's best-selling gaming brands for mobile platforms globally. Similarly, Hasbro has an agreement with Activision under which Activision offers digital games based on the TRANSFORMERS brand, as well as agreements with other third-party digital gaming companies, including DeNA and GameLoft.

In 2013, Hasbro acquired a 70% majority stake in Backflip Studios, LLC ("Backflip"), a mobile game developer based in Boulder, Colorado. Backflip's product offerings include games for tablets and mobile devices including DRAGONVALE, NINJUMP and PAPER TOSS. In 2014 and beyond, Backflip intends to focus on its existing product lines and launch new games, including those based on Hasbro brands. New game brands released during 2014 include DWARVEN DEN, PLUNDERNAUTS and SPELLFALL. Backflip also introduced two games under Hasbro brands, including NERFHOOPS and TWISTER TAP.

The Company also seeks to express its brands through its lifestyle licensing business. Under its lifestyle licensing programs, Hasbro enters into relationships with a broad spectrum of apparel, food, bedding, publishing and other lifestyle products companies for the global marketing and distribution of licensed products based on the Company's brands. These relationships further broaden and amplify the consumer's ability to experience the Company's brands.

As Hasbro seeks to grow its business in entertainment, licensing and digital gaming, the Company will continue to evaluate strategic alliances, acquisitions, and investments like Backflip, which may complement its current product offerings, allow it entry into an area which is adjacent or complementary to the toy and game business, or allow it to further develop awareness of its brands and expand the ability of consumers to experience its brands in different forms and formats.

During the fourth quarter of 2012 the Company announced a multi-year cost savings initiative in which it targeted achieving aggregate annual cost reductions in its underlying business of \$100,000 by 2015. This plan included an approximate 10% workforce reduction, facility consolidations and process improvements which reduce redundancy and increase efficiencies. During 2012 and 2013, the Company incurred aggregate restructuring and related pension charges of \$79,748 as well as product-related charges of \$19,736 associated with this plan. For the full year 2013, the Company recognized gross cost savings, before restructuring charges, from these actions of approximately \$50,000. These savings are prior to other costs which have or are anticipated to increase in 2014 and future years, such as compensation costs and other investments in certain components of the business.

The Company's business is highly seasonal with a significant amount of revenues occurring in the second half of the year. In 2013, 2012 and 2011, the second half of the year accounted for 65%, 64% and 63% of the Company's annual net revenues, respectively. The Company expects this trend to continue with variation depending on the number, timing and popularity of theatrical movie releases in any given year.

Hasbro sells its products both within the United States and throughout international markets. In recent years, the Company's International segment net revenues have experienced growth as the Company has sought to increase its global presence. Net revenues from the Company's International segment represented 46%, 44% and 43% of total net revenues in 2013, 2012 and 2011, respectively. The Company has driven international growth by opportunistically opening offices in certain markets, primarily emerging markets, to develop this greater global presence. The Company believes emerging markets offer greater opportunity for revenue growth than developed economies which have faced challenging economic environments in recent years. In 2013 and 2012, net revenues from emerging markets increased by 25% and 16%, respectively, representing more than 10% of consolidated net revenues in these years. During the third quarter and first nine months of 2014, net revenues from emerging markets increased approximately 29% and 26%, respectively, compared to the same periods in 2013.

The Company's business is separated into three principal business segments: U.S. and Canada, International and Entertainment and Licensing. The U.S. and Canada segment markets and sells both toy and game products primarily in the United States and Canada. The International segment consists of the Company's European, Asia Pacific and Latin American toy and game marketing and sales operations. The Company's Entertainment and Licensing segment includes the Company's lifestyle licensing, digital licensing and gaming, movie and television 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 is committed to returning excess cash to its shareholders through share repurchases and dividends. As part of this initiative, from 2005 to 2013, the Company's Board of Directors (the "Board") adopted seven successive share repurchase authorizations with a cumulative authorized repurchase amount of \$3,325,000. The seventh authorization was approved in August 2013 for \$500,000. At September 28, 2014, the Company had \$183,649 remaining under this authorization. During the quarter and nine-month periods ended September 28, 2014, the Company spent \$124,506 and \$341,300 to repurchase approximately 2,368 and 6,369 shares of common stock in the open market, respectively. During the three years ended 2013, the Company spent \$625,554 to repurchase 15,424 shares in the open market. 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. The Company intends to, at its discretion, opportunistically repurchase shares in the future subject to market conditions, the Company's other potential uses of cash and the Company's levels of cash generation. In addition to the share repurchase program, the Company also seeks to return cash to its shareholders through the payment of quarterly dividends. In February 2014 the Board increased the Company's quarterly dividend rate, effective for the dividend paid in May 2014, to \$0.43 per share, an 8% increase from the prior quarterly dividend rate of \$0.40 per share. This was the tenth dividend increase in the previous eleven years. During that period, the Company has increased its quarterly cash dividend from \$0.03 to \$0.43 per share.

SUMMARY OF FINANCIAL PERFORMANCE

The components of the results of operations, stated as a percent of net revenues, are illustrated below for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Net revenues	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	41.0	41.5	39.7	40.6
Royalties	6.4	10.5	7.2	8.8

Product development	4.0	4.3	5.3	5.5
Advertising	10.0	10.0	10.0	9.9
Amortization of intangibles	0.9	1.0	1.3	1.3
Program production cost amortization	1.7	1.3	1.2	1.2
Selling, distribution and administration	16.6	16.9	21.6	22.6
Operating profit	19.4	14.5	13.8	10.1
Interest expense	1.7	3.0	2.3	3.0
Interest income	(0.0)	(0.1)	(0.1)	(0.1)
Other (income) expense, net	1.2	0.2	0.3	0.4
Earnings before income taxes	16.6	11.4	11.2	6.8
Income tax expense	4.3	2.2	3.0	1.2
Net earnings	12.3	9.2	8.2	5.6
Net loss attributable to noncontrolling interests	(0.0)	(0.0)	(0.1)	(0.0)
Net earnings attributable to Hasbro, Inc.	12.3%	9.2%	8.3%	5.6%

RESULTS OF OPERATIONS

The quarter and nine-month periods ended September 28, 2014 and September 29, 2013 were each 13-week and 39-week periods, respectively. Net earnings, including the impact of noncontrolling interests in Backflip, were \$180,155 and \$244,489 in the quarter and nine months ended September 28, 2014, respectively, compared to \$125,843 and \$155,652 for the respective periods in 2013. Net earnings attributable to Hasbro, Inc. for the quarter and nine months ended September 28, 2014 were \$180,457 and \$246,019, respectively, compared to \$126,574 and \$156,383 for the respective periods of 2013. Diluted earnings per share attributable to Hasbro, Inc. for the quarter and nine months ended September 28, 2014 were \$1.40 and \$1.88, respectively, compared to \$0.96 and \$1.19 for the respective periods of 2013.

Net earnings for the third quarter and first nine months of 2014 include adjustments, net of tax, of \$7,379, or \$0.06 per diluted share, for each period related to the restructuring of the Company's equity interest in Hub Network. Net earnings for the quarter and nine months ended September 29, 2013 includes unfavorable impacts, net of tax, of \$66,447, or \$0.50 per diluted share, for each period resulting from an adverse arbitration award related to a license agreement with an inventor as well as a favorable tax adjustment of \$23,637, or \$0.18 per diluted share. The third quarter and first nine months of 2013 also include adjustments, net of tax, of \$3,126, or \$0.03 per share, and \$23,693, or \$0.18 per share, respectively, related to the multi-year cost savings initiative announced during the fourth quarter of 2012.

During the third quarter of 2013, the Company acquired a 70% majority interest in Backflip Studios, LLC ("Backflip"). The Company is consolidating the financial results of Backflip in its consolidated financial statements and, accordingly, reported revenues, costs and expenses, assets and liabilities, and cash flows include 100% of Backflip, with the 30% noncontrolling interests share reported as net loss attributable to noncontrolling interests in the consolidated statements of operations and redeemable noncontrolling interests on the consolidated balance sheets. The results of operations for the quarter and nine-month periods ended September 28, 2014 include the operations of Backflip. The quarter and nine months ended September 29, 2013 only include the operations of Backflip from the date of acquisition. The operations of Backflip are reported in the Entertainment and Licensing segment.

Consolidated net revenues for the quarter ended September 28, 2014 increased approximately 7% to \$1,469,899 from \$1,370,348 for the quarter ended September 29, 2013 and were negatively impacted by foreign currency translation of approximately \$10,800 for the quarter ended September 29, 2013 as a result of the stronger U.S. dollar in 2014 compared to 2013. For the nine months ended September 28, 2014, consolidated net revenues increased 6% to \$2,978,614 from \$2,800,384 for the nine months ended September 29, 2013 and were negatively impacted by foreign currency translation of approximately \$18,000 as a result of the stronger U.S. dollar in 2014 compared to 2013. Absent the impact of currency translation, net revenues grew 8% and 7% in the third quarter and first nine months of 2014, respectively, compared to 2013. The Company's focus on franchise brands contributed to the overall growth of consolidated net revenues, with franchise brands growing approximately 36% and 31% in the third quarter and first nine months of 2014, respectively, compared to 2013. All seven franchise brands grew during the third quarter of 2014, while six of the seven franchise brands experienced growth in the year-to-date period, including MAGIC: THE GATHERING, MONOPOLY, MY LITTLE PONY, NERF, PLAY-DOH and TRANSFORMERS.

The following table presents net revenues by product category for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended			%	Nine Months Ended		
	Sept. 28, 2014	Sept. 29, 2013	Change		Sept. 28, 2014	Sept. 29, 2013	Change
Boys	\$ 478,509	392,014	22%	1,062,082	888,494	20%	
Games	395,221	387,450	2%	841,449	873,774	-4%	
Girls	407,718	388,696	5%	710,235	652,889	9%	
Preschool	188,451	202,188	-7%	364,848	385,227	-5%	
Net revenues	\$ 1,469,899	1,370,348		2,978,614	2,800,384		

BOYS: Net revenues in the boys' category increased 22% and 20% in the third quarter and first nine months of 2014, respectively, compared to 2013. Both the third quarter and first nine months of 2014 benefited from shipments related to four theatrical releases whereas the third quarter and first nine months of 2013 only benefited from shipments related to one theatrical release. Growth in 2014 resulted from higher net revenues from TRANSFORMERS products related to the June 2014 theatrical release of *TRANSFORMERS: AGE OF EXTINCTION* as well as higher net revenues from MARVEL products related to three theatrical releases, *CAPTAIN AMERICA: THE WINTER SOLDIER* in April 2014, *THE AMAZING SPIDER-MAN 2* in May 2014 and *GUARDIANS OF THE GALAXY* in August 2014. The third quarter and first nine months of 2013 included shipments of MARVEL products related to one theatrical release, *IRON MAN 3*, in May 2013. Higher net revenues from NERF products in the quarter and year-to-date periods, also contributed to the category's growth. These higher net revenues were slightly offset by expected lower net revenues from BEYBLADE and G.I. JOE products in the third quarter and first nine months of 2014.

GAMES: Net revenues from the games category grew 2% in the third quarter of 2014, but decreased 4% in the first nine months of 2014 compared to 2013. In the quarter, higher net revenues from MONOPOLY, MAGIC: THE GATHERING, SIMON, DUNGEONS AND DRAGONS and OPERATION products were only partially offset by lower net revenues from other games brands, particularly BOP IT!, DUEL MASTERS and JENGA. In the first nine months of 2014, higher net revenues from MONOPOLY, MAGIC: THE GATHERING, SIMON, DUNGEONS AND DRAGONS, ELEFUN & FRIENDS and OPERATION products were more than offset by lower net revenues from other games brands, particularly BOP IT!, DUEL MASTERS, JENGA and TWISTER. Games category net revenues in the third quarter and first nine months of 2014 also includes mobile gaming revenue from Backflip digital gaming properties as a result of its third quarter 2013 acquisition.

