SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1

TENDER OFFER STATEMENT
PURSUANT TO SECTION 14(d)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

MICROPROSE, INC.
(NAME OF SUBJECT COMPANY)

NEW HIAC CORP.
HASBRO, INC.
(BIDDERS)

COMMON STOCK, PAR VALUE $.001 PER SHARE
(TITLE OF CLASS OF SECURITIES)

59513V 20 6
(CUSIP NUMBER OF CLASS OF SECURITIES)

PHILLIP H. WALDOKS, ESQ.
SENIOR VICE PRESIDENT --
CORPORATE LEGAL AFFAIRS
AND SECRETARY
HASBRO, INC.
32 W. 23RD STREET
NEW YORK, NY 10010
TELEPHONE: (212) 645-2400
FACSIMILE: (212) 741-0663
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO
RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDERS)

COPY TO:

HOWARD L. ELLIN, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
919 THIRD AVENUE
NEW YORK, NY 10022
TELEPHONE: (212) 735-3000
FACSIMILE: (212) 735-2000

CALCULATION OF FILING FEE

TRANSACTION VALUATION* $34,694,418	AMOUNT OF FILING FEE $6,939

* Estimated for purposes of calculating the amount of the filing fee only. This amount assumes the purchase of 5,782,403 shares of common stock, $.001 par value (the "Shares"), of MicroProse, Inc. at a price of $6.00 per Share in cash. Such number of Shares represents the 5,753,598 Shares outstanding as of August 11, 1998 and assumes the issuance prior to the consummation of the Offer of 28,805 Shares upon the exercise or conversion of outstanding options and warrants and the conversion of securities convertible into Shares that have an exercise or conversion price of less than $6.00. The amount of the filing fee calculated in accordance with Regulation 240.0-11 of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the value of the transaction.

[ ] Check box if any part of the fee is offset as provided by Rule 0-11 (a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable.
Form or Registration No.: Not applicable.
Filing Party: Not applicable.
Date Filed: Not applicable.

14D-1

CUSIP NO. 59513V 20 6

1.	Names of Reporting Persons S.S. or I.R.S. Identification Nos. of Above Persons NEW HIAC CORP.
2.	Check the Appropriate Box if a Member of a Group (a) [ ] (b) [ ]
3.	SEC Use only
4.	Source of Funds AF
5.	Check Box if Disclosure of Legal Proceedings is Required Pursuant to Item 2(e) or 2(f) [ ]
6.	Citizenship or Place of Organization DELAWARE
7.	Aggregate Amount Beneficially Owned by Each Reporting Person NONE
8.	Check Box if the Aggregate Amount in Row (7) Excludes Certain Shares [ ]
9.	Percent of Class Represented by Amount in Row (7)
10.	Type of Reporting Person CO

14D-1

CUSIP NO. 59513V 20 6

1.	Names of Reporting Persons S.S. or I.R.S. Identification Nos. of Above Persons HASBRO, INC.
2.	Check the Appropriate Box if a Member of a Group (a) [ ] (b) [ ]
3.	SEC Use only
4.	Source of Funds WC
5.	Check Box if Disclosure of Legal Proceedings is Required Pursuant to Item 2(e) or 2(f) [ ]
6.	Citizenship or Place of Organization RHODE ISLAND
7.	Aggregate Amount Beneficially Owned By Each Reporting Person NONE
8.	Check Box if the Aggregate Amount in Row (7) Excludes Certain Shares [ ]
9.	Percent of Class Represented by Amount in Row (7)
10.	Type of Reporting Person CO

TENDER OFFER

This Tender Offer Statement on Schedule 14D-1 (this "Statement") relates to the offer by New HIAC Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), to purchase all of the outstanding shares of common stock, par value $.001 per share (the "Common Stock") including the associated preferred stock purchase rights issued pursuant to the Rights Agreement, dated as of February 6, 1996, by and between the Company and Chemical Mellon Shareholder Services, L.L.C. (the "Rights" and, together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"), at $6.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 14, 1998 (the "Offer to Purchase"), a copy of which is attached hereto as Exhibit (a)(1), and in the related Letter of Transmittal, a copy of which is attached hereto as Exhibit (a)(2) (which, as amended or supplemented from time to time, together constitute the "Offer").

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is MicroProse, Inc. and the address of its principal executive offices is 2490 Mariner Loop, Suite 100, Alameda, CA 94501. The telephone number of the Company at such location is (510) 864-4440.

(b) The information set forth in the "INTRODUCTION" of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in "Price Range of the Shares; Dividends on the Shares" of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d), (g) This Statement is being filed by Purchaser and Parent. The information set forth in the "INTRODUCTION" and "Certain Information Concerning Parent and Purchaser" of the Offer to Purchase is incorporated herein by reference. The name, business address, present principal occupation or employment, the material occupations, positions, offices or employments for the past five years and citizenship of each director and executive officer of Parent and Purchaser and the name, principal business and address of any corporation or other organization in which such occupations, positions, offices and employments are or were carried on are set forth in Schedule I to the Offer to Purchase and incorporated herein by reference.

(e)-(f) During the last five years, neither Purchaser nor Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to the Offer to Purchase (i) have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a)(1) Other than the transactions described in Item 3(b) below, neither

Purchaser nor Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to the Offer to Purchase have entered into any transaction with the Company, or any of the Company's affiliates which are corporations, since the commencement of the Company's third full fiscal year preceding the date of this Statement, the aggregate amount of which was equal to or greater than one percent of the consolidated revenues of the Company for (i) the fiscal year in which such transaction occurred or (ii) the portion of the current fiscal year which has occurred if the transaction occurred in such year.

(a)(2) Other than the transactions described in Item 3(b) below, neither Purchaser nor Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to the Offer to Purchase have entered into any transaction since the commencement of the Company's third full fiscal year preceding

the date of this Statement with the executive officers, directors or affiliates of the Company which are not corporations, in which the aggregate amount involved in such transaction or in a series of similar transactions, including all periodic installments in the case of any lease or other agreement providing for periodic payments or installments, exceeded $40,000.

(b) The information set forth in the "INTRODUCTION," "Certain Information Concerning Parent and Purchaser," "Background of the Offer; Purpose of the Offer and the Merger; The Merger Agreement and Certain Other Agreements" and "Plans for the Company; Other Matters" of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth in the "INTRODUCTION" and "Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDERS.

(a)-(e) The information set forth in the "INTRODUCTION," "Background of the Offer; Purpose of the Offer and the Merger; The Merger Agreement and Certain Other Agreements" and "Plans for the Company; Other Matters" of the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth in the "INTRODUCTION," "Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations" of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a)-(b) The information set forth in the "INTRODUCTION," "Certain Information Concerning Parent and Purchaser" and "Background of the Offer; Purpose of the Offer and the Merger; The Merger Agreement and Certain Other Agreements" of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the "INTRODUCTION," "Source and Amount of Funds," "Background of the Offer; Purpose of the Offer and the Merger; The Merger Agreement and Certain Other Agreements," "Plans for the Company; Other Matters" and "Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in "Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

Not applicable.

ITEM 10. ADDITIONAL INFORMATION.

(a) Except as disclosed in Items 3 and 7 above, there are no present or proposed material contracts, arrangements, understandings or relationships between Purchaser or Parent, or to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to the Offer to Purchase, and the Company, or any of its executive officers, directors, controlling persons or subsidiaries.

(b)-(c) The information set forth in the "INTRODUCTION," "Conditions to the Offer" and "Certain Legal Matters" of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in "Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations" and "Certain Legal Matters" of the Offer to Purchase is incorporated herein by reference.

(e) None.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, to the extent not otherwise incorporated herein by reference, is incorporated herein by reference.

ITEM 11. MATERIALS TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase dated August 14, 1998.

(a)(2) Letter of Transmittal.

(a)(3) Notice of Guaranteed Delivery.

(a)(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a)(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a)(7) Press Release of Parent dated August 12, 1998.

(a)(8) Press Release of Parent dated August 14, 1998.

(a)(9) Summary Advertisement.

(b) None.

(c)(1) Agreement and Plan of Merger, dated as of August 11, 1998, by and among Parent, Purchaser and the Company.

(c)(2) Stock Option Agreement, dated as of August 11, 1998, by and between Parent and the Company.

(c)(3) Software Distribution and Loan Agreement, dated as of August 11, 1998, by and between Hasbro Interactive, Inc. ("Hasbro Interactive"), a Delaware corporation and a wholly owned subsidiary of Parent, and the Company.

(c)(4) Confidentiality Agreement, dated as of June 16, 1998, by and between Hasbro Interactive and the Company (as amended).

(d) None.

(e) Not applicable.

(f) None.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 14, 1998

NEW HIAC CORP.

BY: /s/ PHILLIP H. WALDOKS

NAME: PHILLIP H. WALDOKS
TITLE: Secretary

HASBRO, INC.

BY: /s/ PHILLIP H. WALDOKS

NAME: PHILLIP H. WALDOKS
TITLE: Senior Vice President -- Corporate Legal Affairs and Secretary

INDEX TO EXHIBITS

EXHIBIT		SEQUENTIAL PAGE NO.
(a)(1)	Offer to Purchase, dated August 14, 1998.	
(a)(2)	Letter of Transmittal.	
(a)(3)	Notice of Guaranteed Delivery.	
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(a)(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.	
(a)(7)	Press Release of Parent dated August 12, 1998.	
(a)(8)	Press Release of Parent dated August 14, 1998.	
(a)(9)	Summary Advertisement.	
(c)(1)	Agreement and Plan of Merger, dated as of August 11, 1998, by and among Parent, Purchaser and the Company.	
(c)(2)	Stock Option Agreement, dated as of August 11, 1998, by and between Parent and the Company.	
(c)(3)	Software Distribution Agreement, dated as of August 11, 1998, by and between Hasbro Interactive, Inc. ("Hasbro Interactive"), a Delaware corporation and a wholly owned subsidiary of Parent, and the Company.	
(c)(4)	Confidentiality Agreement, dated as of June 16, 1998, by and between Hasbro Interactive and the Company (as amended).	
(d)	None.	
(e)	Not Applicable.	
(f)	None.	

OFFER TO PURCHASE FOR CASH

ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

MICROPROSE, INC.
AT

$6.00 NET PER SHARE
BY

NEW HIAC CORP.,
A WHOLLY OWNED SUBSIDIARY OF

HASBRO, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS BEING MADE PURSUANT TO AN AGREEMENT AND PLAN OF MERGER, DATED AS OF AUGUST 11, 1998, BY AND AMONG HASBRO, INC. ("PARENT"), NEW HIAC CORP. ("PURCHASER") AND MICROPROSE, INC. (THE "COMPANY"). THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER (EACH AS DEFINED HEREIN), AND HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY'S STOCKHOLDERS AND UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED HEREIN) THAT NUMBER OF SHARES WHICH, WHEN ADDED TO THE SHARES BENEFICIALLY OWNED BY PARENT OR PURCHASER (IF ANY), REPRESENTS AT LEAST 50.1% OF THE SHARES OUTSTANDING (ON A FULLY DILUTED BASIS) ON THE DATE SHARES ARE ACCEPTED FOR PAYMENT. THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE. SEE SECTION 14.

IMPORTANT

Any stockholder desiring to tender all or any portion of such stockholder's Shares (as defined herein) should either (i) complete and sign the enclosed Letter of Transmittal (or facsimile thereof) in accordance with the Instructions in the Letter of Transmittal, have such stockholder's signature thereon guaranteed (if required by Instruction 1 to the Letter of Transmittal), mail or deliver the Letter of Transmittal (or a facsimile thereof) and any other required documents to the Depositary (as defined herein) and either deliver the certificates for such Shares to the Depositary or tender such Shares pursuant to the procedure for book-entry transfer set forth in Section 3 of this Offer to Purchase or (ii) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. Any stockholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee to tender such Shares.

Any stockholder who desires to tender Shares and whose certificates evidencing such Shares are not immediately available, or who cannot comply with the procedures for book-entry transfer on a timely basis, or who cannot deliver all required documents to the Depositary prior to the expiration of the Offer, may tender such Shares by following the procedures for guaranteed delivery set forth in Section 3 of this Offer to Purchase.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other tender offer materials may be directed to the Dealer Manager, the Information Agent or brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:
BEAR, STEARNS & CO. INC.

August 14, 1998

TABLE OF CONTENTS

INTRODUCTION		1
THE OFFER		4
1.	Terms of the Offer	4
2.	Acceptance for Payment and Payment	5
3.	Procedures for Tendering Shares	6
4.	Withdrawal Rights	9
5.	Certain U.S. Federal Income Tax Consequences	9
6.	Price Range of the Shares; Dividends	10
7.	Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations	10
8.	Certain Information Concerning the Company	12
9.	Certain Information Concerning Parent and Purchaser	14
10.	Sources and Amount of Funds	15
11.	Background of the Offer; Purpose of the Offer and the Merger; the Merger Agreement and Certain Other Agreements	15
12.	Plans for the Company; Other Matters	27
13.	Dividends and Distributions	29
14.	Conditions to the Offer	30
15.	Certain Legal Matters	31
16.	Fees and Expenses	34
17.	Miscellaneous	34
SCHEDULE I		
	INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER	I-1

To the Holders of Common Stock of
MICROPROSE, INC.:

INTRODUCTION

New HIAC Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), hereby offers to purchase all outstanding shares of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights issued pursuant to the Rights Agreement (as defined below) (the "Rights" and, together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"), at a price of $6.00 per Share, net to the seller in cash, without interest (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended or supplemented from time to time, collectively constitute the "Offer").

Tendering stockholders of record who tender Shares directly will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a bank or broker should check with such institution as to whether they charge any service fees. Purchaser will pay all fees and expenses of Bear, Stearns & Co. Inc. ("Bear Stearns"), which is acting as the Dealer Manager (in such capacity, the "Dealer Manager"), BankBoston, N.A., which is acting as the Depositary (in such capacity, the "Depositary") and D.F. King & Co., Inc., which is acting as Information Agent (in such capacity, the "Information Agent"), incurred in connection with the Offer and in accordance with the terms of the agreements entered into between Purchaser and/or Parent and each such person. See Section 16.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "COMPANY BOARD") HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, AND HAS UNANIMOUSLY DETERMINED THAT THE TERMS OF THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE COMPANY'S STOCKHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

Piper Jaffray Inc. ("Piper Jaffray"), financial advisor to the Company, has delivered to the Company Board its opinion, dated as of August 11, 1998 (the "Financial Advisor Opinion"), to the effect that, as of such date and based upon and subject to certain matters stated therein, the cash consideration to be received by the public holders of Shares (other than Parent and its affiliates) pursuant to the Offer and the Merger is fair to such holders from a financial point of view. A copy of the Financial Advisor Opinion is attached as an exhibit to the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which has been filed by the Company with the Securities and Exchange Commission (the "Commission") in connection with the Offer and which is being mailed to holders of Shares herewith. Holders of Shares are urged to, and should, read the Financial Advisor Opinion carefully.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED HEREIN) THAT NUMBER OF SHARES WHICH, WHEN ADDED TO THE SHARES BENEFICIALLY OWNED BY PARENT OR PURCHASER (IF ANY), REPRESENTS AT LEAST 50.1% OF THE SHARES OUTSTANDING (ON A FULLY DILUTED BASIS) ON THE DATE SHARES ARE ACCEPTED FOR PAYMENT (THE "MINIMUM CONDITION"). THE OFFER IS ALSO SUBJECT TO THE OTHER CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE. SEE SECTION 14. As used in this Offer to Purchase, "fully diluted basis" takes into account the conversion or exercise of all outstanding options, warrants and other rights and securities exercisable or convertible into shares of Common Stock. The Company has represented and warranted to Parent and Purchaser that, as of August 11, 1998, there were 5,753,598 Shares issued and outstanding, 754,677 Shares were issuable pursuant to the exercise of options ("Options"), 20,591 Shares were issuable pursuant to the Company's employee stock purchase plan (the "ESPP"), 4,080 Shares were issuable pursuant to the exercise of warrants (the "Warrants"),

19,608 Shares were issuable upon conversion of the Company's Series A Convertible Preferred Stock (the "Series A Preferred") and 393,245 Shares were issuable upon conversion of the Company's 6.5% Convertible Subordinated Notes due 2002 (the "Convertible Notes"). The Merger Agreement provides, among other things, that the Company will not, without the prior written consent of Parent, issue any additional Shares (except upon the exercise or conversion of outstanding Options, Warrants, Series A Preferred and Convertible Notes). Based on the foregoing and assuming the issuance of Shares issuable pursuant to the ESPP and upon the exercise or conversion of outstanding Options, Warrants, Series A Preferred and Convertible Notes, Purchaser believes that the Minimum Condition will be satisfied if 3,479,845 Shares are validly tendered and not withdrawn prior to the Expiration Date (as hereinafter defined).

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of August 11, 1998 (the "Merger Agreement"), by and among Parent, Purchaser and the Company. Pursuant to the Merger Agreement and the Delaware General Corporation Law, as amended (the "DGCL"), as soon as practicable after the completion of the Offer and satisfaction or waiver, if permissible, of all conditions, including the purchase of Shares pursuant to the Offer (sometimes referred to herein as the "consummation" of the Offer) and the approval and adoption of the Merger Agreement by the stockholders of the Company (if required by applicable law), Purchaser shall be merged with and into the Company (the "Merger") and the Company will be the surviving corporation in the Merger (the "Surviving Corporation"). At the effective time of the Merger (the "Effective Time"), each Share then outstanding (other than Shares held by (i) the Company or any of its subsidiaries, (ii) Parent or any of its subsidiaries including Purchaser and (iii) stockholders who properly perfect their dissenters' rights under the DGCL, will be converted into the right to receive $6.00 in cash or any higher price per Share paid in the Offer (the "Merger Consideration"), without interest. The Merger Agreement is more fully described in Section 11.

The Company has entered into a Stock Option Agreement, dated as of August 11, 1998 (the "Stock Option Agreement"), with Parent pursuant to which the Company has granted to Parent an irrevocable option (the "Stock Option") to purchase up to the number of fully paid and nonassessable Shares as equals 19.9% of the Shares issued and outstanding immediately prior to the grant of the Stock Option, at a purchase price of $6.00 per Share, exercisable upon the occurrence of certain events. The Stock Option Agreement is described more fully in Section 11.

The Merger Agreement provides that, upon the purchase by Purchaser of a majority of the Shares pursuant to the Offer and from time to time thereafter, Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Company Board so that the percentage of Parent's nominees on the Company Board equals the percentage of outstanding Shares beneficially owned by Parent and its affiliates. The Company shall, at such time, upon the request of Purchaser promptly use its best efforts to take all action necessary to cause such persons designated by Parent to be elected to the Company Board, if necessary, by increasing the size of the Company Board or securing resignations of incumbent directors or both.

Consummation of the Merger is conditioned upon, among other things, the approval and adoption by the requisite vote of stockholders of the Company of the Merger Agreement, if required by applicable law and the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"). See Section 14. Under the DGCL and pursuant to the Certificate of Incorporation, the affirmative vote of the holders of a majority of the outstanding Shares is the only vote of any class or series of the Company's capital stock that would be necessary to approve the Merger Agreement and the Merger at a meeting of the Company's stockholders. If the Minimum Condition is satisfied and Purchaser purchases at least a majority of the outstanding Shares in the Offer, Purchaser will be able to effect the Merger without the affirmative vote of any other stockholder. Pursuant to the Merger Agreement, Parent and Purchaser have agreed to vote the Shares acquired by them pursuant to the Offer in favor of the Merger. See Section 12. The Merger Agreement is more fully described in Section 11.

Under Section 253 of the DGCL, if a corporation owns at least 90% of the outstanding shares of each class of a subsidiary corporation, the corporation holding such stock may merge such subsidiary into itself, or itself into such subsidiary, without any action or vote on the part of the board of directors or the stockholders of such other corporation (a "short-form merger"). In the event that Purchaser acquires in the aggregate at least 90% of the outstanding Shares pursuant to the Offer or otherwise, then, at the election of Parent, a short-form merger could be effected without any further approval of the Company Board or the stockholders of the Company. In the Merger Agreement, Parent, Purchaser and the Company have agreed that, notwithstanding that all conditions to the Offer are satisfied or waived as of the scheduled Expiration Date, Purchaser may extend the Offer for a period not to exceed twenty (20) business days, subject to certain conditions, if the Shares tendered pursuant to the Offer are less than 90% of the outstanding Shares. Even if Purchaser does not own 90% of the outstanding Shares following consummation of the Offer, Parent or Purchaser could seek to purchase additional shares in the open market or otherwise in order to reach the 90% threshold and employ a short-form merger. The per share consideration paid for any Shares so acquired may be greater or less than the Offer Price. Parent presently intends to effect a short-form merger, if permitted to do so under the DGCL, pursuant to which Purchaser will be merged with and into the Company. See Section 12.

The Company has distributed one Right for each outstanding Share pursuant to the Rights Agreement, dated as of February 6, 1996, between the Company and Chemical Mellon Shareholder Services, L.L.C., as Rights Agent, as amended (the "Rights Agreement"). The Company has represented in the Merger Agreement that it has taken all action which may be necessary under the Company Rights Agreement so that (i) the Offer is deemed to be a Permitted Offer (as defined in the Rights Agreement), (ii) the execution and delivery of the Merger Agreement and the Stock Option Agreement (and any amendments thereto) and the consummation of the Merger and the Transactions contemplated thereby will not cause (x) Parent and/or Purchaser to constitute an Acquiring Person (as defined in the Rights Agreement), (y) the Rights (as defined in the Rights Agreement) to become exercisable or (z) a Distribution Date, Section 13 Event, Triggering Event or a Share Acquisition Date (as each such term is defined in the Rights Agreement) to occur, and (iii) that the Final Expiration Date (as such term is defined in the Rights Agreement) and the expiration of the Rights shall occur upon the acceptance for payment of Shares pursuant to the Offer.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

THE OFFER

1. TERMS OF THE OFFER.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), Purchaser will accept for payment and pay for all Shares validly tendered prior to the Expiration Date, and not withdrawn in accordance with Section 4. The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Friday, September 11, 1998, unless and until Purchaser, in accordance with the terms of the Merger Agreement, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser, shall expire. In the Merger Agreement, Parent and Purchaser have agreed that if all conditions to Purchaser's obligation to accept for payment and pay for Shares pursuant to the Offer are not satisfied on the scheduled Expiration Date, Purchaser may, in its sole discretion, extend the Offer for additional periods; provided, however, that Purchaser may not extend the Offer beyond November 30, 1998 without the consent of the Company.

The Offer is conditioned upon the satisfaction of the Minimum Condition, the expiration or termination of all waiting periods imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the other conditions set forth in Section 14. If such conditions are not satisfied prior to the Expiration Date, Purchaser reserves the right, subject to the terms of the Merger Agreement and subject to complying with applicable rules and regulations of the Commission, to (i) decline to purchase any Shares tendered in the Offer and terminate the Offer and return all tendered Shares to the tendering stockholders, (ii) waive any or all conditions to the Offer (except the Minimum Condition) and, to the extent permitted by applicable law, purchase all Shares validly tendered, (iii) extend the Offer and, subject to the right of stockholders to withdraw Shares until the Expiration Date, retain all Shares which have been tendered during the period or periods for which the Offer is extended or (iv) subject to the next sentence, amend the Offer. The Merger Agreement provides that Purchaser will not decrease the Offer Price, change the form of consideration to be paid in the Offer, decrease the number of Shares sought in the Offer, amend any other condition to the Offer in any manner adverse to the holders of the Shares or impose additional conditions to the Offer without the written consent of the Company. Purchaser has agreed that if all of the conditions set forth in Section 14 have not been satisfied on any scheduled Expiration Date then, provided that all such conditions are reasonably capable of being satisfied, Purchaser shall extend the Offer from time to time until such conditions are satisfied or waived, provided that Purchaser shall not be required to extend the Offer beyond October 15, 1998.

The Merger Agreement requires Purchaser to accept for payment and pay for all Shares validly tendered and not withdrawn pursuant to the Offer if all conditions to the Offer are satisfied on the Expiration Date. However, if, immediately prior to the scheduled Expiration Date, all conditions to the Offer are satisfied but the number of Shares tendered and not withdrawn pursuant to the Offer constitutes less than 90% of the Shares outstanding, Purchaser may extend the Offer for a period not to exceed twenty (20) business days. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any extension, amendment or termination of the Offer will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with Rules 14d-4(c), 14d-6(d) and 14e-1(d) under the Exchange Act. Without limiting the obligation of Purchaser under such Rule or the manner in which Purchaser may choose to make any public announcement, Purchaser currently intends to make announcements by issuing a press release to the Dow Jones News Service.

If Purchaser extends the Offer, or if Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its purchase of, or payment for, Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of Purchaser, and such Shares may not be withdrawn except to the extent tendering

stockholders are entitled to withdrawal rights as described in Section 4. However, the ability of Purchaser to delay the payment for Shares which Purchaser has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by, or on behalf of, holders of securities promptly after the termination or withdrawal of the Offer.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. In a public release, the Commission has stated its view that an offer must remain open for a minimum period of time following a material change in the terms of the Offer and that waiver of a material condition, such as the Minimum Condition, is a material change in the terms of the Offer. The release states that an offer should remain open for a minimum of five (5) business days from the date a material change is first published, or sent or given to security holders and that, if material changes are made with respect to information not materially less significant than the offer price and the number of shares being sought, a minimum of ten (10) business days may be required to allow adequate dissemination and investor response. The requirement to extend the Offer will not apply to the extent that the number of business days remaining between the occurrence of the change and the then-scheduled Expiration Date equals or exceeds the minimum extension period that would be required because of such amendment. If, prior to the Expiration Date, Purchaser increases the consideration offered to holders of Shares pursuant to the Offer, such increased consideration will be paid to all holders whose Shares are purchased in the Offer whether or not such Shares were tendered prior to such increase.

The Company has provided Purchaser with the Company's stockholder lists and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, dealers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT.

Upon the terms and subject to the conditions to the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and will pay for, as soon as practicable after the Expiration Date, all Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with Section 4.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to Purchaser and not withdrawn, if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to tendering stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or a timely Book Entry Confirmation (as defined below) with respect thereto), (ii) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined below), and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may be made to tendering stockholders at different times if delivery of the Shares and other required documents occur at different times. The per share consideration paid to any holder of Shares pursuant to the Offer will be the highest per share consideration paid to any other holder of such Shares pursuant to the Offer. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE TO BE PAID BY PURCHASER

FOR THE SHARES, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

The Purchaser expressly reserves the right, in its sole discretion, to delay acceptance for payment of, or payment for, Shares in order to comply in whole or in part with any applicable law. If Purchaser is delayed in its acceptance for payment of, or payment for, Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer (including such rights as are set forth in Sections 1 and 14) (but subject to compliance with Rule 14e-1(c) under the Exchange Act), the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to exercise, and duly exercise, withdrawal rights as described in Section 4.