GIRLS: Net revenues in the girls' category increased 5% and 9% in the third quarter and first nine months of 2014, respectively, compared to 2013. Higher net revenues from franchise brands, specifically MY LITTLE PONY, NERF and PLAY-DOH, contributed to the category's growth in both the quarter and nine months. Net revenues from MY LITTLE PONY products have continued momentum with support from the successful television program, *MY LITTLE PONY: FRIENDSHIP IS MAGIC*, as well as the third quarter 2013 introduction of MY LITTLE PONY EQUESTRIA GIRLS products. The Company also successfully launched NERF REBELLE, a line of action performance products, during the second half of 2013 and the product line's success continued into the third quarter and first nine months of 2014. The girls' category also benefited from the launch of PLAY-DOH DOHVINCI products, a line of arts and crafts toys, late in the second half of 2014. These higher net revenues were partially offset by lower net revenues from FURBY products in both the quarter and nine months ended September 28, 2014. Lastly, growth from the franchise brand LITTLEST PET SHOP, which was re-imagined and re-launched during the third quarter of 2014, as well as the challenger brand FURREAL FRIENDS, reflecting the shipment of feature items ahead of the holiday season, in 2014 compared to 2013, also contributed to overall category growth during these periods.

PRESCHOOL: Net revenues from the preschool category declined 7% and 5% in the quarter and nine months ended September 28, 2014, respectively, compared to the quarter and nine months ended September 29, 2013. Growth in net revenues from PLAY-DOH and TRANSFORMERS products was more than offset by lower net revenues from various other preschool brands, particularly PLAYSKOOL and SESAME STREET.

Operating profit for the quarter ended September 28, 2014 increased 44% to \$285,814, or 19.4% of net revenues, from \$198,706, or 14.5% of net revenues, for the quarter ended September 29, 2013. Operating profit in the third quarter of 2014 includes a benefit of \$1,328 related to the restructuring of the Company's investment in Hub Network while operating profit in the third quarter of 2013 included a charge of \$57,164 reflecting an adverse arbitration award related to a license agreement as well as restructuring and related partial pension settlement charges of \$4,093. Absent the impact of these items, operating profit grew 9% to \$284,486, or 19.4% of net revenues, in third quarter of 2014 from \$259,963, or 19.0% of net revenues, in 2013. Foreign currency translation negatively impacted operating profit by approximately \$2,900 in the third quarter of 2014. Excluding the items described above, higher net revenues, partially offset by higher costs and expenses, contributed to growth in operating profit in the third quarter of 2014. These higher net revenues allowed better leverage of operating expenses leading to improved operating margin in 2014 compared to 2013.

Operating profit for the nine months ended September 28, 2014 increased 45% to \$411,826, or 13.8% of net revenues, compared to \$283,421, or 10.1% of net revenues, for the nine months ended September 29, 2013. Operating profit in 2014 includes a benefit of \$1,328 related to the restructuring of the Company's investment in Hub Network while operating profit in 2013 included an adverse arbitration award related to a license agreement and restructuring and related pension charges of \$57,164 and \$35,481, respectively. Absent these items, operating profit increased 9% to \$410,498, or 13.8% of net revenues, in 2014 from \$376,066, or 13.4% of net revenues, for the nine months ended September 29, 2013. Foreign currency translation negatively impacted operating profit by approximately \$3,800 in the first nine months of 2014. Excluding the items described above, improved operating profit and operating profit margin in the first nine months of 2014 compared to 2013 reflect higher net revenues which resulted in better leverage of operating expenses.

Most of the Company's revenues and operating profit are derived from its three principal business 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 quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended			%	Nine Months Ended		
	Sept. 28, 2014	Sept. 29, 2013	% Change		Sept. 28, 2014	Sept. 29, 2013	% Change
Net Revenues							
U.S. and Canada segment	\$ 764,268	735,619	4%	1,484,968	1,466,921	1%	
International segment	649,284	582,676	11%	1,351,608	1,212,665	11%	
Entertainment and Licensing segment	53,378	48,637	10%	135,915	114,747	18%	
Operating Profit							
U.S. and Canada segment	\$ 169,850	146,991	16%	252,541	243,738	4%	
International segment	116,451	105,663	10%	148,097	115,951	28%	
Entertainment and Licensing segment	493	7,625	-94%	21,120	16,622	27%	

U.S. AND CANADA SEGMENT

The U.S. and Canada segment net revenues for the quarter ended September 28, 2014 increased 4% to \$764,268 from \$735,619 for the quarter ended September 29, 2013. Net revenues for the first nine months of 2014 grew 1% to \$1,484,968 from \$1,466,921 for the first nine months of 2013. Currency translation negatively impacted net revenues by approximately \$1,100 and \$3,000 in the quarter and nine-month periods ended September 28, 2014, respectively. In

the third quarter of 2014, growth in the boys' and games categories were partially offset by lower net revenues from the girls' and preschool categories. In the first nine months of 2014, lower net revenues from the girls', games and preschool categories were more than offset by growth in the boys' category.

In the boys' category, higher net revenues from NERF, TRANSFORMERS, MARVEL and STAR WARS products for the third quarter and first nine months of 2014 were partially offset by lower net sales of BEYBLADE products. The games category benefited from higher net revenues from MONOPOLY, MAGIC: THE GATHERING, DUNGEONS AND DRAGONS, SIMON, CONNECT 4 and OPERATION products in both the quarter and nine-month periods ended September 28, 2014. Although these higher net revenues more than offset lower net revenues from other games brands, including BOB IT!, JENGA, STAR WARS, and DUEL MASTERS, in the quarter ending September 28, 2014, they could not overcome declines from these other game brands in the first nine months of 2014. Lower net revenues from TWISTER products also contributed to the category's decline in the nine-month period. In the girls' category, higher net revenues from franchise brands, specifically LITTLEST PET SHOP, MY LITTLE PONY, NERF and PLAY-DOH, in the third quarter and first nine months of 2014 were more than offset by lower net revenues from FURBY and BABY ALIVE products. Net revenues from FURREAL FRIENDS also grew during the third quarter and first nine months of 2014 compared to 2013. In the preschool category, higher net revenues from PLAY-DOH and TRANSFORMERS products in the quarter and nine months ended September 28, 2014 compared to 2013 were more than offset by lower net revenues from PLAYSKOOL, SESAME STREET, MARVEL and STAR WARS products.

U.S. and Canada segment operating profit for the quarter ended September 28, 2014 increased 16% to \$169,850, or 22.2% of segment net revenues, from \$146,991, or 20.0% of segment net revenues, for the quarter ended September 29, 2013. U.S. and Canada segment operating profit for the nine months ended September 28, 2014 increased 4% to \$252,541, or 17.0% of segment net revenues, from \$243,738, or 16.6% of segment net revenues, for the nine months ended September 29, 2013. Operating profit growth in the third quarter and first nine months of 2014 reflects higher net revenues and favorable product mix partially offset by increased expenses. Increased operating profit margin in the third quarter and first nine months of 2014 reflects improved expense leverage resulting from those higher net revenues as well as benefits from the Company's cost savings initiative.

INTERNATIONAL SEGMENT

International segment net revenues increased 11% in the third quarter and first nine months of 2014 to \$649,284 and \$1,351,608, respectively, from \$582,676 and \$1,212,665 for the comparable periods of 2013. International segment net revenues for the third quarter and first nine months of 2014 were negatively impacted by currency translation of approximately \$9,700 and \$15,100 as a result of the stronger U.S. dollar in 2014 compared to 2013. Absent the impact of foreign currency translation, International segment net revenues grew approximately 13% in both the third quarter and first nine months of 2014 compared to 2013. The following table presents net revenues by geographic region for the Company's International segment for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended			Nine Months Ended		
	Sept. 28, 2014	Sept. 29, 2013	% Change	Sept. 28, 2014	Sept. 29, 2013	% Change
Europe	\$ 403,602	376,648	7%	827,412	755,097	10%
Latin America	163,163	131,914	24%	313,466	260,443	20%
Asia Pacific	82,519	74,114	11%	210,730	197,125	7%
Net revenues	\$ 649,284	582,676		1,351,608	1,212,665	

International segment net revenues grew across all regions in both the quarter and nine months ended September 28, 2014. Absent the impact of currency translation, net revenues from the European region grew 10% in both the quarter and nine months ended September 28, 2014. Currency translation did not have a material impact on net revenues from the Latin American and Asia Pacific regions in the third quarter of 2014; however, in the first nine months of 2014, net revenues from these regions grew approximately 24% and 8%, respectively, absent currency translation. Net revenues in emerging markets, which includes but is not limited to Russia, Brazil and China, increased 29% and 26% in the third quarter and first nine months of 2014, respectively, compared to 2013.

In both the quarter and nine month periods of 2014, growth in the boys, girls and preschool categories were partially offset by declines in the games category.

Higher net revenues from NERF, TRANSFORMERS, MARVEL and, to a lesser extent, ANGRY BIRDS products in the third quarter and first nine months of 2014 contributed to growth in the boys category which was slightly offset by lower sales of BEYBLADE products. In the girls category, higher net revenues from MY LITTLE PONY, NERF and PLAY-DOH products in the third quarter and first nine months of 2014 compared to 2013 were partially offset by lower net revenues from LITTLEST PET SHOP and FURBY products. In the games category, higher net revenues from the franchise brands, MAGIC: THE GATHERING and MONOPOLY, were more than offset by lower net revenues from various other games brands. In the preschool category, higher net revenues from franchise brands, specifically PLAY-DOH and TRANSFORMERS, in the quarter and nine months ended September 28, 2014 were only partially offset by lower net revenues from PLAYSKOOL and TONKA products.

International segment operating profit increased 10% to \$116,451 for the quarter ended September 28, 2014 from \$105,663 for the quarter ended September 29, 2013; however, operating profit margin decreased from 18.1% of segment net revenues in the third quarter of 2013 to 17.9% of segment net revenues in the third quarter of 2014. International segment operating profit increased 28% to \$148,097, or 11.0% of segment net revenues, for the nine months ended September 28, 2014, from \$115,951, or 9.6% of segment net revenues, for the nine months ended September 29, 2013. Foreign currency translation negatively impacted segment operating profit by approximately \$3,900 in each the third quarter and first nine months of 2014. In the quarter and nine months, higher net revenues, partially offset by higher operating expenses, contributed to improved operating profit. Less favorable product mix during the quarter resulted in a lower operating profit margin compared to the third quarter of 2013.

ENTERTAINMENT AND LICENSING SEGMENT

Entertainment and Licensing segment net revenues for the quarter ended September 28, 2014 increased 10% to \$53,378 from \$48,637 for the quarter ended September 29, 2013. Entertainment and Licensing segment net revenues for the nine months ended September 28, 2014 increased 18% to \$135,915 from \$114,747 for the nine months ended September 29, 2013. Higher net revenues from lifestyle licensing, as well as revenue contribution from Backflip, drove growth in both the quarter and nine months of 2014 compared to 2013.

Entertainment and Licensing segment operating profit decreased to \$493 for the quarter ended September 28, 2014 from \$7,625 for the quarter ended September 29, 2013. The reduction in operating profit in 2014 compared to 2013 reflects accelerated amortization for certain programming, primarily related to KAIJUDO, reflecting revised estimates of future revenues, as well as lower revenue related to television programing distribution. Partially offsetting this was higher operating profit from increased revenues from lifestyle licensing. Entertainment and Licensing segment operating profit increased to \$21,120 for the nine months ended September 28, 2014 from \$16,622 for the nine months ended September 29, 2013. Operating profit in the first nine months of 2013 included restructuring charges of \$1,729. The increase in operating profit in the first nine months of 2014 compared to 2013 reflects the profit impact from higher net revenues from lifestyle licensing partially offset by the impact of Backflip, which was acquired in the third quarter of 2013.

OTHER SEGMENTS AND CORPORATE AND ELIMINATIONS

Global Operations segment operating profit of \$15,704 for the quarter ended September 28, 2014 compared to an operating profit of \$17,578 for the quarter ended September 29, 2013. Segment operating profit of \$15,770 in the first nine months of 2014 compared to an operating profit of \$3,638 for the nine months ended September 29, 2013.

The operating loss in Corporate and eliminations for the third quarter of 2014 totaled \$16,684 compared to operating loss of \$79,151 for the third quarter of 2013. Operating loss for the first nine months of 2014 of \$25,702 compared to an operating loss of \$96,528 for the first nine months of 2013. Operating loss for each the third quarter and first nine months of 2013 included charges of \$57,164 related to an adverse arbitration award related to a license agreement as well as restructuring and related pension charges of \$4,093 and \$33,752, respectively. Absent these charges, operating loss in Corporate and Eliminations for the third quarter and first nine months of 2013 was \$17,894 and \$5,612, respectively. Lastly, the operating loss in the quarter and nine months of 2013 include a third quarter charge related to the write-off of early film development costs associated with films that had not yet been moved to production.

The Company's costs and expenses, stated as percentages of net revenues, are illustrated below for the quarter and nine-month periods ended September 28, 2014 and September 29, 2013.

	Quarter Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Cost of sales	41.0%	41.5%	39.7%	40.6%
Royalties	6.4	10.5	7.2	8.8
Product development	4.0	4.3	5.3	5.5
Advertising	10.0	10.0	10.0	9.9
Amortization of intangibles	0.9	1.0	1.3	1.3
Program production cost amortization	1.7	1.3	1.2	1.2
Selling, distribution and administration	16.6	16.9	21.6	22.6

Operating expenses for the quarter and nine-month periods ended September 29, 2013 include charges of \$57,164 related to an adverse arbitration award relating to a license agreement which was recorded to royalties. In addition, operating expenses for the quarter and nine months ended September 29, 2013 include charges associated with a multi-year cost savings initiative announced during the fourth quarter of 2012, which targeted achieving an aggregate \$100,000 in underlying annual savings by the end of 2015, prior to the other costs which have, or are anticipated to, increase in 2014 as well as in future years. These expenses were included in the consolidated statement of operations as follows:

	Quarter Ended Sept. 29, 2013	Nine Months Ended Sept. 29, 2013
Cost of sales	\$ -	8,493
Product development	-	3,515
Selling, distribution and administration	4,093	23,473
Total	\$ 4,093	35,481

In the third quarter of 2014, cost of sales increased in dollars but decreased as a percent of net revenues to \$602,766, or 41.0% of net revenues, from \$568,582, or 41.5% of net revenues, for the quarter ended September 29, 2013. For the nine months ended September 28, 2014, cost of sales was \$1,181,647, or 39.7% of net revenues, compared to \$1,136,724, or 40.6% of net revenues, for the nine months ended September 29, 2013. Absent restructuring charges above, cost of sales as a percentage of net revenues was 40.3% for the first nine months of 2013. While higher cost of sales for the third quarter and first nine months of 2014 primarily reflect higher net revenues compared to 2013, the decrease as a percentage of net revenues, absent restructuring charges, reflects higher net revenues from entertainment properties in 2014 compared to 2013. Royalty-bearing products generally carry higher pricing and, therefore, have a lower cost of sales as a percentage of net revenues. The third quarter and first nine months of 2014 also included a benefit from realized costs savings.

Royalty expense for the quarter ended September 28, 2014 decreased to \$94,352, or 6.4% of net revenues, compared to \$143,947, or 10.5% of net revenues, for the quarter ended September 29, 2013. Royalty expense for the nine months ended September 28, 2014 decreased to \$214,466, or 7.2% of net revenues, from \$243,568, or 8.8% of net revenues. Royalty expense for the quarter and nine months ended September 28, 2014 includes a benefit of \$2,328 related to the restructuring of the Company's investment in Hub Network while royalty expense for the quarter and nine months ended September 29, 2013 included charges of \$57,164 resulting from an adverse arbitration award related to a license agreement. Absent these charges, royalty expense increased to \$96,680, or 6.6% of net revenues, and \$216,794, or 7.3% of net revenues, in the quarter and nine-month periods of 2014, respectively, from \$86,783, or 6.3% of net revenues, and \$186,404, or 6.7% of net revenues, for the quarter and nine months ended September 29, 2013, respectively. Fluctuations in royalty expense are generally related to the volume of entertainment-driven products sold in a given period, especially if there is a major motion picture release. During the third quarter and first nine months of 2014, the Company benefited from shipments of TRANSFORMERS products related to the major motion picture release of TRANSFORMERS: AGE OF EXTINCTION as well as shipments of MARVEL products related to three major motion picture releases, CAPTAIN AMERICA: THE WINTER SOLDIER, THE AMAZING SPIDER-MAN 2 and GUARDIANS OF THE GALAXY. In 2013, sales only benefited from shipments of MARVEL products related to one major motion picture release, IRON MAN 3.

Product development expense for the quarter and nine-month period ended September 28, 2014 was \$58,220, or 4.0% of net revenues, and \$157,184, or 5.3% of net revenues, respectively, compared to \$59,366, or 4.3% of net revenues, and \$154,455, or 5.5% of net revenues, for the respective periods in 2013. Absent restructuring charges, product development expense for the first nine months of 2013 was \$150,940, or 5.4% of net revenues. Product development expense for the quarter and nine-month periods ended September 29, 2013 included the write-off of early film development costs associated with motion pictures which have not yet been moved into production. Absent these charges, higher product development expenses in 2014 compared to 2013 reflects increased investments in development, including the MAGIC: THE GATHERING brand.

Advertising expense for the quarter ended September 28, 2014 was \$147,492, or 10.0% of net revenues, compared to \$136,487, or 10.0% of net revenues, for the quarter ended September 29, 2013. Advertising expense for the nine months ended September 28, 2014 increased to \$296,444, or 10.0% of net revenues, from \$277,278, or 9.9% of net revenues, for the comparable period in 2013. Higher net revenues resulted in higher advertising expense for the third quarter and first nine months of 2014 compared to 2013. Advertising expense for the third quarter and first nine months of 2014 and 2013 were consistent as a percentage of net revenues.

Amortization of intangibles decreased to \$12,809, or 0.9% of net revenues, for the quarter ended September 28, 2014 compared to \$14,224, or 1.0% of net revenues, for the quarter ended September 29, 2013. Amortization of intangibles increased to \$38,103, or 1.3% of net revenues, in the first nine months of 2014 from \$37,677, or 1.3% of net revenues, in the first nine months of 2013. Increases in amortization related to Backflip were more than offset by lower amortization of the Company's other intangibles reflecting the impact of intangible assets which were fully amortized during 2013.

Program production cost amortization increased in the third quarter and first nine months of 2014 to \$24,374, or 1.7% of net revenues, and \$35,742, or 1.2% of net revenues, respectively, from \$17,991, or 1.3% of net revenues, and \$34,023, or 1.2% of net revenues, in the respective periods of 2013. Program production costs are capitalized as incurred and amortized using the individual-film-forecast method. The increase in the third quarter of 2014 compared to 2013 reflects accelerated amortization for certain programming resulting from revised estimates of future revenues, primarily related to KAIJUDO, and, to a lesser extent, the programming mix being amortized and the related actual and projected net revenues.

For the quarter ended September 28, 2014, the Company's selling, distribution and administration expenses increased in dollars but decreased as a percent of net revenues to \$244,072, or 16.6% of net revenues, from \$231,045, or 16.9% of net revenues, for the quarter ended September 29, 2013. Selling, distribution and administration expenses for the third quarters of 2014 and 2013 include \$1,000 in charges related to the restructuring of the Company's investment in Hub Network and restructuring and related pension charges of \$4,093, respectively. Absent these charges, selling, distribution and administration expenses increased 7% in 2014 to \$243,072, or 16.5% of net revenues, from \$226,952, or 16.6% of net revenues, for the quarter ended September 29, 2013. For the nine months ended September 28, 2014, the Company's selling, distribution and administration expenses increased in dollars but decreased as a percent of net revenues to \$643,202, or 21.6% of net revenues from \$633,238, or 22.6% of net revenues, for the nine months ended September 29, 2013. Selling, distribution and administration expense for the first nine months of 2014 and 2013 include \$1,000 in charges related to the restructuring of the Company's investment in Hub Network and restructuring and related pension charges of \$23,473, respectively. Absent these charges, selling, distribution and administration expenses increased 5% to \$642,202, or 21.6% of net revenues, in 2014 from \$609,765, or 21.8% of net revenues. The increase in both the quarter and nine-month periods, excluding restructuring charges, reflects higher compensation, depreciation and investments, including in MAGIC: THE GATHERING, emerging markets and Backflip, partially offset by cost savings.

NON-OPERATING (INCOME) EXPENSE

Interest expense for the third quarter and first nine months of 2014 was \$24,710 and \$69,940, respectively, compared to \$41,194 and \$86,398 for the comparable and respective periods of 2013. Charges of \$18,382 related to interest on unpaid royalties resulting from an adverse arbitration award related to a license agreement were included in interest expense for the third quarter and first nine months of 2013. Absent these charges, interest expense for the third quarter and first nine months of 2013 was \$22,812 and \$68,016, respectively.

Interest income for the third quarter and first nine months of 2014 decreased as a result of lower cash balances and totaled \$745 and \$3,236 compared to \$1,326 and \$4,239 for the quarter and nine-month periods ended September 29, 2013.

Other expense, net of \$17,795 for the quarter ended September 28, 2014 compared to \$2,925 for the quarter ended September 29, 2013. Other expense, net of \$10,556 for the first nine months of 2014 compared to \$10,766 for the first nine months of 2013. Both the third quarter and first nine months of 2014 includes a net loss of \$12,894 related to the restructuring of the Company's investment in Hub Network. This net loss was primarily comprised of costs associated with an option agreement entered into between Hasbro and Discovery and Hasbro's share of severance costs recorded by the Network, partially offset by a gain resulting from the reduction of amounts due to Discovery under a tax sharing agreement. The Company expects that the Network may incur additional restructuring charges in the fourth quarter of 2014. Other (income) expense, net also includes the Company's share in the income (losses) of Hub Network. Excluding the impact of the restructuring of the Company's investment described above, income from Hub Network of \$1,892 and \$5,491 in the third quarter and first nine months of 2014, respectively, compared to losses of \$91 and \$1,024 in the comparable periods in 2013. Foreign exchange losses of approximately \$6,200 in the third quarter of 2014 compared to gains of approximately \$500 in the third quarter of 2013. Foreign exchange losses of approximately \$6,100 in the first nine months of 2014 compared to approximately \$5,400 in the respective period of 2013. Other expense, net in the first nine months of 2014 also includes gains of \$3,400 on the sale of an internet domain name.

INCOME TAXES

Income taxes totaled \$63,899 on pre-tax earnings of \$244,054 in the third quarter of 2014 compared to income taxes of \$30,070 on pre-tax earnings of \$155,913 in the third quarter of 2013. For the nine month period, income taxes totaled \$90,077 on pre-tax earnings of \$334,566 in 2014 compared to income taxes of \$34,844 on pre-tax earnings of \$190,496 in 2013. Both periods, as well as the full year 2013, are impacted by certain discrete tax events including the accrual of potential interest and penalties on certain tax positions. During the first nine months of 2014, favorable discrete tax adjustments were a net benefit of \$2,532 compared to a net benefit of \$26,752 in the first nine months of 2013. The favorable discrete tax adjustment for the first nine months of 2014 includes an expense related to additional reserves for certain tax positions offset by a benefit in the first quarter related to the effective settlement of certain open tax years in the United States. Absent discrete items, the adjusted tax rate for the first nine months of 2014 and 2013 were 27.8% and 26.5%, respectively. The increase in the adjusted rate to 27.8% for the nine months ended September 28, 2014 from the full year 2013 adjusted rate 25.8% is primarily due to the tax impact of higher expected operating profits in jurisdictions with higher statutory tax rates, primarily the United States.

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. The Company expects that this concentration will continue, particularly as more of its business has shifted to larger customers with order patterns concentrated in the second half of the year. The concentration of sales in the second half of the year increases 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 the Company has product licenses, and changes in overall economic conditions. As a result, comparisons of the Company's unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of the Company's 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. Although the Company may receive orders from customers in advance, it is a general industry practice that these orders are subject to amendment or cancellation by customers prior to shipment and, as such, the Company does not believe that these unshipped orders, at any given date, are indicative of future sales.