If any tendered Shares are not purchased pursuant to the Offer for any reason, or if certificates are submitted representing more Shares than are tendered, certificates evidencing Shares not tendered or not accepted for purchase will be returned to the tendering stockholder, or such other person as the tendering stockholder shall specify in the Letter of Transmittal, as promptly as practicable following the expiration, termination or withdrawal of the Offer. In the case of Shares delivered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedures set forth in Section 3, such Shares will be credited to such account maintained at the Book-Entry Transfer Facility as the tendering stockholder shall specify in the Letter of Transmittal, as promptly as practicable following the expiration, termination or withdrawal of the Offer. If no such instructions are given with respect to Shares delivered by book-entry transfer, any such Shares not tendered or not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated in the Letter of Transmittal as the account from which such Shares were delivered.

Purchaser reserves the right to transfer or assign, in whole or, from time to time, in part, to one or more of its affiliates, the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender. For Shares to be validly tendered pursuant to the Offer, either (i) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees, or in the case of a book-entry transfer, an Agent's Message (as defined below), and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either certificates evidencing tendered Shares must be received by the Depositary at one of such addresses or such Shares must be delivered to the Depositary pursuant to the procedures for book-entry transfer set forth below and a Book-Entry Confirmation (as defined below) must be received by the Depositary, in each case prior to the Expiration Date, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures described below.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at The Depository Trust Company (the "Book-Entry Transfer Facility") for purposes of the Offer within two (2) business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with such Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined below), and any other required documents must, in any case, be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedures described below. The confirmation of a book-entry transfer of Shares into the Depositary's account at the Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation."

DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

THE METHOD OF DELIVERY OF SHARES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER. SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal (i) if the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in the Book Entry Transfer Facility's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered therewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an "Eligible Institution" and, collectively, "Eligible Institutions"). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If the certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or certificates for Shares not tendered or not accepted for payment are to be returned, to a person other than the registered holder of the certificates surrendered, then the tendered certificates for such Shares must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as aforesaid. See Instruction 5 to the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates for Shares are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such stockholder's tender may be effected if all the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, is received by the Depositary, as provided below, prior to the Expiration Date; and

(iii) the certificates for (or a Book-Entry Confirmation with respect to) such Shares, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other required documents, are received by the Depositary within three (3) trading days after the date of execution of such Notice of Guaranteed Delivery. A "trading day" is any day on which the Nasdaq National Market (the "Nasdaq National Market"), operated by the National Association of Securities Dealers, Inc. (the "NASD"), is open for business.

The Notice of Guaranteed Delivery may be delivered by hand to the Depositary or transmitted by telegram, facsimile transmission or mailed to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering stockholder and Purchaser upon the terms and subject to the conditions of the Offer.

Appointment. By executing the Letter of Transmittal as set forth above (including delivery through an Agent's Message), the tendering stockholder will irrevocably appoint designees of Parent as such stockholder's attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser and with respect to any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect of such Shares on or after August 11, 1998 (collectively, "Distributions"). All such proxies will be considered coupled with an interest in the tendered Shares. Such appointment will be effective if, as and when, and only to the extent that, Purchaser accepts for payment Shares tendered by such stockholder as provided herein. All such powers of attorney and proxies will be irrevocable and will be deemed granted in consideration of the acceptance for payment by Purchaser of Shares tendered in accordance with the terms of the Offer. Upon such appointment, all prior powers of attorney, proxies and consents given by such stockholder with respect to such Shares (and any and all Distributions) will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such stockholder (and, if given, will not be deemed effective). The designees of Parent will thereby be empowered to exercise all voting and other rights with respect to such Shares (and any and all Distributions), including, without limitation, in respect of any annual or special meeting of the Company's stockholders (and any adjournment or postponement thereof), actions by written consent in lieu of any such meeting or otherwise, as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of stockholders.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser, in its sole discretion, which determination will be final and binding. Purchaser reserves the absolute right to reject any or all tenders of any Shares determined by it not to be in proper form or the acceptance for payment of which, or payment for which, may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right, in its sole discretion, subject to the provisions of the Merger Agreement, to waive any defect or irregularity in any tender of Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating thereto have been cured or waived. None of Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Subject to the terms of the Merger Agreement, Purchaser's interpretation of the terms and conditions of the Offer in this regard (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Backup Withholding. Under the "backup withholding" provisions of federal income tax law, unless a tendering registered holder, or its assignee (in either case, the "Payee"), satisfies the conditions described in Instruction 10 of the Letter of Transmittal or is otherwise exempt, the cash payable as a result of the Offer may be subject to backup withholding tax at a rate of 31% of the gross proceeds. To prevent backup withholding, each Payee should complete and sign the Substitute Form W-9 provided in the Letter of Transmittal. See Instruction 10 to the Letter of Transmittal.

4. WITHDRAWAL RIGHTS.

Except as otherwise provided in this Section 4 or as provided by applicable law, tenders of Shares are irrevocable. Shares tendered pursuant to the Offer may be withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by Purchaser pursuant to the Offer, may also be withdrawn at any time after October 12, 1998.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered by an Eligible Institution, the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures.

Withdrawals of tendered Shares may not be rescinded, and any Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 3 at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, which determination will be final and binding. None of Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

5. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES.

The following is a general summary of certain U.S. federal income tax consequences of the Offer and the Merger relevant to a beneficial holder of Shares whose Shares are tendered and accepted for payment pursuant to the Offer or whose Shares are converted to cash in the Merger (a "Holder"). The discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued thereunder, judicial decisions and administrative rulings, all of which are subject to change, possibly with retroactive effect. The following does not address the U.S. federal income tax consequences to all categories of Holders that may be subject to special rules (e.g., holders who acquired their Shares pursuant to the exercise of employee stock options or other compensation arrangements with the Company, holders who perfect their appraisal rights under the DGCL, foreign holders, insurance companies and tax-exempt organizations), nor does it address the federal income tax consequences to persons who do not hold the Shares as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). Holders should consult their own tax advisors regarding the U.S. federal, state, local and foreign income and other tax consequences of the Offer and the Merger.

The receipt of cash for Shares pursuant to the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local and foreign income and other tax laws. In general, a Holder who sells Shares pursuant to the Offer or receives cash in exchange for Shares pursuant to the Merger will recognize gain or loss for federal income tax purposes equal to the difference, if any, between the amount of cash received and the Holder's adjusted tax basis in the Shares sold pursuant to the Offer or surrendered for cash pursuant to the Merger. Gain or loss will be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) tendered pursuant to the Offer or surrendered for cash pursuant to the Merger. Such gain or loss will be long-term capital gain or loss if the Holder has held the Shares for more than one year at the time of the consummation of the Offer or the Merger. Under recently adopted amendments to the Code, capital gains recognized by an

individual investor (or an estate or certain trusts) upon a disposition of a Share that has been held for more than one year generally will be subject to a maximum tax rate of 20% or, in the case of a Share that has been held for one year or less, will be subject to tax at ordinary income rates. Certain limitations apply to the use of capital losses.

6. PRICE RANGE OF THE SHARES; DIVIDENDS.

The Shares are traded through the Nasdaq National Market under the symbol "MPRS". The following table sets forth, for each of the fiscal quarters indicated, the high and low reported closing sales price per Share on the Nasdaq National Market as restated to reflect the 5 to 1 reverse stock split effected by the Company on May 11, 1998.

	COMMON STOCK	
	HIGH	LOW
Fiscal Year Ended March 31, 1997		
First Quarter ended June 30, 1996	$ 43.10	$26.85
Second Quarter ended September 30, 1996	36.25	19.35
Third Quarter ended December 31, 1996	38.75	24.35
Fourth Quarter ended March 31, 1997	47.50	33.10
Fiscal Year Ended March 31, 1998		
First Quarter ended June 30, 1997	$ 34.70	$22.20
Second Quarter ended September 30, 1997	27.80	20.00
Third Quarter ended December 31, 1997	35.55	9.40
Fourth Quarter ended March 31, 1998	13.75	7.50
Fiscal Year Ending March 31, 1999		
First Quarter ended June 30, 1998	$ 10.78	$ 4.06
Second Quarter through August 13, 1998	5.72	2.94

On August 11, 1998, the last full trading day prior to the public announcement of the execution of the Merger Agreement by the Company, Parent and Purchaser, the last reported sales price of the Shares on the Nasdaq National Market was $4.56 per Share. On August 13, 1998, the last full trading day prior to the commencement of the Offer, the last reported sales price of the Shares on the Nasdaq National Market was $5.72 per Share. Stockholders are urged to obtain a current market quotation for the shares.

The Company did not declare or pay any cash dividends during any of the periods indicated in the above table. The agreements governing the Company's indebtedness contain provisions which currently prohibit the Company from declaring or paying dividends with respect to the Shares. In addition, under the terms of the Merger Agreement, the Company is not permitted to declare or pay dividends with respect to the Shares without the prior written consent of Parent and Parent does not intend to consent to any such declaration or payment.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; STOCK LISTING; EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS.

Market for the Shares. The purchase of Shares by Purchaser pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and will reduce the number of holders of Shares, which, depending upon the number of Shares so purchased, could adversely affect the liquidity and market value of the remaining Shares held by stockholders. Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether it would cause future market prices to be greater or less than the Offer Price.

Nasdaq Quotation. Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the requirements of the NASD for continued inclusion on the Nasdaq National Market, which requires that an issuer either (i) have at least 750,000 publicly held shares, held by at least 400 round lot shareholders, with a market value of at least $5,000,000, have at least 2 market makers, have net tangible assets of at least $4 million, and have a minimum bid price of $1 or (ii) have at least 1,100,000 publicly held shares, held by at least 400 round lot shareholders, with a market value of at least $15,000,000, have a minimum bid price of $5, have at least 4 market makers and have either (A) a market capitalization of at least $50,000,000 or (B) total assets and revenues each of at least $50,000,000. If the Nasdaq National

Market was to cease to publish quotations for the Shares, it is possible that the Shares would continue to trade in the over-the-counter market and that price or other quotations would be reported by other sources. The extent of the public market for such Shares and the availability of such quotations would depend, however, upon such factors as the number of stockholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below, and other factors. Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether it would cause future market prices to be greater or lesser than the Offer Price.

The Company was notified in February 1998 by the Nasdaq Stock Market that the Company was no longer in compliance with the net tangible assets requirement or the alternative minimum bid price requirement for continued listing on the Nasdaq National Market. Pursuant to National Association of Securities Dealers Marketplace Rules, the Company was given a period of 90 days to regain compliance with the minimum bid price requirement, which calls for a minimum common stock bid price of $5.00 per share. On May 11, 1998, the Company's stockholders approved a one for five reverse stock split whereby each five shares of the Company's outstanding common stock were automatically converted into one share (the "Reverse Stock Split"). During the fourth quarter of fiscal 1998, prior to the Reverse Stock Split, the Company's common stock traded between $2.75 and $1.50 per share. On May 12, 1998, following the Reverse Stock Split, the Company's common stock opened at a bid price of $9.38 per share. Subsequently, the Company's common stock price continued to trade at a price above the $5.00 minimum bid price for a period of 18 days. On May 19, 1998, and June 3, 1998, the Company received notice from Nasdaq that the Company was not in compliance with either the market capitalization requirement or the minimum bid price requirement for continued listing on the Nasdaq National Market. The delisting of the Shares from the Nasdaq National Market would give the holders of the Company's approximately $32,000,000 of outstanding Convertible Notes the right to require the Company to repurchase such notes at 100% of the principal amount.

Exchange Act Registration. The Shares are currently registered under the Exchange Act. Registration of the Shares under the Exchange Act may be terminated upon application of the Company to the Commission if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and to the Commission and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement pursuant to Section 14(a) in connection with stockholders' meetings and the related requirement of furnishing an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 or Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"), may be impaired or eliminated.

Margin Regulations. The Shares are presently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which status has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding stock exchange listing and market quotations, it is possible that, following the Offer, the Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers. In addition, if registration of the Shares under the Exchange Act were terminated, the Shares would no longer constitute "margin securities."

Purchaser currently intends to seek delisting of the Shares from the Nasdaq National Market and the termination of the registration of the Shares under the Exchange Act as soon after the completion of the Offer as the requirements for such delisting and termination are met. If the Nasdaq National Market listing and the Exchange Act registration of the Shares are not terminated prior to the Merger, then the Shares will be delisted from the Nasdaq National Market and the registration of the Shares under the Exchange Act will be terminated following the consummation of the Merger.

8. CERTAIN INFORMATION CONCERNING THE COMPANY.

General. The information concerning the Company contained in this Offer to Purchase, including that set forth below under the caption "Selected Financial Information," has been furnished by the Company or has been taken from or based upon publicly available documents and records on file with the Commission and other public sources. Neither Parent, Purchaser nor the Dealer Manager assumes responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Purchaser or the Dealer Manager.

The Company is a developer, producer and publisher of entertainment software for personal computers ("PC's") and certain console platforms. The Company creates, acquires or licenses properties with mass-market appeal and develops branded products based on these properties. A range of advanced technologies is incorporated into these products, such as multiplayer networking, simulation, real-time response and three dimension ("3D") texture-mapped graphics to enhance each product's distinctive characteristics. The Company also distributes entertainment software and related products published by third parties. The Company primarily develops products in the categories of Simulation, Strategy, and 3D Action. The Company's most popular products to date include the FALCON(R) series, GRAND PRIX series, MAGIC: THE GATHERING(R), MASTER OF ORION(TM) II, the CIVILIZATION(TM) Series, the STAR TREK(TM) series, TOP GUN(TM): FIRE AT WILL!(TM), WORMS II(R) and THE X-COM(R) series. The Company is a Delaware corporation with its principal executive offices at 2490 Mariner Square Loop, Suite 100, Alameda, California 94501.