In May 2014, the Financial Accounting Standards Board ("FASB"), in cooperation with the International Accounting Standards Board ("IASB"), issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 – *Revenue Recognition* and most industry-specific guidance throughout the Codification. This new guidance provides a five-step model for analyzing contracts and transactions to determine when, how and if revenue is recognized. Revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The Company is evaluating the requirements of ASU 2014-09 and its potential impact on the Company's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2013 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 commercial paper program.

During the first nine months of 2014, the Company continued to fund its working capital needs primarily through cash flows from operations and, when needed, lines of credit and the Company's commercial paper 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 commercial paper program, are adequate to meet its working capital needs for the remainder of 2014. However, unexpected events or circumstances such as material operating losses or increased capital or other expenditures may 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 management believes the risk of nonperformance by the counterparties to the Company's 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 the Company.

In May 2014, the Company issued \$600,000 in long-term debt which consists of \$300,000 in Notes Due in 2021 which bear interest at a rate of 3.15% and \$300,000 in Notes Due in 2044 which bear interest at a rate of 5.10% (collectively, the "Notes"). 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 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 used, primarily, to repay \$425,000 in aggregate principal amount of the 6.125% Notes Due 2014 upon maturity, including accrued and unpaid interest. The remaining net proceeds are being utilized for general corporate and working capital purposes.

As of September 28, 2014 the Company's cash and cash equivalents totaled \$452,184, a substantial portion of which is held outside of the United States. Deferred income taxes have not been provided on the majority of undistributed earnings of international subsidiaries as such earnings are indefinitely reinvested by the Company. Accordingly, such international cash balances are not available to fund cash requirements in the United States unless the Company changes its reinvestment policy. The Company currently has sufficient sources of cash in the United States to fund cash requirements without the need to repatriate any funds. If the Company changes its policy of permanently reinvesting international earnings, it would be required to accrue for any additional income taxes representing the difference between the tax rates in the United States and the applicable tax jurisdiction of the international subsidiaries. If the Company repatriated the funds from its international subsidiaries, it would then be required to pay the additional U.S. income tax. Substantially all of the Company's cash and cash equivalents held outside of the United States as of September 28, 2014 is denominated in the U.S. dollar.

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.

At September 28, 2014, cash and cash equivalents, net of short-term borrowings, decreased slightly to \$374,161 from \$375,742 at September 29, 2013. Net cash provided by operating activities in the first nine months of 2014 was \$26,826 compared to \$47,317 in the first nine months of 2013.

Accounts receivable increased approximately 8% to \$1,314,022 at September 28, 2014 from \$1,215,289 at September 29, 2013. The accounts receivable balance at September 28, 2014 includes a decrease of approximately \$48,200 resulting from a stronger U.S. dollar at September 28, 2014 compared to September 29, 2013. Absent the impact of foreign currency translation, accounts receivable grew approximately 12% reflecting higher net revenues for the quarter ended September 28, 2014 compared to the quarter ended September 29, 2013. Days sales outstanding was consistent at 80 days at September 28, 2014 and September 29, 2013.

Inventories increased approximately 12% to \$499,150 at September 28, 2014 from \$447,113 at September 29, 2013. The inventory balance at September 28, 2014 includes a decrease of approximately \$26,200 resulting from a stronger U.S. dollar at September 28, 2014 compared to September 29, 2013. The increase is primarily in international markets, including emerging markets in support of continued expectations for growth in these markets as well as mature markets to support higher revenues. Inventory grew approximately 1% from the second quarter of 2014 whereas inventory at September 29, 2013 grew 24% from June 30, 2013. This reflects the Company's decision to accelerate inventory shipping during the second quarter of 2014 resulting from potential labor disputes and related delays at the shipping port the Company utilizes in California.

Prepaid expenses and other current assets increased 10% to \$380,833 at September 28, 2014 from \$346,215 at September 29, 2013. The prepaid and other current assets balance at September 28, 2014 included a decrease of approximately \$5,000 resulting from a stronger U.S. dollar at September 28, 2014 compared to September 29, 2013. Higher prepaid expenses and other current assets primarily relate to higher outstanding foreign exchange contracts, reflecting the

stronger U.S. dollar at the end of the third quarter of 2014 compared to 2013. Prepaid expenses and other current assets in 2014 also reflect higher short-term and other investments.

Accounts payable and accrued liabilities decreased 7% to \$936,005 at September 28, 2014 from \$1,005,529 at September 29, 2013. Accounts payable and accrued liabilities at September 28, 2014 includes a decrease of approximately \$48,900 resulting from a stronger U.S. dollar at September 28, 2014 compared to September 29, 2013. Lower accrued royalties and interest, specifically related to 2013 accruals for an adverse arbitration award, as well as lower accrued severance were partially offset by higher accounts payable and accrued income and other taxes.

Goodwill and other intangible assets, net decreased to \$931,613 at September 28, 2014 from \$1,008,241 at September 29, 2013. Other intangible assets decreased from \$414,033 at September 29, 2013 to \$337,894 at September 28, 2014, primarily due to amortization expense, including write-offs of certain intangibles during the fourth quarter of 2013.

Other assets in 2014 decreased approximately 7% to \$702,981 at September 28, 2014 from \$753,420 at September 29, 2013. Lower other assets primarily reflect a reduction in the Company's investment in Hub Network resulting from the sale of 10% equity interest to Discovery which included cash proceeds of \$64,400, lower television programming and lower long-term royalty advances relating to the STAR WARS and MARVEL licenses and the Network. These reductions were partially offset by higher deferred taxes and higher outstanding long-term foreign exchange contracts.

Other liabilities decreased 4% to \$392,366 at September 28, 2014 from \$410,672 at September 29, 2013. The decrease is primarily the result of lower liabilities related to defined benefit pension and post-retirement medical plans as well as a reduction in the Company's tax sharing agreement with Discovery. These decreases were partially offset by higher accruals for uncertain income tax positions as well as the recognition of the fair market value of an option agreement with Discovery resulting from the Company's restructuring of its investment in Hub Network.

Net cash utilized by investing activities was \$9,846 in the first nine months of 2014 compared to \$185,080 in 2013. Additions to property, plant and equipment were \$78,255 in 2014 compared to \$78,246 in 2013. The net utilization in 2014 includes \$64,400 of cash proceeds from the partial sale of equity interest in Hub Network. The 2013 utilization includes \$109,955 in cash paid for a 70% majority interest in Backflip.

Net cash utilized by financing activities was \$242,861 in the first nine months of 2014 compared to \$115,199 in the first nine months of 2013. The 2014 cash provided reflects net proceeds of \$559,986 from the issuance of \$600,000 in long-term notes in May 2014; these net proceeds include a payment of \$33,306 for the termination of forward-starting interest rate swap contracts associated with this expected issuance of debt as well as \$6,708 in debt issuance costs. The majority of the proceeds from this issuance were used to repay \$425,000 of long-term notes due May 2014. Cash payments related to purchases of the Company's common stock were \$338,184 in the first nine months of 2014 compared to \$86,972 in 2013. At September 28, 2014, the Company had \$183,649 remaining available under its current share repurchase authorization approved by the Board of Directors. Dividends paid in the first nine months of 2014 totaled \$162,789 compared to \$104,164 in the first nine months of 2013. There were no dividends paid in the first quarter of 2013 as the payment historically made in February was accelerated and paid in December 2012. The remaining increase in dividends reflects the higher dividend rate paid on the May and August 2014 dividends, partially offset by lower shares outstanding. Proceeds from short-term borrowings of \$71,172 in the first nine months of 2014 compared to repayments of short-term borrowings of \$11,235 in the first nine months of 2013.

The Company has an agreement with a group of banks for a commercial paper program (the "Program"). Under the Program, at the request of the Company and subject to market conditions, the banks may either purchase from the Company, or arrange for the sale by the Company, of unsecured commercial paper notes. Under the Program the Company may issue notes from time to time up to an aggregate principal amount outstanding at any given time of \$700,000. The maturities of these notes will vary but may not exceed 397 days. The notes will be sold under customary terms in the commercial paper market and will be issued at a discount or par, or alternatively, will be sold at par and will bear varying interest rates based on a fixed or floating rate basis. The interest rates will vary based on market conditions and the ratings assigned to the notes by the credit rating agencies at the time of issuance. Subject to market conditions, the Company intends to utilize the Program as its primary short-term borrowing facility and does not intend to sell unsecured commercial paper notes in excess of the available amount under the revolving credit agreement, discussed below. If, for any reason, the Company is unable to access the commercial paper market, the Company intends to use the revolving credit agreement to meet the Company's short-term liquidity needs. At September 28, 2014 the Company had approximately \$65,000 in borrowings outstanding related to the Program.

The Company has a revolving credit agreement (the "Agreement"), which provides it with a \$700,000 committed borrowing facility. 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 September 28, 2014. The Company had no borrowings outstanding under its committed revolving credit facility at September 28, 2014. However, the Company had letters of credit outstanding under this facility as of September 28, 2014 of approximately \$1,000, and borrowings under the Company's commercial paper program of approximately \$65,000. Amounts available and unused under the committed line, less outstanding balances under the commercial paper program, as of September 28, 2014 were approximately \$634,000. The Company also has other uncommitted lines from various banks, of which approximately \$32,100 was utilized at September 28, 2014. Of the amount utilized under the uncommitted lines, approximately \$11,400 and \$20,700 represent outstanding borrowings and letters of credit, respectively.

The Company has principal amounts of long-term debt at September 28, 2014 of \$1,559,895 due at varying times from 2017 through 2044. Of this long-term debt, \$600,000 represents the aggregate issuance of long-term debt in May 2014 which consists of \$300,000 of 3.15% Notes Due 2021 and \$300,000 of 5.10% Notes Due 2044. The Company also had letters of credit and other similar instruments of approximately \$193,500 and purchase commitments of \$292,146 outstanding at September 28, 2014. Letters of credit and similar instruments include approximately \$173,100 related to the defense of tax assessments in Mexico. These assessments relate to transfer pricing that the Company is defending. In the interest of resolving these open disputes and to provide for a mutually agreeable framework in future years, the Company is party to discussions with the Mexican tax authorities to determine if a settlement related to these assessments may be reached.

Other contractual obligations and commercial commitments, as detailed in the Company's Annual Report on Form 10-K for the year ended December 29, 2013, did not materially change outside of payments made in the normal course of business and as otherwise set forth in this report. The table of contractual obligations and commercial commitments, as detailed in the Company's Annual Report on Form 10-K for the year ended December 29, 2013, does not include certain tax liabilities recorded related to uncertain tax positions. These liabilities were \$105,945 at September 28, 2014, and are included as a component of other liabilities in the accompanying consolidated balance sheets. Further, the Company believes it is reasonably possible that it may make approximately \$66,400 of gross tax payments and reduce its liability for uncertain benefits within the next twelve months related to the resolution of an uncertain tax position.

The Company believes that cash from operations, 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, program production costs, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments, pension costs and obligations 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 29, 2013.

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 sterling, Swiss franc, Canadian dollar, Brazilian real, Russian ruble and Mexican peso and, to a lesser extent, other currencies in European, 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 2014 through 2016 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-denominated revenues and expenses. 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 currencies 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 forward contracts at their fair value as an asset or liability on the consolidated balance sheets. The Company does not speculate in foreign currency exchange contracts. At September 28, 2014, these contracts had net unrealized gains of \$38,049, of which \$19,312 are recorded in prepaid expenses and other current assets, \$22,163 are recorded in other assets, \$3,020 are recorded in accrued liabilities and \$406 are recorded in other liabilities. Included in accumulated other comprehensive loss at September 28, 2014 are deferred gains, net of tax, of \$37,423, related to these derivatives.

At September 28, 2014, the Company had fixed rate long-term debt of \$1,559,895. Of this long-term debt, \$600,000 represents the aggregate issuance of long-term debt in May 2014 which consists of \$300,000 of 3.15% Notes Due 2021 and \$300,000 of 5.10% Notes Due 2044. During the fourth quarter of 2013 and first quarter of 2014, the Company entered into forward-starting interest rate swap agreements with a total notional value of \$500,000 to hedge the anticipated underlying U.S. Treasury interest rate associated with the May 2014 debt issuance. These interest rate swaps were matched with this debt issuance and were designated and effective as hedges of the change in future interest payments. At the date of debt issuance, the Company terminated these interest rate swap agreements and their fair value, \$33,306 at the date of issuance, was recorded in accumulated other comprehensive loss and is being amortized through the consolidated statements of operations using an effective interest rate method over the life of the related debt. Included in accumulated other comprehensive loss at September 28, 2014 are deferred losses, net of tax, of \$20,798 related to these derivatives.

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 September 28, 2014. 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 September 28, 2014 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 in Mexico relating to the years 2000 through 2007 and 2009. These tax assessments, which total approximately \$296 million in aggregate (at September 28, 2014 exchange rates including interest, penalties, and inflation updates), 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 the 2000 through 2004 assessments. The Company filed the suit related to the 2000 and 2001 assessments in May 2009; the 2002 assessment in June 2008; the 2003 assessment in March 2009; and the 2004 assessment in July 2011. The Company is challenging assessments for 2005 through 2007 through administrative appeals. The Company expects to challenge the 2009 assessment through administrative appeals. The Company expects to be successful in sustaining its positions, as well as similar positions that may be taken by Mexican tax authorities for the unaudited periods of 2008 and subsequent to 2009, if these disputes continue through litigation and/or administrative processes. However, in order to challenge the outstanding tax assessments related to the years 2000 through 2004 in court, 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 bonds and accordingly, as of September 28, 2014, bonds totaling approximately \$173 million (at September 28, 2014 exchange rates) have been posted related to the assessments for the years 2000 through 2004. These bonds guarantee the full amounts of the outstanding related tax assessments in the event the Company is not successful in its challenge to them. The Company does not currently expect that it will be required to make a deposit or post bonds related to the 2005 through 2007 or 2009 assessments as the Company is challenging or expects to challenge these through administrative appeals. In the interest of resolving these open disputes and to provide for a mutually agreeable framework in future years, the Company is party to discussions with the Mexican tax authorities to determine if the two parties can reach an agreed settlement of these issues. The Company expects that any such settlement would require some payment by the Company with respect to the prior years' under assessment as well as include a mutually agreed methodology for dealing with these transfer pricing issues in future years. As of September 28, 2014, the Company's liabilities for unrecognized tax benefits reflects the settlement offer the Company has made to the Mexican tax authorities related to the outstanding assessments and potential claims with respect to completed tax periods still subject to audit.

The Company is currently party to certain other legal proceedings, none of which it believes to be material to its 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 forward-looking statements may include statements concerning the Company's product and entertainment plans, anticipated product and entertainment performance, business opportunities and strategies, financial and business goals, expectations for achieving the Company's financial and business goals, cost savings and efficiency enhancing initiatives and other objectives and anticipated uses of cash and 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 29, 2013 (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 successfully re-imagine, re-invent and re-ignite its existing products and product lines, including through the use of immersive entertainment experiences, to maintain and further their success;
- the Company's ability to successfully design, develop, produce, introduce, market and sell innovative new brands, products and product lines which achieve and sustain interest from retailers and consumers and keep pace with changes in consumer preferences and lifestyles;
- the Company's ability to offer products that (i) expand consumer demand for its product offerings and do not significantly compete with the Company's other existing product offerings and (ii) consumers want to purchase and, select over competitors' products;
- the Company's ability to manufacture, source and ship products in a timely and cost-effective manner and customers' and consumers' acceptance and purchase of those products in quantities and at prices that will be sufficient to profitably recover the Company's costs;
- recessions, other economic downturns or challenging economic conditions affecting the Company's markets which can negatively impact the financial health of the Company's retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of the Company's products;
- potential difficulties or delays the Company may experience in implementing its cost savings and efficiency enhancing initiatives or the realization of fewer benefits than are expected from such initiatives;
- 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;
- other economic and public health conditions or regulatory changes in the markets in which the Company and its customers and suppliers operate, which could create delays or increase the Company's costs, such as higher commodity prices, labor costs or higher transportation costs or outbreaks of diseases;
- delays, increased costs or difficulties associated with the development and offering of our or our partners' planned digital applications or media initiatives based on the Company's brands;
- the concentration of the Company's retail customers, potentially increasing the negative impact to the Company of difficulties experienced by any of the Company's retail customers or changes in their purchasing or selling patterns;
- 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 and earnings;
- the inventory policies of the Company's retail customers, including the retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of the Company's revenues in the second half and fourth quarter of the year, which coupled with reliance by retailers on quick response inventory management techniques, increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules;
- work stoppages or disruptions which may impact the Company's ability to manufacture or deliver products in a timely and cost-effective manner;
- concentration of manufacturing of the substantial majority of the Company's products by third party vendors in the People's Republic of China and the associated impact to the Company of social, economic or public health conditions and other factors affecting China, the movement of people and products into and out of China, 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;
- consumer interest in and acceptance of Discovery Family, the Company's cable television joint venture with Discovery Communications, the programming appearing on Discovery Family, products related to Discovery Family's programming, and other factors impacting the financial performance of Discovery Family;
- consumer interest in and acceptance of programming and entertainment created by Hasbro Studios, as well as products related to Hasbro Studios' programming and entertainment;
- the ability of the Company to hire and retain key officers and employees who are critical to the Company's success;
- 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 applicable labor, consumer protection, product safety or other laws or regulations, or with aspects of the Company's Global Business Ethics Principles, and that such noncompliance will not be promptly detected, either of 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 promotional programs or the bankruptcy or other economic difficulties or 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 the Company will lose rights to significant licensed property or properties, which will harm the Company's revenues and earnings;
- 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 offer Company products which consumers choose to buy instead of competitor products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees;
- 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 government and regulatory investigations could entail significant resources and expense and result in significant fines or other harm to the Company's business or reputation;
- the Company's ability to maintain or 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 penalties, fines, sanctions or additional taxes for failure to comply with applicable laws or regulations in any of the markets in which it operates, or that governmental regulations or requirements will require changes in the manner in which the Company does business and/or increase the costs of doing business;
- failure to operate our information systems and implement new technology effectively, as well as maintain the systems and processes designed to protect our electronic data;
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income; or
- 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.

Repurchases Made in the Quarter (in whole dollars and number of shares)

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 2014				
6/30/14 – 7/27/14	698,000	\$ 53.09	698,000	\$ 271,050,785
August 2014				
7/28/14 – 8/31/14	931,000	\$ 51.15	931,000	\$ 223,432,024
September 2014				
9/1/14 – 9/28/14	739,000	\$ 53.83	739,000	\$ 183,648,686
Total	2,368,000	\$ 52.56	2,368,000	\$ 183,648,686

On August 1, 2013, the Company announced that its Board of Directors authorized the repurchase of an additional \$500 million in common stock. 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 this 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.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

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 The Bank of New York Mellon Trust Company, N.A. as successor Trustee to 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 New York Mellon Trust Company, N.A. as successor Trustee to 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 First Supplemental Indenture, dated as of September 17, 2007, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to 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.)
-

4.4	Second Supplemental Indenture, dated as of May 13, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to 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.)
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4.6	Fourth Supplemental Indenture, dated May 13, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to 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, 2014, file No. 1-6682.)
10.1	Amended and Restated Hub Television Networks LLC Limited Liability Company Agreement, as amended September 23, 2014, between the Company, Discovery Communications, LLC, Hub Television Networks 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.)
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Furnished herewith.

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: November 5, 2014

By: /s/ Deborah Thomas
Deborah Thomas

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

Exhibit Index

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* Furnished herewith.

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: November 5, 2014

/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: November 5, 2014

/s/ Deborah Thomas

Deborah Thomas
Executive Vice President and
Chief Financial Officer

**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 September 28, 2014 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
Executive Vice President and Chief Financial Officer of Hasbro, Inc.

Dated: November 5, 2014

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.

**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 September 28, 2014, 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: November 5, 2014

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.

"*****" 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.

HUB TELEVISION NETWORKS, LLC
AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

Dated as of September 23, 2014

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AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
HUB TELEVISION NETWORKS, LLC

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "**Agreement**") of Hub Television Networks, LLC (formerly known as DHJV Company LLC) (the "**Company**"), is made and entered into as of September 23, 2014, 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 and pursuant to the Original Agreement (as defined below);

WHEREAS, as contemplated by the 2009 Purchase Agreement (as defined below), Discovery 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 assumed certain related liabilities, pursuant to the Assignment and Assumption Agreement (as defined below), and Hasbro purchased a fifty percent (50%) Membership Interest (as defined below) in the Company from Discovery;

WHEREAS, as contemplated by the 2014 Purchase Agreement (as defined below), on the date hereof Hasbro's interests in the Company will be reduced through part redemption and part sale to Discovery such that immediately after the date hereof, (i) Discovery will own a sixty percent (60%) Membership Interest in the Company, and (ii) Hasbro will own a forty percent (40%) Membership Interest in the Company, in each case as reflected on the Members' Schedule (as defined below); and

WHEREAS, the parties hereto intend to amend and restate the Original Agreement in its entirety and 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):

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

"**2014 Purchase Agreement**" means the Purchase Agreement entered into by and among Hasbro, Discovery and DCI on the date hereof.

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

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

"**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 Person, 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) and "TV Everywhere" (as such term is commonly understood in the television industry) 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 Discovery Family or such other name as may be determined by the Board, subject to Section 7.03(b).

"**Ancillary Agreements**" means each of the 2009 Purchase Agreement, the 2014 Purchase Agreement, the Assignment Agreement, the Hasbro Programming Agreement, the Trademark License Agreement, Discovery Programming Letter Agreements, the Discovery Programming License Agreement, the Discovery Services Agreement, the Letter Agreement, the Digital Agreement, the Hasbro-Discovery Agreement, the Discovery Family Programming Agreement and each other agreement to be entered into among or between the Members and the Company and their Affiliates in connection with the 2014 Purchase Agreement or this Agreement.

"**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.

"**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 (subject to Section 7.03), all for the purpose of undertaking and furthering the Mission.

"**Business Plan**" has the meaning set forth in Section 3.01.

"**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.

"**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 Persons, 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 securities 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 of 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 Persons, 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; or

(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.

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.

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

"**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 Hasbro Program licensed pursuant to the Hasbro Programming Agreement, that the buyer in a Sale has aired such Hasbro Program during the one (1) year period following the consummation of such Sale in question with comparable or greater frequency to or than the average frequency that such Hasbro Program was aired by the Company during the two (2) year period ending on the date of the consummation of such Sale; **provided** that if such Hasbro Program was aired by the Company for less than two (2) years prior to the date of consummation of such Sale, such two (2) year period shall be deemed reduced for purposes of this definition to the actual period that the Company aired such Hasbro Program.

"**Competitive Cable Television Network**" means

"**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).

"**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**" means the Digital Agreement entered into by and among the Company, Discovery and Hasbro on the date hereof.

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

"**Discovery Family Program**" means a "Discovery Program" (as defined in the Discovery Family Programming Agreement).

"**Discovery Family Programming Agreement**" means the Discovery Library Programming Agreement entered into by and among Discovery and the Company as of the date hereof.

"**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 previously distributed by Discovery in the United States known as "Discovery Kids Channel."

"**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) RESERVED;

(ii) in the case of a termination election by Hasbro pursuant to Section 15.01(g), (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, the Discovery Family Programming Agreement or the Trademark License Agreement by the Company (in each case accordance with the terms thereof) in each case 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 the Formation Date.

"**Discovery Programming License Agreement**" means the Discovery Kids Library 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, as amended and restated by the Discovery Services Agreement entered into as of the date hereof.

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

"**Discovery Votes**" 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.

"**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 Agreement" means

"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, including the affirmative vote of the Hasbro Vote, 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 binding on the parties; and

"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 established 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 May 22, 2009.

"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).

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

"Guaranteed Hour" has the meaning set forth in Section 15.01(l)(2).

"Guaranteed Hour Breach" has the meaning set forth in Section 15.01(l)(2).

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

"Hasbro-Discovery Agreement" means the Amended and Restated Hasbro-Discovery Agreement entered into by and between Hasbro and Discovery as of the date hereof.