Selected Financial Information. Set forth below is certain selected consolidated financial information with respect to the Company, excerpted or derived from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 filed with the Commission pursuant to the Exchange Act.

More comprehensive financial information is included in such reports and in other documents filed by the Company with the Commission. The following summary is qualified in its entirety by reference to such reports and other documents and all of the financial information (including any related notes) contained therein. Such reports and other documents may be inspected and copies may be obtained from the Commission in the manner set forth below.

MICROPROSE, INC.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	THREE MONTHS ENDED (UNAUDITED)		FISCAL YEARS ENDED		
	JUNE 30, 1998	JUNE 30, 1997	MARCH 31, 1998	MARCH 31, 1997	MARCH 31, 1996
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Net Revenues	$ 12,195	$13,580	$ 60,009	$100,253	$ 59,694
Income (Loss) from Operations	(7,047)	(5,415)	(29,583)	4,380	(35,524)
Net Income (Loss)	(7,815)	(8,312)	(33,141)	7,988	(39,841)
Basic Income (Loss) per Share	(1.36)	(1.48)	(5.86)	1.45	(8.49)
Diluted Income (Loss) per Share	(1.36)	(1.48)	(5.86)	1.39	(8.49)
BALANCE SHEET DATA:					
Total Assets	$ 35,327	$69,321	$ 43,829	$ 80,305	$ 65,922
Total Liabilities	52,793	55,762	53,371	58,707	74,837
Stockholders' Equity (Deficit)	(17,466)	13,559	(9,542)	21,598	(8,915)

Other Financial Information. During the course of the discussions between Parent and the Company that led to the execution of the Merger Agreement, the Company provided Parent with certain information about the Company and its financial performance which is not publicly available. The information provided included financial projections for the Company as an independent company (i.e., without regard to the impact to the Company of a transaction with Parent), which included the following: projections of revenue, earnings before income and taxes ("EBIT") and net income of approximately $98.1 million, $3.3 million and $1.0 million, respectively, for fiscal 1999. The foregoing information was prepared by the Company solely for internal use and not for publication or with a view to complying with the published guidelines of the SEC regarding projections or with the guidelines established by the American Institute of Certified Public Accountants and are included in this Offer to Purchase only because they were furnished to Parent. The foregoing information is "forward-looking" and inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company, including industry performance, general business and economic conditions, changing competition, adverse changes in applicable laws, regulations or rules governing environmental, tax or accounting matters and other matters. One cannot predict whether the assumptions made in preparing the foregoing information will be accurate, and actual results may be materially higher or lower than those contained described above. The inclusion of this information should not be regarded as an indication that Parent, Purchaser, the Company or anyone who received this information considered it a reliable predictor of future events, and this information should not be relied on as such. None of Parent, Purchaser or the Company assumes any responsibility for the validity, reasonableness, accuracy or completeness of the projections and the Company has made no representation to Parent or Purchaser regarding the financial information described above.

Available Information. The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information as of particular dates concerning the Company's directors and officers, their remuneration, options granted to them, the principal holders of the Company's securities and any material interests of such persons in transactions with the Company is required to be disclosed in proxy statements distributed to the Company's stockholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at Seven World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of such information should be obtainable by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 450 Fifth Street, N.W., Washington,

D.C. 20549. The Commission also maintains a website on the internet at http://www.sec.gov that contains reports, proxy statements and other information relating to the Company which have been filed via the Commission's EDGAR System.

9. CERTAIN INFORMATION CONCERNING PARENT AND PURCHASER.

Parent and Purchaser. Parent is a Rhode Island corporation and (with its subsidiaries) is a leading global designer, manufacturer and marketer of a diverse line of toy products and related items. Included in its offerings are games, including traditional board and card, hand-held electronic and interactive CD-ROM, and puzzles, preschool, boys' action and girls' toys, dolls, plush products and infant products. The Company also licenses various tradenames, characters and other property rights for use in connection with the sale by others of noncompeting toys and non-toy products.

Purchaser is a newly incorporated Delaware corporation organized in connection with the Offer and the Merger and has not carried on any activities other than in connection with the Offer and the Merger. All of the outstanding capital stock of Purchaser is owned directly by Parent. Until immediately prior to the time Purchaser purchases Shares pursuant to the Offer, it is not anticipated that Purchaser will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer and the Merger.

The principal offices of Purchaser and Parent are located at 1027 Newport Avenue, Pawtucket, Rhode Island 02861. The telephone number of Parent and Purchaser at such location is (401) 431-8697.

For certain information concerning the executive officers and directors of Parent and Purchaser, see Schedule I.

Except as set forth in this Offer to Purchase, neither Purchaser nor Parent, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I, nor any associate or majority owned subsidiary of any of the foregoing, beneficially owns or has a right to acquire any Shares, and neither Purchaser nor Parent nor, to the best of knowledge of Purchaser or Parent, any of the persons or entities referred to above, nor any of the respective executive officers, directors or subsidiaries of any of the foregoing, has effected any transaction in the Shares during the past 60 days.

Except as set forth in this Offer to Purchase, neither Purchaser nor Parent has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies.

Except as set forth in this Offer to Purchase, none of Purchaser, Parent, any of their respective affiliates, nor, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I, has had, since March 31, 1995, any business relationships or transactions with the Company or any of its executive officers, directors or affiliates that would require to be reported under the rules of the Commission. Except as set forth in this Offer to Purchase, since March 31, 1995 there have been no contacts, negotiations or transactions between Purchaser, Parent, any of their respective affiliates or, to the best knowledge of Purchaser, Parent, any of the persons listed on Schedule I, and the Company or its affiliates concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors or a sale or other transfer of a material amount of assets.

Available Information. Parent is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information as of particular dates concerning Parent's directors and officers, their remuneration, options granted to them, the principal holders of Parent's securities and any material interests of such persons in transactions with Parent is required to be disclosed in proxy statements distributed to Parent's stockholders and filed with the Commission. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of

the Commission located at Seven World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of such information should be obtainable by mail, upon payment of the Commission's customary charges, by writing to the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission also maintains a website at http://www.sec.gov that contains reports, proxy statements and other information relating to Parent which have been filed via the EDGAR System. Such materials should also be available at the offices of the American Stock Exchange ("Amex"), 86 Trinity Place, New York, NY 10006.

10. SOURCES AND AMOUNT OF FUNDS.

The Offer is not conditioned upon any financing arrangements. The total amount of funds required by Purchaser to consummate the Offer and the Merger, including the redemption, refinancing, or payment of approximately $35.3 million of debt and redeemable preferred stock of by the Company and the fees and expenses of the Offer and the Merger, is estimated to be approximately $72.0 million. Purchaser will obtain all such funds from Parent in the form of capital contributions and/or loans. Parent will provide such funds through a combination of its cash on hand and short term borrowings, including but not limited to, commercial paper.

11. BACKGROUND OF THE OFFER; PURPOSE OF THE OFFER AND THE MERGER; THE MERGER AGREEMENT AND CERTAIN OTHER AGREEMENTS.

Background of the Offer.

On May 19, 1998, the Company released fourth quarter and fiscal 1998 results. In that press release the Company's management indicated that the Company can best prosper and leverage its assets in combination with another company or through a strategic investment from a partner. As a result, the Company Board authorized management to investigate strategic alternatives for the Company.

On or about June 14, 1998, Ron Parkinson, Vice President of Finance of Hasbro Interactive, was contacted by a representative of Piper Jaffray. After signing a confidentiality agreement on June 16, 1998, Hasbro Interactive, a wholly-owned subsidiary of Parent, was offered the opportunity to evaluate materials supplied by the Company regarding a potential business transaction.

On June 29, 1998, Tom Dusenberry, President of Hasbro Interactive, Mr. Parkinson, Tony Parks, Vice President of Research and Development and John Sutyak, Director of New Business Development for Hasbro Interactive met with Gilman Louie, Chairman of the Board, Stephen Race, Chief Executive Officer, M. Kip Welch, Vice President and General Counsel, John Belchers, Chief Financial Officer and other representatives of the Company. The parties observed the product line in development and discussed the possibility of a transaction between the companies and the possible synergy between Hasbro Interactive and the Company.

On July 2, 1998, Phillip H. Waldoks, Senior Vice President -- Corporate Legal Affairs and Secretary of Parent, and Mr. Welch discussed arrangements for access by representatives of Parent and Hasbro Interactive to a data room prepared by representatives of the Company in Palo Alto.

On July 7, 1998, representatives of Piper Jaffray contacted representatives of Bear Stearns to discuss, among other things, the negotiations between the parties and to determine the timing of the process going forward.

On July 10, 1998, Mr. Dusenberry and Mr. Harold P. Gordon, Vice Chairman of Parent, met with Mr. Race, Mr. Louie, Mr. Belchers and Mr. Timothy Christian, Managing Director, Europe/Asia Pacific of the Company. They discussed the common strategic goals and expressed interest to move forward with a possible acquisition.

From July 13, 1998 through July 15, 1998, Mr. Parks visited the studios of the Company in the United States to review the technology of the two businesses and discuss the status of products under development.

On July 16, 1998, Mr. Dusenberry and Mr. Barry Jafrato, Managing Director of International Operations for Hasbro Interactive, met with Mr. Christian and the senior team of the Company in Europe to view the operations in Europe and discuss the potential synergies.

On July 27, 1998, Mr. Race and Mr. Louie traveled to Beverly, Massachusetts to meet with Messrs. Dusenberry, Parkinson, Sutyak, John Hurlbut, Vice President of Marketing, Bob Sadacca, Vice President Administration and Jim Adams, Vice President of Sales of Hasbro Interactive to answer questions on the Company's operations and current performance. Mr. Dusenberry then accompanied Mr. Race and Mr. Louie to the corporate offices of Parent for a meeting with Mr. Alan Hassenfeld, Chairman of the Board and Chief Executive Officer, John T. O'Neill, Executive Vice President and Chief Financial Officer, and Mr. Gordon for a strategic discussion of the potential transaction. Both parties agreed, on July 27, 1998 to amend the confidentiality agreement.

On August 4, 1998 and August 5, 1998 Mr. Jafrato visited the Company operations in the United Kingdom and Germany for to assess strategies for integrating these operations into Hasbro Interactive.

From July 8, 1998 to August 11, 1998, Parent's and Hasbro Interactive's representatives conducted due diligence in a data room prepared by representatives of the Company in Palo Alto, remotely on data supplied by the Company, public information and using industry data, and on site at the Company's executive offices in California, the United Kingdom and Germany.

Negotiations for a potential merger and the related agreements took place between members of senior management of the Parent, Hasbro Interactive, their legal advisors, senior management and representatives of the Company and its legal advisors between July 29, 1998 and August 11, 1998. Such negotiations were completed on August 11, 1998 when Parent and the Company executed and delivered the Merger Agreement.

On or about August 11, 1998, Hasbro Interactive offered senior positions at Hasbro Interactive to Mr. Louie and Mr. Christian, contingent on the closing of the acquisition of the Company. Mr. Christian also agreed to terminate his Service Agreement with the Company in exchange for the sum of approximately L275,000 which would have been due thereunder, contingent upon the closing of the acquisition of the Company.

On August 12, 1998 Parent announced the signing of the Merger Agreement. On August 14, 1998 pursuant to the terms of the Merger Agreement, Parent and Purchaser commenced the Offer.

Purpose of the Offer and the Merger. The purpose of the Offer and the Merger is to enable Parent to acquire control of, and the entire equity interest in, the Company. The Offer is being made pursuant to the Merger Agreement and is intended to increase the likelihood that the Merger will be effected. The purpose of the Merger is to acquire all of the outstanding Shares not purchased pursuant to the Offer.

Stockholders of the Company who sell their Shares in the Offer will cease to have any equity interest in the Company and any right to participate in its earnings and future growth. If the Merger is consummated, non-tendering stockholders will no longer have an equity interest in the Company and instead will have only the right to receive cash consideration pursuant to the Merger Agreement or to exercise statutory appraisal rights under Section 262 of the DGCL. See Section 12. Similarly, after selling their Shares in the Offer or the subsequent Merger, stockholders of the Company will not bear the risk of any decrease in the value of the Company.

The primary benefits of the Offer and the Merger to the stockholders of the Company are that such stockholders are being afforded an opportunity to sell all of their Shares for cash at a price which represents a premium of approximately 32% over the closing market price of the Shares on August 11, 1998, the last full trading day prior to the initial public announcement that the Company, Purchaser and Parent had executed the Merger Agreement and a more substantial premium over recent historical trading prices.

Merger Agreement

The following is a summary of certain provisions of the Merger Agreement. This summary is not a complete description of the terms and conditions of the Merger Agreement and is qualified in its entirety by reference to the full text of the Merger Agreement filed with the Commission as an exhibit to the Schedule 14D-1 and is incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Merger Agreement. The Merger Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

Representations and Warranties. In the Merger Agreement, the Company has made customary representations and warranties to Parent and Purchaser with respect to, among other things, corporate organization, subsidiaries, capital stock, options or other rights to acquire Shares, authority to enter into the Merger Agreement, required consents, no conflicts between the Merger Agreement and applicable laws and certain agreements to which the Company or its assets may be subject, financial statements, filings with the Commission, disclosures in proxy statement and tender offer documents, absence of certain changes or events, litigation, absence of changes in benefit plans, employee benefit plans, tax matters, no excess non-deductible payments, compliance with applicable laws, environmental matters, intellectual property, owned and leased real property, material contracts, labor and employment matters, product liability, applicability of state takeover statutes, brokers' and finders' fees, votes required to approve the Merger Agreement, undisclosed liabilities, receipt of the Financial Advisor Opinion, Year 2000, Company Rights Agreement, absence of questionable payments and full disclosure.