"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) RESERVED;
- (ii) in the case of a termination election by Discovery pursuant to Section 15.01(h), (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 Programming Agreement or the Trademark License Agreement by the Company or the Company's election to terminate the Digital Agreement (in each case in accordance with the terms thereof) in each case 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 Program" means a "Program" (as defined in the Hasbro Programming Agreement).

"Hasbro Programming Agreement" means the Amended and Restated Hasbro Studios Programming Development and License Agreement entered into among Discovery, Hasbro, Hasbro Studios and the Company as of the date hereof.

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

"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.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Insufficient Bid" has the meaning set forth in Section 15.04(a).

"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).

"Letter Agreement" means the Supplemental Letter Agreement between Discovery and Hasbro dated as of the Formation Date.

"Long-Form Segments" has the meaning set forth in Section 13.01(d).

"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.

"Minimum Fair Market Value" has the meaning set forth in Section 15.02(c)(6).

"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)(j), 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 distributed by the Company in the United States airing for twenty-four (24) hours a day, seven (7) days a week, which is currently distributed under the name "HUB", and which will, after the rebranding, 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).

"Original Agreement" means the Limited Liability Company Agreement of the Company, dated as of May 22, 2009, by and among Discovery, Hasbro, the Company and, for the purposes set forth therein DCI, as amended by that certain letter agreement, dated as of December 23, 2011.

"Original 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 (as in effect as of the Formation Date).

"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 members 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.

"Premiere Breach" has the meaning set forth in Section 15.01(1)(3).

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

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"Purchase" means the purchase by Discovery from Hasbro of the Purchased Interests pursuant to the 2014 Purchase Agreement.

"Purchased Interests" has the meaning set forth in the 2014 Purchase Agreement.

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

"Redeemed Interests" has the meaning set forth in the 2014 Purchase Agreement.

"Redemption" means the redemption by the Company from Hasbro of the Redeemed Interests.

"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 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 2009 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.

"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.

"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, as amended and restated by the Trademark License Agreement entered into as of the date hereof.

"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.

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"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.

"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.

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

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 Agreement unless otherwise specified.

(b) Unless the context otherwise requires, and subject to Section 8.07, 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 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, the Company shall not be included within the meaning of "Affiliate" or "Controlled Affiliate" as those terms are used in 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.

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 "**Hub Television Networks, LLC.**" The Board may change the name of the Company at any time and from time to time, subject to 7.03(b)(12). 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 7.03(b)(12) and compliance with the Ancillary Agreements.

2.03. Principal Office. The principal office of the Company shall be at One Discovery Place, Silver Spring, MD, 20910 or at such other 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:

2.06. Purposes. The purpose of the Company shall be solely to engage in the Business in a manner reflective of and consistent with the Mission.

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

Business Plan; Annual Budget; Common Units; Capital Contributions

3.01. Business Plan. Any business plan for the Company for any period (the "**Business Plan**") shall be adopted, adjusted or modified by the Board in consultation with the general manager of the Network, who shall also be the chief executive officer of the Company (the "**Chief Executive Officer**"), shall be reflective of and consistent with the Mission, and shall be subject to the procedures set forth on Schedule 3.02(b) to the extent such adopted, adjusted or modified Business Plan includes the approval of an Annual Budget.

3.02. Annual Budget.

(a) By October 15 of each calendar year, the Chief Executive Officer shall cause to be prepared and presented to the Board the proposed 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) After the proposed Annual Budget is presented to the Board, the Board shall review, make modifications and approve such proposed Annual Budget in accordance with the procedures set forth on Schedule 3.02(b); provided, however, the Board may approve the Annual Budget without regard to the procedures set forth on Schedule 3.02(b) with the affirmative vote of the Board required by Section 7.03(b). If the Board does not approve an Annual Budget for any Fiscal Year within thirty (30) days following the date on which the proposed Annual Budget is presented to the Board, then the Annual Budget for the immediately preceding Fiscal Year shall be the Annual Budget for the Fiscal Year in question until a new Annual Budget is approved.

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 date hereof is set forth opposite such Member's name on the Members' Schedule attached hereto as Schedule 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 2009 Purchase Agreement shall be treated consistently and in accordance with Revenue Ruling 99-5, 1999-1 C.B. 434 and (ii) immediately from and after such purchase, the Company has been classified as a partnership for federal income tax purposes. The parties further agree that for federal income tax purposes, the reduction in Hasbro's interests in the Company pursuant to the 2014 Purchase Agreement shall be treated for federal income tax purposes as provided in the 2014 Purchase Agreement.

3.05. No Funding Commitment. 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 Common Unit shall entitle the holder thereof to 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 the Members holding a majority of the Common Units entitled to vote on the applicable matter, resolution, decision or action to be voted on at such meeting are 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 Members holding a majority of the Common Units entitled to vote on the applicable matter, resolution, decision or action at a meeting of Members at which a quorum is present, provided, however, if such action would require the approval of the Board pursuant to Section 7.03(b) if presented to the Board, such action shall also require the affirmative vote of 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 shall state the purpose or purposes of, and the business to be transacted at, such meeting, provided, however, approval by a Member of any business, whether or not specified in such notice, shall constitute a waiver of the notice requirement for such business with respect to such Member.

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, and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by Members holding a majority of the Common Units entitled to vote on the applicable matter, resolution, decision or action and the consent is filed with the minutes of the proceedings of the Members, provided, however, each Member must be given at least 72 hours' notice of such proposed action without a meeting, which notice shall set forth the action to be taken and if such action would require the approval of the Board pursuant to Section 7.03(b) if presented to the Board, such action shall also require the affirmative vote of Hasbro. Notwithstanding the foregoing, the approval of the action by written consent by any Member shall constitute a waiver of the notice requirement with respect to such Member.

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 (a) 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 (b) the Effective Tax Rate for such calendar quarter, and divided by (c) Discovery's Percentage Interest.

(2) The "**Hasbro Estimated Tax Amount**" means (d) 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 (e) the Effective Tax Rate for such calendar quarter, and divided by (f) 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 (g) the excess, if any, of (i) 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 (ii) 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 (h) Discovery's Percentage Interest.

(2) The "**Hasbro Final Tax Amount**" means (i) the excess, if any, of (i) 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 (ii) 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 (j) 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 (5) 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 withholding 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 (2) the dissolution of the Company or (3) 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, (4) increased by (a) any cash contributed or deemed contributed to the Company by such Member on or after the Formation Date, (b) 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), (c) 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, (d) 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 (e) other additions allocated to such Member in accordance with the Code; and (5) decreased by (a) the amount of cash distributed to such Member by the Company, (b) 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, (c) 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 (d) 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.

(d) As of the end of the day preceding the date on which the Redemption and Purchase occurs, the Gross Asset Values of all Company assets shall have been adjusted to equal their respective Fair Market Values and the Capital Accounts of the Members (as determined prior to the Redemption and Purchase) shall have been adjusted to reflect such adjustment. For purposes of the foregoing, notwithstanding any other provision hereof, the Fair Market Value of the Company assets shall be determined and allocated among the Company assets in accordance with the Purchase Agreement.

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(b) 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 Treasury 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) If the Board becomes deadlocked with respect to the approval of any proposed matter within the authority of the Board (*i.e.*, pursuant to Section 7.03(b)) 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 Bruce Campbell and Stephen Davis (the "Designated Representatives"), 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 Votes and the Hasbro Vote, respectively, with respect to the deadlocked matter. In the event such Designated 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 Designated Representative (who shall be a senior member of management of Discovery) for purposes of this Section 7.03(c) if Bruce Campbell ceases to act as such Designated Representative, and Hasbro shall designate a successor Designated Representative (who shall be a senior member of management of Hasbro) for purposes of this Section 7.03(c) if Stephen Davis ceases to act as such Designated 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 at least one Director appointed by Hasbro and such number of Directors appointed by Discovery that constitutes a majority of the Persons on such committee. 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 two votes, 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 a majority of the votes to which the Directors appointed to any such committee are entitled pursuant to this Section 7.04(b) shall be necessary for the approval of any action and adoption of any resolution and the presence of at least that number of Directors entitled to cast such affirmative vote shall constitute a quorum for the transaction of business of the committee at a meeting of such committee; provided that, if such action would require the approval of the Board pursuant to Section 7.03(b) if so presented to the Board, such action shall also require the affirmative vote of a majority of the Directors appointed by Hasbro to such committee. For the avoidance of doubt, all of the votes to which the Directors appointed by Discovery are entitled as appointees to a committee pursuant to this Section 7.04(b) shall be cast as directed by a majority of the Directors appointed by Discovery present at any meeting of such committee and all of the votes to which the Directors appointed by Hasbro are entitled as appointees of a committee pursuant to this Section 7.04(b) shall be cast as directed by a majority of the Directors appointed by Hasbro present at any meeting of such committee, provided, however, at any meeting of a committee where the votes of the Directors appointed by a Member are opposed and there is no majority with respect to such Member's Directors the Designated Representative of such Member shall determine the vote of such Member. 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 at a meeting 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 a majority of the Directors on the Board or a majority of the Directors on such committee, as applicable, 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 shall state the purpose or purposes of, and the business to be transacted at, such meeting, provided, however, approval by the affirmative vote of the Hasbro Vote of any business, whether or not specified in such notice, shall constitute a waiver of the notice requirement for such business with respect to the Directors appointed by Hasbro; and approval by the affirmative vote of the Discovery Votes of any business, whether or not specified in such notice, shall constitute a waiver of the notice requirement for such business with respect to the Directors appointed by Discovery.

(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 had such absent Director been present at such meeting.

(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 (i) a consent in writing, setting forth the action to be taken, is signed by at least the number of Directors necessary to approve such action in accordance with Section 7.03(a) or Section 7.03(b), as applicable (in the case of an action by the Board) or Section 7.04(b) (in the case of any action by any such committee), and (ii) each Director (in the case of the Board) or each Director who is a member of such committee (in the case of a committee) is provided with at least 72 hours' notice of such proposed action without a meeting, provided that approval of the action by written consent by any Director shall constitute a waiver of notice of such action without a meeting. 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) 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 Agreements. The Board may delegate such authority and responsibility otherwise attributable to an Officer to an agent that is not an Officer. Notwithstanding anything in this Agreement to the contrary, the Chief Executive Officer shall be the most senior Officer of the Company, shall be the general manager of the Network and no other television network, shall report directly to the Board, and shall be an individual whose primary professional responsibilities shall be the management of the Company, whether or not such individual also holds a title as an employee of one of the Members.

(b) *****

(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 removed as such, either with or without cause, by the Board. 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 Section 7.09(a).

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 (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, (i) the parties acknowledge and agree that to the

fifteen (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, including the affirmative vote of the Hasbro Vote. The Transferee of a Transfer of all or any part of a Membership Interest shall be approved by the Board, including the affirmative vote of the Hasbro Vote, and such Transferee 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 Parent 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, 8.06 and 8.07, 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);

(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; or

(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 Member 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 which are the subject of the 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 thirty (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 thirty (30) days after Offeree's receipt of the Offer Notice or (ii) within the thirty (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 ninety (90) days following such expiration of the right of first negotiation, (ii) shall not provide for a Transfer on terms more favorable to such third party than the terms of the Offer Notice and (iii) should provide for a purchase price payable in cash. If the Subject Interests are not transferred to a third party in accordance with the foregoing sentence, then the Offeror shall again repeat the process set forth in this Section 8.01(b) prior to offering any of such Subject Interests to any third party at any time in the future. In the event that the Offeree purchases any Subject Interests from such Offeror pursuant to this Section 8.01(b), such transaction shall 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, on account of the Assignee's Membership Interest, 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.

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 Membership 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, in any of the Ancillary Agreements 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 such Substituted Member 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 Members 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 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 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 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 duties) 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 misconduct, 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 given 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 than 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 Agreement.

(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 ten (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 thirty (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 thirty (30) days after its date, and the Tax Matters Partner shall notify the other Members of the settlement agreement within thirty (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 provided 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) Discovery shall have the right to select the auditor of the Company, provided that: (i) unless Discovery 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 DCI's financial statements (which is PricewaterhouseCoopers as of the date hereof); and (ii) 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 twenty-one (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 twenty-eight (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 twenty-eight (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 ninety (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 sixty (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) If requested by Discovery or Hasbro, the Company shall also 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 Discovery in good faith;

(2) within eleven (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 Discovery files its consolidating financial statements with the U.S. Securities and Exchange Commission; and/or

(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 ninety (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.

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.

13.03. Other Opportunities. Subject to compliance with the other provisions of this Section 13.03 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 such 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) are 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 approved in accordance with Section 7.03(b);
- (d) RESERVED;
- (e) RESERVED;
- (f) RESERVED;

(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 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 Hasbro 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 (i) at any time following a ***** but prior to one hundred eighty (180) days after such ***** or (ii) at any time following one hundred eighty (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 (in either case, the "Discovery Call Election");

(j) at Hasbro's election by providing written notice thereof to the Company and Discovery (i) at any time following a ***** but prior to one hundred eighty (180) days after such ***** or (ii) at any time following one hundred eighty (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 (in either case, the "Hasbro Put Election");

(k) 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 (1) year period commencing on December 31, 2021 (a "Put-Call Election"); or

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) RESERVED.

(b) Calculation of Fair Market Value. Upon an election to terminate the joint venture pursuant to Section 15.01 (other than Sections 15.01(a), 15.01(b) or 15.01(c)), 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 thirty (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) Determination of Purchase Price. With respect to an election to terminate the joint venture pursuant to Section 15.01 (other than Sections 15.01(a), 15.01(b) or 15.01(c)), within thirty (30) days after the final determination of the Fair Market Value pursuant to Section 15.02(b):

- (1) RESERVED;

(2) Hasbro Material Breach. In the case of a termination election pursuant to Section 15.01(h), 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 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 (1) 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 payable in cash equal to the pro rata share (based on Percentage Interest) of Fair Market Value determined pursuant to Section 15.02(b) and otherwise 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;

(3) Discovery Material Breach. In the case of a termination election pursuant to Section 15.01(g), 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 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 (1) 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, or (y) sell to Discovery, and Discovery shall purchase from Hasbro and its Affiliates, all Membership Interests owned by Hasbro and its Affiliates at a price payable in cash equal to the pro rata share (based on Percentage Interest) of the ***** (based on the timing of such termination election pursuant to Section 15.01(g)) of Fair Market Value determined pursuant to Section 15.02(b) and otherwise in accordance with Section 15.04(e).

(4) ***** or Change of Control. In the case of a Discovery Call Election pursuant to Section 15.01(i) 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 ***** or Change of Control Transaction 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 (1) 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, or (y) purchase from Hasbro, and Hasbro shall sell to Discovery, all Membership Interests owned by Hasbro and its Affiliates at a price payable in cash equal to the pro rata share (based on Percentage Interest) of ***** of Fair Market Value determined pursuant to Section 15.02(b) and otherwise in accordance with Section 15.04(e);

(5) *****or Change of Control. In the case of a Hasbro Put Election pursuant to Section 15.01(j), 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 ***** or Change of Control Transaction 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 (1) 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, or (y) sell to Discovery, and Discovery shall purchase from Hasbro and its Affiliates, all Membership Interests owned by Hasbro and its Affiliates at a price payable in cash equal to the *pro rata* share (based on Percentage Interest) of the ***** of Fair Market Value determined pursuant to Section 15.02(b) and otherwise in accordance with Section 15.04(e);

(6) Put-Call Election.

(i) In the case of a Put-Call Election by either Discovery or Hasbro pursuant to Section 15.01(k):

15.03. Buy-Sell ("Jump Ball") Following an Insufficient Bid. In the case the procedures set forth in this Section 15.03 are triggered by Section 15.04(b)(5), on the fifth (5th) Business Day after the determination of the applicable Insufficient Bid, 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 such Insufficient Bid. Upon receipt of the Intentions 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, payable in cash, equal to the *pro rata* (based on Percentage Interest) share of the Insufficient Bid.

(b) Two Sellers. If each Member elects to sell Membership Interests, such Insufficient Bid, if payable in cash, shall prevail with respect to the Auction Interests.

(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, no less than the *pro rata* share (based on Percentage Interest) of such Insufficient Bid. 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(c)(2) or 15.02(c)(6), 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).

(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; provided that, in the case of a termination election pursuant to Section 15.01(h) (Hasbro Material Breach), Discovery may determine, 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. For the avoidance of doubt, in the case of a termination election pursuant to Section 15.01(k) (Put-Call Election), if the auction results in no bid for the Auction Interests, neither Member shall have the right to make any subsequent Put-Call Election pursuant to Section 15.01(k).

(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(h) (Hasbro Material Breach), Discovery 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 Discovery (w) makes decisions consistent with the other terms and procedures set forth in this Article 15, (x) consults with Hasbro in good faith and keeps Hasbro 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 Hasbro. To the extent Discovery 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, Hasbro shall be obligated to provide and accept them also to the extent they are customary, *pro rata* as between the Members (based on each Member's Percentage Interest) and, without limiting the foregoing, the maximum liability in connection therewith is Hasbro'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 Hasbro without the consent of Hasbro; 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 (2) 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. In the event of a termination election pursuant to Section 15.01(h) (Hasbro Material Breach) or Section 15.01(k) (Put-Call Election), 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 Programming Agreement.** The Hasbro 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 Hasbro 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(h) (Hasbro Material Breach), all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder;

or

(ii) in the event of a termination pursuant to Section 15.01(k) (Put-Call Election), 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 Hasbro Program licensed thereunder prior to the date of consummation of the Sale for all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder but in no event more than ***** from the date of the consummation of such Sale; provided that if any such Hasbro Program is not aired by the Company with Comparable Frequency during any successive ***** period following the date of consummation of such Sale, then the license to the Company for such Hasbro 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 Hasbro Program.

(3) **Discovery Family Programming Agreement.** The Discovery Family 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 Discovery Family Program licensed thereunder prior to the date of consummation of the Sale for up to ***** from the date of the consummation of such Sale.

(4) **Discovery Programming License Agreement.** Discovery shall have the option, exercisable by delivery of written notice to the buyer and the Company at any time after the first anniversary 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; provided 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)) 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 prior to the date hereof pursuant to Section 7.15(a)(2) of the Original Agreement for the remaining term of the Company's license to such Discovery-produced programming, subject to the applicable terms of Schedule 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)) of the license to the underlying Network Program, subject to the applicable terms of Schedule D;

(7) **Unrecouped Guarantees.** No such Unrecouped Guarantees shall be payable to Hasbro in the event of a termination pursuant to Section 15.01(h) (Hasbro Material Breach) or Section 15.01(k) (Put-Call Election) or in 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 agreement shall survive in accordance with the applicable terms thereof.

(b) **Sale to Hasbro.** In the event of a termination election pursuant to Section 15.01(h) (Hasbro Material Breach) or Section 15.01(k) (Put-Call Election), 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 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 the consummation of such Sale indefinitely;

(3) **Discovery Family Programming Agreement.** The Discovery Family Programming Agreement shall terminate on the date of such consummation of such Sale, but Hasbro 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 Discovery Family Program licensed thereunder prior to the date of consummation of the Sale for up to ***** from the date of the consummation of such Sale;

(4) **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 prior to the date hereof pursuant to Section 7.15(a)(2) of the Original Agreement for the remaining term of the Company's license to such Discovery-produced programming, subject to the applicable terms of Schedule D; and

(5) **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 applicable terms thereof.

(c) **Sale to Discovery.** (i) In the event of a termination election pursuant to Section 15.01(h) (Hasbro Material Breach), if the procedures set forth in Sections 15.02, 15.03 and/or 15.04 result in a Sale to Discovery or (ii) in the event of a termination pursuant to Section 15.01(g) (Discovery Material Breach), 15.01(i) (Hasbro Change of Control or *****), 15.01(j) (Discovery Change of Control or *****), 15.01(k) (Put-Call Election) or 15.01(l) (*****), 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 Programming Agreement.** The Hasbro 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 Hasbro 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(g) (Discovery Material Breach), all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder but in no event more than ***** from the date of the consummation of such Sale;

(ii) 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 Hasbro Program thereunder;

(iii) in the event of a termination election pursuant to Section 15.01(i) (Hasbro Change of Control or *****), all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder; provided that if any such Hasbro Program is not aired by the Company with Comparable Frequency during any successive ***** period following the date of consummation of such Sale, then the license to the Company for such Hasbro 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 Hasbro Program; or

(iv) in the event of a termination election pursuant to Section 15.01(j) (Discovery Change of Control or *****), all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder but in no event more than ***** from the date of the consummation of such Sale, provided that the license to the Company for each such Hasbro 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 Hasbro Program;

(v) in the event of a termination pursuant to Section 15.01(k) (Put-Call Election), 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 Hasbro Program licensed thereunder prior to the date of consummation of the Sale for all or any portion of the remaining term of the Company's license for such Hasbro Program thereunder but in no event more than ***** from the date of the consummation of such Sale; provided that if any such Hasbro Program is not aired by the Company with Comparable Frequency during any successive ***** period following the date of consummation of such Sale, then the license to the Company for such Hasbro 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 Hasbro Program; or

(3) RESERVED;

(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(c)(2)) 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(c)(2)) 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 event of a termination pursuant to Section 15.01(k) (Put-Call Election) 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 survive 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 (3) Business Days after such communication is mailed by registered or certified mail postage prepaid, addressed as aforesaid; (c) 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 the 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, 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.

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 WAIVER 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 agreement 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: Chief Development and Digital Officer and General Council

HASBRO, INC.

By: /s/ David Hargreaves
Name: David Hargreaves
Title: Executive Vice President and Chief Strategy Officer

HUB TELEVISION NETWORKS, LLC

By: its Directors

By: /s/ Bruce Campbell
Name: Bruce Campbell
Title: Director

By: /s/ David Hargreaves
Name: David Hargreaves
Title: Director

DISCOVERY COMMUNICATIONS, INC.

By: /s/ Bruce Campbell
Name: Bruce Campbell
Title: Chief Development and Digital Officer and General Council

[Signature Page to Amended and Restated Limited Liability Company Agreement]

SCHEDULE A
HUB TELEVISION NETWORKS, LLC
MEMBERS' SCHEDULE
(September 23, 2014)

Member's Name and Address	Common Units	Fair Market Value of Initial 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	11,780,488	\$ 300,000,000	60%
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) 757-3990 Attention: James Schwab			
Hasbro, Inc. 1011 Newport Avenue Pawtucket, Rhode Island Facsimile No.: (401) 721-7244 Attention: Chief Executive Officer	7,853,659	\$ 300,000,000	40%
with a copy to: Hasbro, Inc. (same address as above) Facsimile No.: (401) 709-6459 Attention: Chief Legal Officer			
and a copy to: Cooley LLP 1299 Pennsylvania Avenue, NW Suite 700 Washington, D.C. 20004 Facsimile No.: (202) 842-7899 Attention: Kevin Mills			
TOTAL ¹	<u>19,634,147</u>	<u>\$ 600,000,000</u>	<u>100%</u>

¹ Total is following the redemption of approximately 365,854 Common Units pursuant to the 2014 Purchase Agreement.

SCHEDULE B

[*****Schedule Omitted*****]

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.

1.1 Definitions.

(a) "Ancillary Rights" means:

(i) other than with respect to ***** the right to create an adaptation or other derivative work that (i) (x) incorporates the title of a Library Program or (y) otherwise refers to a Library Program (excluding de minimis references), provided, that the title (with respect to clause (x)) or the reference (with respect to clause (y)) includes a ***** not included within the underlying Hasbro Intellectual Property or (z) refers to an HS Licensed Program or Picture (excluding de minimis references);

(ii) ***** and that were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program (excluding de minimis uses of such elements); or (iii) ***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program (excluding de minimis uses of such elements); and

(ii) with respect to ***** the right to create an adaptation or other derivative work that (i) (x) incorporates the title of a Library Program or (y) otherwise refers, to a significant extent, to a Library Program, provided, that the title (with respect to clause (x)) or the reference (with respect to clause (y)) includes a ***** not included within the underlying Hasbro Intellectual Property or (z) refers, to a significant extent, to an HS Licensed Program or Picture;

(ii) ***** and that were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program; or (iii) ***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program.