In the Merger Agreement, each of Parent and Purchaser has made customary representations and warranties to the Company with respect to, among other things, corporate organization, authority to enter into the Merger Agreement, required consents, no conflicts between the Merger Agreement and the certificate of incorporation and by-laws of Parent and Purchaser or laws applicable to Parent or Purchaser, disclosures in proxy statement and tender offer documents, prior activities by Purchaser and brokers' and finders' fees.

Conditions to the Merger. The respective obligations of Parent and Purchaser, on the one hand, and the Company, on the other hand, to effect the Merger are subject to the satisfaction of each of the following conditions, any and all of which may be waived in whole or in part by the Company, Parent or Purchaser, as the case may be, to the extent permitted by applicable law: (i) the Merger Agreement shall have been approved and adopted by the requisite vote of the holders of Shares, if required by applicable law and the Certificate of Incorporation, in order to consummate the Merger; (ii) any waiting period applicable to the Merger under the HSR Act shall have expired or been earlier terminated; (iii) no statute, rule, regulation, order, decree or injunction shall have been enacted, promulgated or issued by any governmental entity precluding, restraining, enjoining or prohibiting consummation of the Merger; and (iv) Parent, Purchaser or their affiliates shall have purchased Shares pursuant to the Offer; provided, that the condition contained in the preceding clause (iv) shall be deemed to have been satisfied with respect to the obligation of Parent and Purchaser to effect the Merger if Purchaser fails to accept for payment or pay for Shares pursuant to the Offer in violation of the terms of the Offer or of the Merger Agreement.

The Company Board. Promptly after (i) the purchase of and payment for any Shares by Purchaser or any of its affiliates as a result of which Purchaser and its affiliates own beneficially at least a majority of the then outstanding Shares and (ii) compliance with Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, whichever shall occur later, Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Company's Board of Directors as is equal to the product of the total number of directors on such Board (giving effect to any increase in the size of such Board) multiplied by the percentage that the number of Shares beneficially owned by Purchaser (including Shares so accepted for payment) bears to the total number of Shares then outstanding. In furtherance thereof, the Company shall, upon request of Parent, use its best efforts promptly either to increase the size of its Board of Directors or to secure the resignations of such number of its incumbent directors, or both, as is necessary to enable such designees of Parent to be so elected or appointed to the Company's Board of Directors, and the Company shall take all actions available to the Company to cause such designees of Parent to be so elected or appointed. At such time, the Company shall, if requested by Parent, also take all action necessary to cause Persons designated by Parent to constitute at least the same percentage (rounded up to the next whole

number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each Subsidiary of the Company and (iii) each committee (or similar body) of each such board.

The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under this Section, including mailing to stockholders the information required by such Section 14(f) and Rule 14f-1 (or, at Parent's request, furnishing such information to Parent for inclusion in the Offer Documents initially filed with the SEC and distributed to the stockholders of the Company) as is necessary to enable Parent's designees to be elected to the Company's Board of Directors. Parent or Purchaser will supply the Company any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-1. The provisions of this Section are in addition to and shall not limit any rights which Purchaser, Parent or any of their affiliates may have as a holder or beneficial owner of Shares as a matter of applicable Law with respect to the election of directors or otherwise.

Notwithstanding the foregoing, the parties to the Merger Agreement shall use their respective reasonable best efforts to ensure that at least two of the members of the Board shall, at all times prior to the Effective Time be, Continuing Directors. From and after the time, if any, that Parent's designees constitute a majority of the Company's Board of Directors, any amendment or modification of this Agreement, any amendment to the Company's Certificate of Incorporation or By-Laws inconsistent with the Merger Agreement, any termination of the Merger Agreement by the Company, any extension of time for performance of any of the obligations of Parent or Purchaser under the Merger Agreement, any waiver of any condition to the Company's obligations under the Merger Agreement or any of the Company's rights under the Merger Agreement or other action by the Company under the Merger Agreement may be effected only by the action of a majority of the Continuing Directors of the Company, which action shall be deemed to constitute the action of any committee specifically designated by the Board of Directors of the Company to approve the actions contemplated by the Merger Agreement and the Transactions and the full Board of Directors of the Company; provided, that, if there shall be no Continuing Directors, such actions may be effected by majority vote of the entire Board of Directors of the Company.

Stockholders' Meeting. If required by applicable Law in order to consummate the Merger, the Company, acting through the Company Board, shall, in accordance with applicable Law, its Certificate of Incorporation and By-laws: (i) as promptly as practicable following the acceptance for payment and purchase of Shares by Purchaser pursuant to the Offer, duly call, give notice of, convene and hold a special meeting of its stockholders (the "Special Meeting") for the purposes of considering and taking action upon the approval of the Merger and the approval and adoption of the Merger Agreement; (ii) prepare and file with the Commission a preliminary proxy or information statement relating to the Merger and the Merger Agreement and (x) obtain and furnish the information required to be included in the Proxy Statement (as defined below) and, after consultation with Parent, respond promptly to any comments made by the Commission with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement, including any amendment or supplement thereto (the "Proxy Statement") to be mailed to its stockholders at the earliest practicable date; provided that no amendment or supplement to the Proxy Statement will be made by the Company without consultation with Parent and its counsel and (y) use its reasonable best efforts to obtain the necessary approvals of the Merger and the Merger Agreement by its stockholders; and (iii) unless the Merger Agreement has been terminated in accordance with the provisions of the section titled "Termination" below, subject to its rights pursuant to the section titled "No Solicitation" below, include in the Proxy Statement the recommendation of the Company Board that stockholders of the Company vote in favor of the approval of the Merger and the approval and adoption of the Merger Agreement. Parent has agreed to vote, or cause to be voted, all of the Shares then owned by it, Purchaser or any of its other subsidiaries in favor of the approval of the Merger and the approval and adoption of the Merger Agreement.

Options. The Merger Agreement provides that immediately prior to the Effective Time, each then outstanding option to purchase any shares of capital stock of the Company (in each case, an "Option"), whether or not then exercisable, shall be cancelled by the Company and in consideration of such cancellation and except to the extent that Parent or the Purchaser and the holder of any such Option otherwise agree, the Company (or, at Parent's option, the Purchaser) shall pay to such holders of Options an amount in respect

thereof equal to the product of (A) the excess, if any, of the Offer Price over the exercise price of each such Option and (B) the number of Shares previously subject to the Option immediately prior to its cancellation (such payment to be net of withholding taxes and without interest). The Company shall use commercially reasonable efforts to obtain the consent of each holder of an Option as to whom Parent reasonably requests a consent be obtained to the transactions above no later than the Effective Time in a form acceptable to Parent. The Company shall provide to each holder of Options any required notice (in a form acceptable to Parent) under the applicable Option Plan.

The Company shall take all actions necessary and appropriate so that (i) no purchase rights are acquired after the date hereof under the Company's Employee Stock Purchase Plan and (ii) all stock option or other equity based plans maintained with respect to the Shares, including, without limitation, the Company's Employee Stock Purchase Plan and those plans listed in the Merger Agreement hereof ("Option Plans"), shall terminate as of the Effective Time and the provisions in any other Benefit Plan providing for the issuance, transfer or grant of any capital stock of the Company or any interest in respect of any capital stock of the Company shall be deleted as of the Effective Time, and the Company shall use its best efforts to ensure that following the Effective Time no holder of an Option or any participant in any Option Plan shall have any right thereunder to acquire any capital stock of the Company, Parent, Purchaser or the Surviving Corporation.

Interim Operations. The Merger Agreement provides that after the date of the Merger Agreement and prior to the time the designees of Parent have been elected to or appointed to, and shall constitute a majority of, the Company Board pursuant to the applicable provisions of the Merger Agreement (the "Appointment Date"), and except (i) as expressly contemplated by the Merger Agreement, (ii) as set forth in the applicable section of the disclosure schedule thereto or (iii) as agreed in writing by Parent:

(a) the Company shall and shall cause its Subsidiaries to carry on their respective businesses in the ordinary course;

(b) the Company shall and shall cause its Subsidiaries to use all commercially reasonable efforts consistent with good business judgment to preserve intact their current business organizations, keep available the services of their current officers and key employees and preserve their relationships consistent with past practice with desirable customers, suppliers, licensors, licensees, distributors and others having business dealings with them to the end that their goodwill and ongoing businesses shall be unimpaired in all material respects at the Effective Time;

(c) neither the Company nor any of its Subsidiaries shall, directly or indirectly, amend its Certificate of Incorporation or By-laws or similar organizational documents;

(d) officers of the Company and its Subsidiaries shall confer at such times as Parent may reasonably request with one or more representatives of Parent to report material operational matters and the general status of ongoing operations;

(e) neither the Company nor any of its Subsidiaries shall: (i)(A) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to the Company's capital stock or that of its Subsidiaries, except that a wholly-owned Subsidiary of the Company may declare and pay a dividend or make advances to its parent or the Company or (B) redeem, purchase or otherwise acquire directly or indirectly any of the Company's capital stock or that of its Subsidiaries; (ii) issue, sell, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its Subsidiaries, other than Shares issued upon the exercise of Options outstanding on the date of the Merger Agreement in accordance with the Option Plans as in effect on the date of the Merger Agreement; or (iii) split, combine or reclassify the outstanding capital stock of the Company or of any of the Subsidiaries of the Company;

(f) except as permitted by the Merger Agreement, neither the Company nor any of its Subsidiaries shall acquire or agree to acquire (A) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof (including entities which are

subsidiaries of the Company) or (B) any assets, including real estate, except purchases in the ordinary course of business consistent with past practice;

(g) neither the Company nor any of its Subsidiaries shall make any new capital expenditure or expenditures, which individually exceed $50,000 and in the aggregate exceed $150,000;

(h) neither the Company nor any of its Subsidiaries shall, except in the ordinary course of business and except as otherwise permitted by the Merger Agreement, amend or terminate any Company material contract where such amendment or termination would have a Material Adverse Effect on the Company, or waive, release or assign any material rights or claims;

(i) neither the Company nor any of its Subsidiaries shall transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any property or assets other than in the ordinary course of business and consistent with past practice;

(j) neither the Company nor any of its Subsidiaries shall: (i) enter into any employment or severance agreement with or grant any severance or termination pay to any officer, director or key employee of the Company or any its Subsidiaries; or (ii) hire or agree to hire any new or additional key employees or officers;

(k) neither the Company nor any of its Subsidiaries shall, except as required to comply with applicable Law or expressly provided in the Merger Agreement, (A) adopt, enter into, terminate, amend or increase the amount or accelerate the payment or vesting of any benefit or award or amount payable under any Benefit Plan or other arrangement for the current or future benefit or welfare of any director, officer or current or former employee, except to the extent necessary to coordinate any such Benefit Plans with the terms of the Merger Agreement, (B) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee, (C) pay any benefit not provided for under any Benefit Plan, (D) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Benefit Plan (including the grant of stock options, stock appreciation rights, stock-based or stock-related awards, performance units or restricted stock, or the removal of existing restrictions in any Benefit Plans or agreements or awards made thereunder) or (E) take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or Benefit Plan;

(l) neither the Company nor any of its Subsidiaries shall: (i) incur or assume any long-term debt or, except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice; (ii) incur or modify any material indebtedness or other liability except as set forth on the applicable section of the disclosure schedule to the Merger Agreement; (iii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business and consistent with past practice; (iv) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned Subsidiaries of the Company or customary loans or advances to employees in the ordinary course of business in accordance with past practice); (v) settle any claims other than in the ordinary course of business, in accordance with past practice and without admission of liability; or (vi) enter into any material commitment or transaction;

(m) neither the Company nor any of its Subsidiaries shall change any of the accounting principles used by it unless required by generally accepted accounting principles;

(n) neither the Company nor any of its Subsidiaries shall make any tax election, amend any tax return, make a claim for any tax refund or settle or compromise any tax liability (whether with respect to amount or timing);

(o) neither the Company nor any of its Subsidiaries shall pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations in the ordinary course of business and consistent with past practice, of any such claims, liabilities or obligations which are

reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its consolidated Subsidiaries; or except in the ordinary course of business consistent with past practice, waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which the Company or any of its Subsidiaries is a party;

(p) neither the Company nor any of its Subsidiaries shall (by action or inaction) amend, renew, terminate or cause to be extended any lease, agreement or arrangement relating to any of the leased properties or enter into any lease, agreement or arrangement with respect to real property;

(q) neither the Company nor any of its Subsidiaries will enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing; and

(r) neither the Company nor any of its Subsidiaries shall take any action that the Company knows at the time of taking such action would result in any of the conditions to the Offer, as set forth in the Merger Agreement, not being satisfied (subject to the Company's right to take action specifically permitted by the Merger Agreement).