(b) "Digital Rights" means

(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 Programs 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 in Attachment 1.01(d) to this Schedule D are entities that, as of the Formation Date, would have constituted Friends and Family entities if, as of the Formation Date, 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 being 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 Programs.

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

(g) "Program" means HS Licensed Programs (as defined in the Hasbro Programming Agreement) and 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 Programs 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 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 a motion picture, as well as a short film of any length, whether animated or live action, that is initially theatrically released or that is a film greater than ***** (each, a "Feature") that (i) is "Principally Derived" (as defined below) from Programs

(*****)

(l) "Picture-Based Merchandise" means: (i) Merchandise that refers to a Picture;

(ii) ***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program; and/or

(iii) ***** and were not contained in the underlying Hasbro Intellectual Property prior to the acceptance of a Submission for the relevant HS Licensed Program, but excluding de minimis references to a Picture and de minimis uses of the elements described in the foregoing clauses (ii) and (iii).

(m) "Principally Derived" means:

(i) with respect to Features that are theatrically released: (A) that the Feature refers to the Program (excluding de minimis references); (B) that the Feature

***** and that were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program (excluding de minimis uses of such elements); (C) that the Feature

***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program (excluding de minimis uses of such elements); or (D)

***** For the purposes of the preceding clause (D), the

***** and

(ii) with respect to Features that are distributed "straight-to-video": (A) that the Feature refers, to a significant extent, to the Program; (B)

***** and that were not contained in the underlying Hasbro Intellectual Property prior to the acceptance of a Submission for the relevant HS Licensed Program; (C)

***** and were not contained in the underlying Hasbro Intellectual Property prior to the acceptance of a Submission for the relevant HS Licensed Program; or (D)

(n) "Program-Based Merchandise" means:

(i) For HS Licensed Programs (i) Merchandise that refers to an HS Licensed Program; (ii) Merchandise

***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program; and/or (iii) Merchandise

***** and were not contained in the underlying Hasbro Intellectual Property prior to the delivery of the initial episode of the relevant HS Licensed Program, but excluding de minimis references to HS Licensed Programs and de minimis uses of the elements described in the foregoing clauses (ii) and (iii); and

(ii) For Library Programs (i) Merchandise that (x) incorporates the title of a Hasbro Library Program or (y) otherwise refers to a Library Program, provided, that the title (with respect to clause (x)) or the reference (with respect to clause (y)) includes a ***** not included within the underlying Hasbro Intellectual Property; (ii) Merchandise that (a) is offered under the Agreed Name or another Network brand and (b)

1.2 Calculation of Revenue.

(a) "Net Revenues" means the gross revenues and other compensation, regardless of the form in which received (but excluding (i)

*****), actually received by or on behalf of Hasbro or any of its Affiliates from any third party in consideration of a license, sublicense, endorsement or sponsorship agreement, or other agreement with respect to the exploitation, in the United States, of any Ancillary Rights, Home Entertainment Rights, Download-To-Own Rights or rights in or to Program-Based Merchandise or Picture-Based Merchandise, as the case may be, less;

(b) "Net Sales" means:

(i) With respect to Program-Based Merchandise and Picture-Based Merchandise, as well as any products or services that result from the exploitation of any Ancillary Rights, Home Entertainment Rights or Download-To-Own Rights, as the case may be, that are sold by or on behalf of Hasbro or any of its Affiliates in the United States

(ii) With respect to Program-Based Merchandise and Picture-Based Merchandise, as well as any products or services that result from the exploitation of any Ancillary Rights, Home Entertainment Rights or Download-To-Own Rights, as the case may be, that are sold by or on behalf of Hasbro or any of its Affiliates

(iii) The following are excluded from "Net Sales": (A) Program-Based Merchandise, Picture-Based Merchandise, as well as any products or services that result from the exploitation of any Ancillary Rights, Home Entertainment Rights or Download-To-Own Rights, as the case may be, that are distributed for promotional purposes by or on behalf of Hasbro or any Affiliate or Company (or, in the case of Picture-Based Merchandise, the studio producing the Picture),

(c) *****

1.3 Guarantee Payments.

(a) 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 July 1, 2009 (the "Initial Guarantee Payment Date"), Hasbro paid to the Company an initial Guarantee Payment of Twenty-Five Million Dollars (\$25,000,000). On each subsequent date specified in the table below (each 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 was less than the total amount corresponding to such Guarantee Payment Date in the below table (each a "Guarantee Scheduled Total"), then Hasbro paid 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.

Table with 2 columns: Guarantee Scheduled Total, Guarantee Payment Date. Rows show amounts from \$25,000,000 to \$125,000,000 and corresponding dates from November 1, 2010 to November 1, 2013.

(b) Recoupable Advances. During the period (the "Recoupment Period") (i) ***** (the "Recoupment End Date"), Guarantee Payments will be considered recoupable advances against Hasbro Revenue Share Payments otherwise payable under Section 1.04, in accordance with the following:

(i) *****

(ii) RESERVED.

(c) RESERVED.

(d) Force Majeure. Notwithstanding anything to the contrary in this Section 1.03, in the event that, during the Recoupment Period, (i) a Merchandising Force Majeure Event has occurred and (ii) the amount of Unrecouped Guarantees is a positive amount, then, to the extent that the Merchandising Force Majeure Event caused the failure of Hasbro to have recouped the Unrecouped Guarantees, the Company shall pay Hasbro an amount equal to the difference between (x) the amount of Unrecouped Guarantees as of the Recoupment End Date minus (y) the amount of Unrecouped Guarantees that would have existed as of the Recoupment End Date had such Merchandising Force Majeure Event not occurred.

1.4 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:

(b) Hasbro's obligations to make Hasbro Revenue Share Payments hereunder with respect to a particular Program shall accrue beginning as of the date that is ***** preceding the date that such Program is scheduled to air initially on the Network; provided that if the Company is delinquent in paying to Hasbro Studios the License Fee (as defined in the Hasbro Programming Agreement) or, with respect to Greenlit Programs, the Greenlit License Fee, Hasbro shall not be obligated to make Hasbro Revenue Share Payments hereunder with respect to such Program during any period of delinquency, provided, further, that Hasbro shall make any unpaid accrued Hasbro Revenue Share Payments as and when such delinquency is cured.

(c) Notwithstanding anything herein to the contrary, after there has been a period of ***** during which no Program based on the same underlying Hasbro Intellectual Property as any Program-Based Merchandise has been telecast on the Network, Hasbro shall no longer be obligated to make any Hasbro Revenue Share Payments relating to Net Sales or Net Revenues in respect of such Merchandise. For the avoidance of doubt, the foregoing sentence shall not apply to Net Sales or Net Revenues relating to

(d) For the avoidance of doubt:

(i) 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

(ii) Hasbro Revenue Share Payments shall not include any Net Sales or Net Revenues relating to:

1.5 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 Discovery Services Agreement) licensed by Discovery pursuant to Section 7.15(a)(2) of the Original 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. Discovery shall make Discovery Revenue Share Payments of ***** of Net Sales and Net Revenues with respect to the Agreed Name or another Network brand, with respect to which Sections 1.01 and 1.02 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 forth in the immediately preceding sentence), including:

1.6 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 with 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 Hasbro 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 result 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 1.06(a)(i)
HASBRO REPORT FORM

Statement Date: June 13,
2008

Hasbro, Inc.
200 Narragansett Park Dr.
Pawtucket, RI 02862-0200
royalties@hasbro.com

Royalty Statement
Summary Page for December 31, 2007 thru March 30, 2008
Currency: USD
60 Day Statement

LICENSOR / INVENTOR
ADDRESS
ADDRESS
ADDRESS
ADDRESS

ADVANCE SUMMARY		Beg Advance	Advance Paid	Amortization	End Advance	Total Advances
Contract		Balance			Balance	Paid to Date
1234	1234	0.00	10,000.00	(713.27)	9,286.73	10,000.00
Total		0.00	10,000.00	(713.27)	9,286.73	10,000.00

ROYALTY SUMMARY		Royalties	Reserves	Royalty Used for	Licensor Share	Net Royalty
Contract		Earned	Taken	Amortization	Percentage	Earned
1234	1234	713.27	0.00	713.27	100%	0.00
Total		713.27	0.00	713.27		0.00

Hasbro, Inc.
 200 Narragansett Park Dr.
 Pawtucket, RI 02862-0200
 royalties@hasbro.com

Sales Statement
 Shipment for December 31, 2007 thru March 30, 2008
 Currency: USD
 60 Day Statement

LICENSOR / INVENTOR
 ADDRESS
 ADDRESS
 ADDRESS

Product	Title	Sold As	Sales Type	Dist Channel	Business Unit	Ship To Country	Gross Units	Gross Amounts	Return Units	Return Amount	Net Units	Net Dollars	Discounts	Net Sales
123456789	PRODUCT DESCRIPTION A	124681012	Good Toy	Mass Market	Hasbro SA UK	United Kingdom - Use for Royalty Rates	0	0.00	0	(7.99)	0	(7.99)	(1.60)	(6.39)
			Good Toy	Mass Market	Hasbro SA UK	United Kingdom - Use for Royalty Rates	0	0.00	0	(182.45)	0	(182.45)	(36.49)	(145.96)
Total Product (123456789):							0	0.00	0	(190.44)	0	(190.44)	(38.09)	(152.35)
987654321	PRODUCT DESCRIPTION B		Good Toy	Mass Market	Hasbro SA UK	United Kingdom - Use for Royalty Rates	0	0.00	0	(2,092.44)	0	(2,092.44)	(418.49)	(1,673.95)
Total Product (987654321):							0	0.00	0	(2,092.44)	0	(2,092.44)	(418.49)	(1,673.95)
135791113	PRODUCT DESCRIPTION C		Good Toy	Mass Market	Hasbro SA UK	United Kingdom - Use for Royalty Rates	3,300	13,427.89	0	0.00	3,300	13,427.89	2,685.58	10,742.31
Total Product (135791113):							3,300	13,427.89	0	0.00	3,300	13,427.89	2,685.58	10,742.31
Total Contract (1234):							3,300	13,427.89	0	(2,282.88)	3,300	11,145.01	2,229.00	8,916.01
Grand Total:							3,300	13,427.89	0	(2,282.88)	3,300	11,145.01	2,229.00	8,916.01

Hasbro, Inc.
 200 Narragansett Park Dr.
 Pawtucket, RI 02862-0200
 royalties@hasbro.com

Royalty Statement
 Shipment for December 31, 2007 thru March 30, 2008
 Currency: USD
 60 Day Statement

LICENSOR / INVENTOR
 ADDRESS
 ADDRESS
 ADDRESS

Product	Title	Sales Type	Distribution Channel	Net Units	Net Shipment Amount	Royalty Rate	Royalty Method	Royalty Earned
123456789	PRODUCT DESCRIPTION A	Good Toy	Mass Market	0	(152.35)	8%	%-Rev	(12.19)
Total Product (123456789):				0	(152.35)			(12.19)
987654321	PRODUCT DESCRIPTION B	Good Toy	Mass Market	0	(1,673.95)	8%	%-Rev	(133.92)
Total Product (987654321):				0	(1,673.95)			(133.92)
135791113	PRODUCT DESCRIPTION C	Good Toy	Mass Market	3,300	10,742.31	8%	%-Rev	859.38
Total Product (135791113):				3,300	10,742.31			859.38
Total Contract (1234):				3,300	8,916.01			713.27
Grand Total:				3,300	8,916.01			713.27

ATTACHMENT 1.06(a)(ii)
DISCOVERY REPORT FORM

[See attachment 1.06(a)(i)]

SCHEDULE E

*****Schedule Omitted*****

SCHEDULE 1.01

PERMITTED HOLDERS

SCHEDULE 3.02(b)

ANNUAL BUDGET APPROVAL PROCEDURES AND PARAMETERS

*****Schedule Omitted*****

SCHEDULE 7.18

TRANSMISSION OF THE NETWORK

*****Schedule Omitted*****

SCHEDULE 7.21

FUTURE MERCHANDISING RIGHTS

*****Schedule Omitted*****