No Solicitation. Pursuant to the Merger Agreement, the Company has agreed that it shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize (and shall use its best efforts not to permit) any officer, director or employee of, or any investment banker, attorney or other advisor or representative of, the Company or any of its subsidiaries to, (i) solicit or initiate, or encourage, directly or indirectly, any inquires or the submission of, any Takeover Proposal (as defined below), (ii) participate in any discussions or negotiations regarding, or furnish to any Person any information or data with respect to or access to the properties of, or take any other action to knowingly facilitate the making of any proposal that constitutes, or may reasonably be expected to lead to, any Takeover Proposal or (iii) enter into any agreement with respect to any Takeover Proposal or approve or resolve to approve any Takeover Proposal; provided that nothing contained in the applicable provisions of the Merger Agreement shall prohibit the Company or the Company Board from (A) taking and disclosing to the Company's stockholders a position with respect to a tender or exchange offer by a third party pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act, or (B) making such disclosure to the Company's stockholders as, in the good faith judgment of the Company Board, after receiving written advice from outside counsel, is required under applicable Law, provided that the Company may not, except as permitted by the following paragraph, withdraw or modify, or propose to withdraw or modify, its position with respect to the Offer or the Merger or approve or recommend, or propose to approve or recommend any Takeover Proposal, or enter into any agreement with respect to any Takeover Proposal. Upon execution of the Merger Agreement, the Company will immediately cease any existing activities, discussions or negotiations with any parties conducted prior to the date of the Merger Agreement with respect to any of the foregoing. Notwithstanding the foregoing, prior to the time of acceptance of Shares for payment pursuant to the Offer, the Company may furnish information concerning its business, properties or assets to any Person or group and may negotiate and participate in discussions and negotiations with such Person or group concerning a Takeover Proposal if: (x) such Person or group has submitted a Superior Proposal; and (y) the Company Board determines, based upon the written opinion of its independent legal counsel, that the failure to participate in such discussions or negotiations or to furnish such information would cause a breach of such Board's fiduciary duties under applicable Law. The Company will promptly (but in no case later than 24 hours) notify Parent of the existence of any proposal, discussion, negotiation or inquiry received by the Company regarding any Takeover Proposal, and the Company will promptly communicate to Parent the terms of any proposal, discussion, negotiation or inquiry which it may receive regarding any Takeover Proposal (and will promptly provide to Parent copies of any written materials received by the Company in connection with such proposal, discussion, negotiation or inquiry) and the identity of the party making such proposal or inquiry or engaging in such discussion or negotiation. The Company will promptly provide to Parent any non-public information concerning the Company provided to any other Person which was not previously provided to Parent. The Company will keep Parent fully informed of the status and details of any such Takeover Proposal and of any amendments or proposed amendments to any Takeover Proposal and will promptly notify Parent (but in no case later than 24 hours) of any determination by the Company Board that a Superior Proposal has been made.

Pursuant to the Merger Agreement, except as set forth in this paragraph, neither the Company Board nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent or Purchaser, the approval or recommendation by the Company Board or any such committee of the Offer, the Merger Agreement or the Merger, (ii) approve or recommend, or propose to approve or recommend, any Takeover Proposal or (iii) enter into any agreement with respect to any Takeover Proposal. Notwithstanding the foregoing, subject to compliance with this paragraph prior to the time of acceptance for payment of Shares pursuant to the Offer, the Company Board may withdraw or modify its approval or recommendation of the Offer, the Merger Agreement or the Merger, approve or recommend a Superior Proposal (as defined below), or enter into an agreement with respect to a Superior Proposal, in each case at any time after the third business day following Parent's receipt of written notice from the Company advising Parent that the Company Board has received a Superior Proposal which it intends to accept, specifying the material terms and conditions of such Superior Proposal, identifying the person making such Superior Proposal, but only if the Company shall have caused its financial and legal advisors to negotiate with Parent promptly following delivery of such notice and through such three business day period to make such adjustments to the terms and conditions of the Merger Agreement as would enable the Company to proceed with the Transactions on such adjusted terms. The term "Takeover Proposal" means any bona fide proposal or offer, whether in writing or otherwise, from any Person other than Parent, Purchaser or any affiliates thereof (a "Third Party") to acquire beneficial ownership (as defined under Rule 13(d) of the Exchange Act) of all or a material portion of the assets of the Company and its subsidiaries, taken as whole, or 50% or more of any class of equity securities of the Company pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of assets, tender offer, exchange offer or similar transaction with respect to the Company, including any single or multi-step transaction or series of related transactions, which is structured to permit such Third Party to acquire beneficial ownership of any material portion of the assets of the Company and its subsidiaries, taken as a whole, or 50% or more of the equity interest in the Company. The term "Superior Proposal" means an unsolicited bona fide proposal by a Third Party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than a majority of the Shares then outstanding or all or substantially all of the assets of the Company, and otherwise on terms which the Company Board determines in good faith to be more favorable to the Company's stockholders than the Offer and the Merger, based on advice of the Company's independent financial advisor, for which financing, to the extent required, is then committed or which, in the good faith reasonable judgment of the Company Board (based on advice from the Company's independent financial advisor that the value of the Consideration provided for in such proposal is superior to the value of the consideration provided for in the Offer and the Merger), for which financing, to the extent required, is then committed or which, in the good faith reasonable judgment of the Company Board, based on advice from the Company's independent financial advisor, is reasonably capable of being financed by such party.

Termination. The Merger Agreement may be terminated and the Merger contemplated therein may be abandoned at any time prior to the Effective Time, whether before or after approval of matters presented in connection with the Merger by the stockholders of the Company (provided, however, that if Shares are purchased pursuant to the Offer, neither Parent nor Purchaser may in any event terminate the Merger Agreement):

(a) By the mutual written consent of Parent and the Company; provided, however, that if Parent shall have a majority of the directors pursuant to the applicable provisions of the Merger Agreement, such consent of the Company may only be given if approved by the Continuing Directors.

(b) By either of Parent or the Company if (i) a statute, rule or executive order shall have been enacted, entered or promulgated prohibiting the Transactions on the terms contemplated by the Merger Agreement or (ii) any governmental entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties to the Merger Agreement shall use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the Transactions contemplated by the Merger Agreement and such order, decree, ruling or other action shall have become final and non-appealable.

(c) By either of Parent or the Company if at least that number of Shares required by the Minimum Condition to be tendered shall not have been purchased in the Offer on or before November 30, 1998; provided, that the party seeking to terminate the Merger Agreement pursuant to the applicable section shall not have breached in any material respect its obligations under the Merger Agreement in any manner that shall have proximately contributed to the failure to consummate the Offer on or before such date;

(d) By the Company: (i) if the Company has entered into an agreement with respect to a Superior Proposal or has approved or recommended a Superior Proposal in accordance with the Merger Agreement, provided the Company has complied with all provisions thereof, including the notice provisions therein, and that it simultaneously terminates the Merger Agreement and makes simultaneous payment to the Parent of the Expenses and the Termination Fee; or (ii) if Parent or Purchaser shall have terminated the Offer or the Offer expires without Parent or Purchaser, as the case may be, purchasing any Shares pursuant thereto; provided that the Company may not terminate the Merger Agreement pursuant to this clause (d)(ii) if the Company is in material breach of the Merger Agreement or the Stock Option Agreement; or (iii) if Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer, provided, that the Company may not terminate the Merger Agreement pursuant to this clause (d) (iii) if the Company is in material breach of the Merger Agreement or the Stock Option Agreement; or (iv) if there shall be a breach by Parent or Purchaser of any of its representations, warranties, covenants or agreements contained in the Merger Agreement which breach is incapable of being cured or is not cured within 10 days of notice from the Company to Parent, except, in each case, where such breach does not have a material adverse effect on the ability of Parent or Purchaser to consummate the Offer or the Merger.

(e) By Parent or Purchaser: (i) (A) if prior to the purchase of the Shares pursuant to the Offer, the Company Board shall have withdrawn, or modified or changed in a manner adverse to Parent or Purchaser its approval or recommendation of the Offer, the Merger Agreement or the Merger or shall have recommended or approved a Takeover Proposal (provided that the Company merely providing notice to Parent pursuant to the Merger Agreement shall not in itself constitute a recommendation or approval of a Takeover Proposal); or (B) there shall have been a material breach of any provision of the section of the Merger Agreement regarding No Solicitation; or (ii) if Parent or Purchaser shall have terminated the Offer without Parent or Purchaser purchasing any Shares thereunder, provided that Parent or Purchaser may not terminate the Merger Agreement pursuant to this clause (e) (ii) if Parent or Purchaser is in material breach of the Merger Agreement; or (iii) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions set forth in the Section 14 below, Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; or (iv) if the Company receives a Takeover Proposal from any Person (other than Parent or Purchaser), and the Company Board takes a neutral position or makes no recommendation with respect to such Takeover Proposal after a reasonable amount of time (and in no event more than ten business days following such receipt) has elapsed for the Company's Board of Directors to review and make a recommendation with respect to such Takeover Proposal; or (v) if there shall be a breach by the Company of any of its representations, warranties, covenants or agreements contained in the Merger Agreement or the Stock Option Agreement which breach is incapable of being cured or is not cured within 10 days of notice from Parent to the Company, except, in each case, where such breach (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) does not have a Material Adverse Effect on the Company or a materially adverse effect on the ability of the Company to consummate the Offer or the Merger.

Termination Fee. Pursuant to the Merger Agreement, if (x) Parent or Purchaser terminates the Merger Agreement pursuant to clauses (e)(i) or (e)(iv) under the heading "Termination" above or (y) the Company terminates this Agreement pursuant to clause (d)(i) under the heading "Termination" above, then in each case, the Company shall pay, or cause to be paid to Parent, at the time of termination, an amount

equal to $2,500,000 (the "Termination Fee") and an amount equal to Parent's and Purchaser's actual and documented reasonable out-of-pocket expenses incurred by Parent or Purchaser in connection with the Offer, the Merger, the Merger Agreement and the consummation of the Transactions, including, without limitation, the reasonable fees and expenses payable to all attorneys, accountants, banks, investment banking firms, and other financial institutions and Persons and their respective agents and counsel incurred in connection with the Transactions or arranging or committing to provide or providing any financing for, the Transactions (the "Expenses"). In addition, if the Merger Agreement is terminated by either Parent or the Company pursuant to clause (c) under the heading "Termination" above, by Parent pursuant to clause (e)(ii) under the heading "Termination" above (other than if such termination is a result of the failure to satisfy the conditions set forth in paragraphs (a)(i), (a)(ii), (a)(v), (a)(vii), (a)(viii), (b) or (c) of the conditions to the Offer contained in Section 14 below) or clause (e)(v) under the heading "Termination" above (other than by reason of a breach of the section in the Merger Agreement regarding No Solicitation) or by the Company pursuant to clause (d)(ii) under the heading "Termination" above (other than if such termination is a result of the failure to satisfy the conditions set forth in paragraphs (a)(i), (a)(ii), (a)(v), (a)(vii), (a)(viii), (b) or (c) of the conditions to the Offer contained in Section 14 below) and at the time of such termination, Parent is not in material breach of the Merger Agreement, then the Company shall pay to Parent, at the time of termination, the Expenses, and, if the Company shall thereafter, within 12 months after such termination, enter into an agreement with respect to a Takeover Proposal, then the Company shall pay the Termination Fee concurrently with entering into any such agreement. Any payments required to be made pursuant to this Section shall be made by wire transfer of same day funds to an account designated by Parent. Pursuant to the Merger Agreement and security agreements entered into by Parent and Hasbro Interactive with the Company and certain of its subsidiaries, the Termination Fee payable under the Merger Agreement if (x) Parent or Purchaser terminates the Merger Agreement pursuant to paragraphs (e)(i) or (e)(iv) under the heading "Termination" above or (y) the Company terminates the Merger Agreement pursuant to paragraph (d)(i) under the heading "Termination" above (the "Immediately Payable Termination Fee"), shall be secured by the Company's assets.

Indemnification. The Merger Agreement provides that the Company shall, to the fullest extent permitted under applicable Delaware law or under the Certificate of Incorporation or By-Laws and regardless of whether the Merger becomes effective, indemnify and hold harmless, and, after the Effective Time, the Surviving Corporation shall, to the fullest extent permitted under applicable Delaware law, indemnify and hold harmless, each present and former director, officer or employee of the Company or any of its Subsidiaries (collectively, the "Indemnified Parties") against any costs or expenses (including reasonable attorneys' fees), judgments, losses, claims, damages and liabilities incurred in connection with, and amounts paid in settlement of, any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative and wherever asserted, brought or filed, (x) arising out of or pertaining to the Transactions contemplated by the Merger Agreement or (y) otherwise with respect to any acts or omissions or alleged acts or omissions occurring at or prior to the Effective Time, in each case for a period of six years after the date of the Merger Agreement. In the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), (i) any counsel retained by the Indemnified Parties for any period after the Effective Time must be reasonably satisfactory to the Surviving Corporation, (ii) after the Effective Time, the Surviving Corporation shall pay the reasonable fees and expenses of such counsel, promptly after statements therefor are received, and (iii) the Surviving Corporation will cooperate in the defense of any such matter; provided, however, that the Surviving Corporation shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed); and provided, further, that, in the event any claims for indemnification are asserted or made within such six year period, all rights to indemnification in respect of any such claim or claims shall continue until the disposition of any and all such claims. The Indemnified Parties as a group shall be reimbursed for the costs of only one law firm to represent them with respect to any single action unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnified Parties. The indemnity agreements of the Surviving Corporation in this paragraph shall extend, on the same terms to, and shall inure to the benefit of and shall be enforceable by, each person or entity who controls, or in the past controlled, any present or former director, officer or employee of the Company or any of its subsidiaries.

The Merger Agreement provides that for a period of three years after the Effective Time, Parent shall cause the Surviving Corporation to maintain in effect, if available, directors' and officers' liability insurance covering those persons who are currently covered by the Company's directors' and officers' liability insurance policy (a copy of which has been made available to Parent) on terms (including the amounts of coverage and the amounts of deductibles, if any) that are no less favorable to the terms now applicable to them under the Company's current policies; provided, however, that in no event shall Parent or the Surviving Corporation be required to expend in excess of 150% of the annual premium currently paid by the Company for such coverage; and provided further, that if the premium for such coverage exceeds such amount, Parent or the Surviving Corporation shall purchase a policy with the greatest coverage available for such 150% of the annual premium. The Merger Agreement further provides that the foregoing indemnification provisions shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, the Surviving Corporation and the Indemnified Parties, shall be binding on all successors and assigns the Surviving Corporation and shall be enforceable by the Indemnified Parties.

Stock Option Agreement

The following is a summary of certain provisions of the Stock Option Agreement. This summary is not a complete description of the terms and conditions of the Stock Option Agreement and is qualified in its entirety by reference to the full text of the Stock Option Agreement filed with the Commission as an exhibit to the Schedule 14D-1 and is incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Stock Option Agreement. The Stock Option Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

Grant of Option. The Stock Option Agreement provides for the grant by the Company to Parent of an irrevocable option (the "Stock Option") to purchase up to 19.9% of the number of Shares (the "Option Shares") issued at the time of the grant of the Stock Option, at a price of $6.00 per Share (the "Exercise Price"), payable in cash in accordance with the terms of the Stock Option Agreement. The payment obligations of the Issuer, including the Cash-Out Right shall be secured by the Issuer's assets pursuant to the Security Agreement between Grantee, Hasbro Interactive Inc. and Issuer.

Exercise of Option. The Stock Option Agreement provides that the Stock Option may be exercised by Parent, in whole or in part, at any time or from time to time after the Merger Agreement is terminated pursuant to a Triggering Event (as defined below). For the purposes of the Stock Option Agreement, "Triggering Event" means any termination of the Merger Agreement which could entitle Parent to the Termination Fee under the Merger Agreement.

Cash Payment. If, at any time during the period commencing on the occurrence of a Triggering Event and ending on the termination of the Option in accordance with Section 2, Parent sends to the Company a notice indicating Parent's election to exercise its right (the "Cash-Out Right") pursuant to this Section, then the Company shall pay to Parent, in exchange for the cancellation of the Option with respect to such number of Option Shares as Parent specifies an amount in cash equal to such number of Option Shares multiplied by the difference between (i) the average closing price for the 5 trading days commencing on the 12th Nasdaq trading day immediately preceding the date of notice, per share of Issuer Common Stock as reported on the Nasdaq National Market (or, if not listed on the Nasdaq, as reported on any other national securities exchange or national securities quotation system on which the Shares are listed or quoted, as reported in The Wall Street Journal (Northeast edition), or, if not reported thereby, any other authoritative source) (the "Closing Price") and (ii) the Exercise Price. Notwithstanding the termination of the Option, Parent will be entitled to exercise its rights under this Section if it has exercised such rights in accordance with the terms hereof prior to the termination of the Option. Pursuant to the Stock Option Agreement and security agreements entered into by Parent and Hasbro Interactive with the Company and certain of its subsidiaries, the Cash-Out Right, when payable in connection with the Immediately Payable Termination Fee (the "Immediately Payable Cash-Out Right"), is secured by the Company's assets. If Parent receives in aggregate (i) the Termination Fee pursuant to the Merger Agreement, (ii) amounts from the sale or other disposition of the Option Shares, and (iii) the Cash Out Right in excess of the sum of (A) $3,500,000 plus (B) the amounts paid by Parent to purchase any Option Shares, then all such excess amounts shall be remitted by Parent to the Company. If any payment by the Company pursuant to the Cash Out

Right or payment of the Termination Fee pursuant to the Merger Agreement would cause Parent to become obligated to remit amounts pursuant to this Section, then the Company shall have the right to reduce such payments such that no such obligation would arise.

Termination of Option. The Stock Option Agreement provides that the Stock Option will terminate upon the earlier of: (i) the consummation of the Offer; (ii) six months after the date on which a Triggering Event occurs; or (iii) termination of the Merger Agreement in accordance with its terms prior to the occurrence of a Triggering Event, unless, in the case of clauses (ii) and (iii), the Grantee could be entitled to receive termination fees following such time or termination upon the occurrence of certain events, in which case the Option will not terminate until the later of (x) six months following the time such termination fees become payable and (y) the expiration of the period in which the Grantee has such right to receive termination fees.

Registration Rights. The Stock Option Agreement provides that Grantee, within three years, may, by written notice (the "Registration Notice") to the Issuer, request the Issuer to register under the Securities Act all or any part of the Shares beneficially owned by Grantee (the Registrable Securities) in order to permit the sale or other disposition of such securities pursuant to (a) a shelf registration or (b) a bona fide firm commitment underwritten public offering in which Grantee shall have the right to select the managing underwriter and shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use reasonable best efforts to prevent any person or group from purchasing through such offering shares representing more than 3% of the outstanding Shares on a fully diluted basis. The Stock Option Agreement provides that if the Issuer effects a registration under the Securities Act of Shares for its own account or for any other stockholders of the Issuer (other than on Form S-4 or Form S-8, or any successor form), it will allow Grantee the right to participate in such registration, and such participation will not affect the obligation of the Issuer to effect demand registration statements for Grantee under the Stock Option Agreement, except that, if the managing underwriters of such offering advise the Issuer in writing that in their opinion the number of Shares requested to be included in such registration exceeds the number which can be sold in such offering, the Issuer will include that portion of the Shares requested to be included therein equal to the product obtained by multiplying (i) the number of shares which the underwriter has informed the Issuer can be included in the offering and (ii) the percentage obtained by dividing (x) the total number of Shares of Issuer Common Stock held by Parent and (y) the total number of Shares of the Company outstanding.

Adjustment upon Changes in Capitalization. The Stock Option Agreement provides that in the event of any change in Shares by reason of stock dividends, stock splits, mergers (other than the Merger), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Stock Option, and the Exercise Price per share, will be adjusted appropriately and proper provision will be made so that Grantee will receive upon exercise of the option the number and class of shares or other securities or property that Grantee would have received with respect to Issuer Common Stock if the Option has been exercised immediately prior to such event or the record date therefor, as applicable.

Software Distribution and Loan Agreement

The following is a summary of certain provisions of the Software Distribution and Loan Agreement (the "Software Distribution and Loan Agreement"), dated as of August 11, 1998, by and between Hasbro Interactive, Inc., a Delaware corporation and a wholly owned subsidiary of Parent, and the Company. This summary is not a complete description of the terms and conditions of the Software Distribution and Loan Agreement and is qualified in its entirety by reference to the full text of the Software Distribution and Loan Agreement filed with the Commission as an exhibit to the Schedule 14D-1 and is incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Software Distribution and Loan Agreement. The Software Distribution and Loan Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

Pursuant to the Software Distribution and Loan Agreement, the Company and Hasbro Interactive have agreed that Hasbro Interactive will be the exclusive distributor of the Company's computer software products in the United States and Canada through March 2001 and that the Company will provide manufacturing and

marketing services and promotion for such computer software products. In consideration of its distribution of the Company's computer software products, the agreement provides that Hasbro Interactive is entitled to retain a monthly service fee (the "Service Fee") equal to 17.5% of "Net Receipts," which is defined as, for any period, monies received by Hasbro Interactive from its customers in respect of sales of the Company's computer software products, less customary trade discounts, price protection and monies credited to customers' accounts for sales returns, in each case during such period.

In addition, pursuant to the Software Distribution and Loan Agreement, as a financial accommodation to the Company, Hasbro Interactive has agreed to make available up to $5,500,000 in loans to the Company, subject to the terms and conditions set forth therein. Such loans are secured by a lien on the Company's assets, mature on the six month anniversary of the agreement, bear interest at 12% per annum and have a mandatory monthly principal prepayment obligation equal to 32.5% of Net Receipts in each month. The agreement provides that each mandatory prepayment of principal shall be deducted from the consideration due to the Company each month under the agreement, following deduction of the Service Fee and accrued interest then payable.

In connection with securing such loans and the Immediately Payable Termination Fee payable under the Merger Agreement and the Immediately Payable Cash-Out Right payable under the Stock Option Agreement, the Company and certain of its subsidiaries have entered into security agreements with Parent and Hasbro Interactive granting a security interest in the securable assets of the Company and such subsidiaries.

Confidentiality Agreement

The following is a summary of certain provisions of the Confidentiality Agreement entered into on June 16, 1998 by Hasbro Interactive and the Company, as amended on July 27, 1998 (the "Confidentiality Agreement"). This summary is not a complete description of the terms and conditions of the Confidentiality Agreement and is qualified in its entirety by reference to the full text of the Confidentiality Agreement filed with the Commission as an exhibit to the Schedule 14D-1 and is incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Confidentiality Agreement. The Confidentiality Agreement may be examined, and copies obtained, as set forth in Section 9 of this Offer to Purchase.

Pursuant to the terms of the Confidentiality Agreement, the Company and Hasbro Interactive agreed to provide, among other things, for the confidential treatment of their discussions regarding the Offer and the Merger and the exchange of certain confidential information concerning the Company. The Confidentiality Agreement is incorporated herein by reference and a copy of it has been filed with the Commission as an exhibit to the Schedule 14D-1. Parent further agreed that, for a period of six (6) months from the date the Confidentiality Agreement was amended, Hasbro Interactive would not entice away or in any matter encourage or solicit any officer, employee, agent, representative, customer or supplier of the Company with whom Hasbro Interactive comes into contact in connection with its consideration of a transaction to discontinue such person's relationship with the Company, subject to certain exceptions.

12. PLANS FOR THE COMPANY; OTHER MATTERS.

PLANS FOR THE COMPANY

Parent is conducting a detailed review of the Company and its business and operations with a view towards determining how to optimally realize any potential synergies which exist between the operations of the Company and those of Parent. Such review is not expected to be completed until after the consummation of the Merger, and, following such review, Parent will consider what, if any, changes would be desirable in light of the circumstances then existing.

If, as and to the extent that Purchaser acquires control of the Company, Parent and Purchaser intend to conduct a detailed review of the Company and its assets, corporate structure, capitalization, operations, properties, policies, management and personnel and to consider and determine what, if any, changes would be desirable in light of the circumstances which then exist. Such changes could include, among other things, changes in the Company's business, corporate structure, certificate of incorporation, by-laws, capitalization, management or dividend policy.

Assuming the Minimum Condition is satisfied and Purchaser purchases Shares pursuant to the Offer, Parent intends to promptly exercise its rights under the Merger Agreement to obtain majority representation on, and control of, the Company Board. See "Merger Agreement-Company Board" above. Parent will exercise such rights by causing the Company to elect to the Company Board one or more of Messrs. Gordon, Dusenberry and Waldoks. Information with respect to such directors is contained in Schedule I hereto and in the Schedule 14D-9. The Merger Agreement provides that, upon the purchase of and payment for any Shares by Parent or any of its subsidiaries pursuant to the Offer, Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Company Board such that the percentage of its designees on the Company Board shall equal the percentage of the outstanding Shares beneficially owned by Parent and its affiliates. See Section 11. The Merger Agreement provides that the directors of Purchaser and the officers of the Company at the Effective Time of the Merger will, from and after the Effective Time, be the initial directors and officers, respectively, of the Surviving Corporation.

Purchaser or an affiliate of Purchaser may, following the consummation or termination of the Offer, seek to acquire additional Shares through open market purchases, privately negotiated transactions, a tender offer or exchange offer or otherwise, upon such terms and at such prices as it shall determine, which may be more or less than the price to be paid pursuant to the Offer. Purchaser and its affiliates also reserve the right to dispose of any or all Shares acquired by them, subject to the terms of the Merger Agreement.

Except as disclosed in this Offer to Purchase, and except as may be effected in connection with the integration of operations referred to above, neither Parent nor Purchaser has any present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization, liquidation, relocation of operations, or sale or transfer of a material amount of assets, involving the Company or any of its subsidiaries, or any material changes in the Company's capitalization, corporate structure, business or composition of its management or the Company Board.

OTHER MATTERS

Stockholder Approval. Under the DGCL, the approval of the Company Board and the affirmative vote of the holders of a majority of the outstanding Shares are required to adopt and approve the Merger Agreement and transactions contemplated thereby. The Company has represented in the Merger Agreement that the execution and delivery of the Merger Agreement by the Company and the consummation by the Company of the transactions contemplated by the Merger Agreement have been duly authorized by all necessary corporate action on the part of the Company, subject to the approval of the Merger by the Company's stockholders in accordance with the DGCL. In addition, the Company has represented that the affirmative vote of the holders of a majority of the outstanding Shares is the only vote of the holders of any class or series of the Company's capital stock which is necessary to approve the Merger Agreement and the transactions contemplated thereby, including the Merger. Therefore, unless the Merger is consummated pursuant to the short-form merger provisions under the DGCL described below (in which case no further corporate action by the stockholders of the Company will be required to complete the Merger), the only remaining required corporate action of the Company will be the approval of the Merger Agreement and the transactions contemplated thereby by the affirmative vote of the holders of a majority of the Shares. The Merger Agreement provides that Parent will vote, or cause to be voted, all of the Shares then owned by Parent, Purchaser or any of Parent's other subsidiaries and affiliates in favor of the approval of the Merger and the adoption of the Merger Agreement. In the event that Parent, Purchaser and Parent's other subsidiaries acquire in the aggregate at least a majority of the Shares entitled to vote on the approval of the Merger and the Merger Agreement, they would have the ability to effect the Merger without the affirmative votes of any other stockholders.

Short-Form Merger. Section 253 of the DGCL provides that, if a corporation owns at least 90% of the outstanding shares of each class of another corporation, the corporation holding such stock may merge itself into such corporation without any action or vote on the part of the board of directors or the stockholders of such other corporation (a "short-form merger"). In the event that Parent, Purchaser and any other subsidiaries of Parent acquire in the aggregate at least 90% of the outstanding Shares, pursuant to the Offer or otherwise, then, at the election of Parent, a short-form merger could be effected without any approval of the

Company Board or the stockholders of the Company, subject to compliance with the provisions of Section 253 of the DGCL. In the Merger Agreement, Parent, Purchaser and the Company have agreed that, notwithstanding that all conditions to the Offer are satisfied or waived as of the scheduled Expiration Date, Purchaser may extend the Offer for a period not to exceed ten business days, subject to certain conditions, if the Shares tendered pursuant to the Offer are less than 90% of the outstanding Shares. Even if Parent and Purchaser do not own 90% of the outstanding Shares following consummation of the Offer, Parent and Purchaser could seek to purchase additional shares in the open market or otherwise in order to reach the 90% threshold and employ a short-form merger. The per share consideration paid for any Shares so acquired may be greater or less than that paid in the Offer. Parent presently intends to effect a short-form merger if permitted to do so under the DGCL.

Appraisal Rights. Holders of the Shares do not have appraisal rights in connection with the Offer. However, if the Merger is consummated, holders of the Shares at the Effective Time will have certain rights pursuant to the provisions of Section 262 of the DGCL including the right to dissent and demand appraisal of, and to receive payment in cash of the fair value of, their Shares. Under Section 262 of the DGCL, dissenting stockholders of the Company who comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash, together with a fair rate of interest thereon, if any. Any such judicial determination of the fair value of the Shares could be based upon factors other than, or in addition to, the price per Share to be paid in the Merger or the market value of the Shares. The value so determined could be more or less than the price per Share to be paid in the Merger.

THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING STOCKHOLDERS UNDER THE DGCL DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE PROCEDURES TO BE FOLLOWED BY STOCKHOLDERS DESIRING TO EXERCISE ANY APPRAISAL RIGHTS AVAILABLE UNDER THE DGCL. THE PRESERVATION AND EXERCISE OF APPRAISAL RIGHTS REQUIRE STRICT ADHERENCE TO THE APPLICABLE PROVISIONS OF THE DGCL.

Rule 13e-3. The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which Purchaser seeks to acquire the remaining Shares not held by it. Purchaser believes, however, that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger would be effected within one year following consummation of the Offer and in the Merger stockholders would receive the same price per Share as paid in the Offer. If Rule 13e-3 were applicable to the Merger, it would require, among other things, that certain financial information concerning the Company, and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such a transaction, be filed with the Commission and disclosed to minority stockholders prior to consummation of the transaction.

13. DIVIDENDS AND DISTRIBUTIONS.

As described above, the Merger Agreement provides that from August 11, 1998 until such time as the designees of Parent have been elected to, and shall constitute a majority of, the Company Board, without the prior written consent of Parent, neither the Company nor any of its subsidiaries shall: (i)(A) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to the Company's capital stock or that of its subsidiaries, except that a wholly-owned subsidiary of the Company may declare and pay a dividend or make advances to its parent or the Company or (B) redeem, purchase or otherwise acquire directly or indirectly any of the Company's capital stock or that of its subsidiaries; (ii) issue, sell, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its subsidiaries, other than Shares issued upon the exercise of Options outstanding on August 11, 1998; or (iii) split, combine or reclassify the outstanding capital stock of the Company or of any of the subsidiaries of the Company.

14. CONDITIONS TO THE OFFER.

The Offer is subject to the Minimum Condition being satisfied by 12:00 Midnight on Friday, September 11, 1998 or such later date as the Offer may be extended in accordance with the terms of the Merger Agreement. Purchaser has agreed that if all of the conditions set forth herein have not been satisfied on any scheduled Expiration Date then, provided that all such conditions are reasonably capable of being satisfied, Purchaser shall extend the Offer from time to time until such conditions are satisfied or waived, provided that Purchaser shall not be required to extend the Offer beyond October 15, 1998. Notwithstanding any other provision of the Offer, subject to the terms of the Merger Agreement, Purchaser shall not be required to accept for payment any Shares if (i) any applicable waiting period under the HSR Act has not expired or been terminated, or (ii) at any time on or after the date of the Merger Agreement and prior to the Expiration Date, any of the following events shall occur and shall not result from the material breach by Parent or Purchaser of any of their obligations under the Merger Agreement:

(a) there shall be threatened in writing or pending any suit, action or proceeding (i) seeking to prohibit or impose any material limitations on Parent's or Purchaser's ownership or operation (or that of any of their respective Subsidiaries or Affiliates) of all or a material portion of their or the Company's businesses or assets, (ii) seeking to compel Parent or Purchaser or their respective Subsidiaries and Affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Parent and their respective Subsidiaries, in each case taken as a whole, (iii) challenging the acquisition by Parent or Purchaser of any Shares pursuant to the Offer or the Stock Option Agreement, (iv) seeking to restrain or prohibit the making or consummation of the Offer or the Merger or the performance of any of the other Transactions, (v) seeking to obtain from the Company any damages that would be reasonably likely to have a Material Adverse Effect on the Company, (vi) seeking to impose material limitations on the ability of Purchaser, or rendering Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares pursuant to the Offer and the Merger, (vii) seeking to impose material limitations on the ability of Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the Company's stockholders, or (viii) which otherwise is reasonably likely to have a Material Adverse Effect on the Company or, as a result of the Transactions, Parent and its Subsidiaries, which, in the case of any of the foregoing, is reasonably likely to succeed on the merits; or

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (viii) of paragraph (a) above; or

(c) there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange, the American Stock Exchange or in the Nasdaq National Market System, for a period in excess of three hours (excluding suspensions or limitations resulting solely from physical damage or interference with such exchanges not related to market conditions), (2) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (3) any limitation or proposed limitation (whether or not mandatory) by any United States governmental authority or agency that has a material adverse effect generally on the extension of credit by banks or other financial institutions, (4) any change in general financial bank or capital market conditions which has a material adverse effect the ability of financial institutions in the United States to extend credit or syndicate loans, (5) any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 500 Industrial Companies by an amount in excess of 15% measured from the close of business on the date of this Agreement or (6) in the case of any of the situations in clauses (1) through (5) inclusive, existing at the time of the commencement of the Offer, a material acceleration or worsening thereof; or

(d) the representations and warranties of the Company set forth in the Merger Agreement shall not be true and accurate as of the date of consummation of the Offer as though made on or as of such date

(except for those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and accurate as of such date or with respect to such period) or the Company shall have breached or failed to perform or comply with any obligation, agreement or covenant required by the Merger Agreement to be performed or complied with by it except, in each case where the failure of such representations and warranties to be true and accurate (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein), or the failure to perform or comply with such obligations, agreements or covenants, do not, individually or in the aggregate, have a Material Adverse Effect on the Company or a materially adverse effect on the ability to consummate the Offer or the Merger; or

(e) there shall have occurred a Material Adverse Effect on the Company; or

(f) the Company Board (i) shall have withdrawn, or modified or changed in a manner adverse to Parent or Purchaser (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, (ii) shall have recommended a Takeover Proposal, (iii) shall have adopted any resolution to effect any of the foregoing, or (iv) shall have taken a neutral position or made no recommendation with respect to a Takeover Proposal received from any Person (other than Parent or Purchaser) after a reasonable amount of time (and in no event more than ten business days following such receipt) has elapsed for the Company Board to review and make a recommendation with respect to such Takeover Proposal; or

(g) any party to the Stock Option Agreement other than Purchaser and Parent shall have breached or failed to perform any of its agreements under such agreement or breached any of its representations and warranties in such agreements or any such agreement shall not be valid, binding and enforceable, except for such breaches or failures or failures to be valid, binding and enforceable that do not materially and adversely affect the benefits expected to be received by Parent and Purchaser under the Merger Agreement or the Stock Option Agreement;

(h) the Merger Agreement shall have been terminated in accordance with its terms; or

(i) the Company pursuant to or within the meaning of Title 11, U.S. Code or any similar Federal or state law for the relief of debtors ("Bankruptcy Law"): (1) commences a voluntary case, (2) consents to the entry of an order for relief against it in an involuntary case, (3) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law (a "Custodian") of it or for all or substantially all of its property, (4) makes a general assignment for the benefit of its creditors, or (5) generally is not paying its debts as they become due; or (6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (x) is for relief against the Company in an involuntary case, (y) appoints a Custodian of the Company or for all or substantially all of the property of the Company, or (z) orders the liquidation of the Company, and the order or decree remains unstayed and in effect for 60 days;

which in the reasonable good faith judgment of Parent or Purchaser, in any such case, and regardless of the circumstances (including any action or inaction by Parent or Purchaser) giving rise to such condition makes it inadvisable to proceed with the Offer and/or with such acceptance for payment of or payments for Shares.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be waived by Parent or Purchaser, in whole or in part, at any time and from time to time, in the sole discretion of Parent or Purchaser (except for the Minimum Condition). The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

15. CERTAIN LEGAL MATTERS.

General. Except as described in this Section 15, based on information provided by the Company, none of the Company, Purchaser or Parent is aware of any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by Parent or Purchaser pursuant to the Offer, the Merger or otherwise, except as set

forth above, of any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required prior to the acquisition of Shares by Purchaser pursuant to the Offer, the Merger or otherwise. Should any such approval or other action be required, Purchaser and Parent presently contemplate that such approval or other action will be sought, except as described below under "State Antitakeover Statutes." While, except as otherwise described in this Offer to Purchase, Purchaser does not presently intend to delay the acceptance for payment of, or payment for, Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that failure to obtain any such approval or other action might not result in consequences adverse to the Company's business or that certain parts of the Company's business might not have to be disposed of, or other substantial conditions complied with, in the event that such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, Purchaser could decline to accept for payment, or pay for, any Shares tendered. See Section 14 for certain conditions to the Offer, including conditions with respect to governmental actions.

State Antitakeover Statutes. Section 203 of the DGCL, in general, prohibits a Delaware corporation, such as the Company, from engaging in a "Business Combination" (defined as a variety of transactions, including mergers) with an "Interested Stockholder" (defined generally as a person that is the beneficial owner of 15% or more of the outstanding voting stock of the subject corporation) for a period of three years following the date that such person became an Interested Stockholder unless, prior to the date such person became an Interested Stockholder, the board of directors of the corporation approved either the Business Combination or the transaction that resulted in the stockholder becoming an Interested Stockholder. The provisions of Section 203 of the DGCL are not applicable to any of the transactions contemplated by the Merger Agreement or the Stock Option Agreement, since the Merger Agreement, the Stock Option Agreement and the transactions contemplated thereby were approved by the Company Board prior to the execution thereof.

A number of states have adopted laws and regulations that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or which have substantial assets, security holders, employees, principal executive offices or principal places of business in such states. In Edgar v. MITE Corp., the Supreme Court of the United States (the "Supreme Court") invalidated on constitutional grounds the Illinois Business Takeover statute, which, as a matter of state securities law, made certain corporate acquisitions more difficult. However, in 1987, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

Parent and Purchaser do not believe that the antitakeover laws and regulations of any state other than the State of Delaware will by their terms apply to the Offer, and, except as set forth above with respect to Section 203 of the DGCL, neither Parent nor Purchaser has attempted to comply with any state antitakeover statute or regulation. Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer and nothing in this Offer to Purchase or any action taken in connection with the Offer is intended as a waiver of such right. If it is asserted that any state antitakeover statute is applicable to the Offer and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer or may be delayed in consummating the Offer. In such case, Purchaser may not be obligated to accept for payment, or pay for, any Shares tendered pursuant to the Offer. See Section 14.

Antitrust. The Offer and the Merger are subject to the HSR Act, which provides that certain acquisition transactions may not be consummated unless certain information has been furnished to the

Antitrust Division of the Department of Justice (the "DOJ") and the Federal Trade Commission (the "FTC") and certain waiting period requirements have been satisfied.

Parent and the Company expect to file soon their Notification and Report Forms with respect to the Offer under the HSR Act. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., New York City time, on the fifteenth day after the date Parent's form is filed unless early termination of the waiting period is granted. However, the DOJ or the FTC may extend the waiting period by requesting additional information or documentary material from Parent or the Company. If such a request is made, such waiting period will expire at 11:59 p.m., New York City time, on the tenth day after substantial compliance by Parent with such request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. Thereafter, such waiting period may be extended only by court order or with the consent of Parent. In practice, complying with a request for additional information or material can take a significant amount of time. In addition, if the DOJ or the FTC raises substantive issues in connection with a proposed transaction, the parties frequently engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay consummation of the transaction while such negotiations continue. The Purchaser will not accept for payment Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act with respect to the Offer have been satisfied. See Section 14.

The FTC and the DOJ frequently scrutinize the legality under the Antitrust Laws of transactions such as Purchaser's acquisition of Shares pursuant to the Offer and the Merger. At any time before or after Purchaser's acquisition of Shares, the DOJ or the FTC could take such action under the Antitrust Laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition of Shares pursuant to the Offer or otherwise seeking divestiture of Shares acquired by Purchaser or divestiture of substantial assets of Parent or its subsidiaries. Private parties, as well as state governments, may also bring legal action under the Antitrust Laws under certain circumstances. Based upon an examination of information provided by the Company relating to the businesses in which Parent and the Company are engaged, Parent and Purchaser believe that the acquisition of Shares by Purchaser will not violate the Antitrust Laws. Nevertheless, there can be no assurance that a challenge to the Offer or other acquisition of Shares by Purchaser on antitrust grounds will not be made or, if such a challenge is made, of the result. See Section 14 for certain conditions to the Offer, including conditions with respect to litigation and certain government actions.

As used in this Offer to Purchase, "Antitrust Laws" shall mean and include the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal and state statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Federal Reserve Board Regulations. Regulations G, U and X (the "Margin Regulations") of the Federal Reserve Board restrict the extension or maintenance of credit for the purpose of buying or carrying margin stock, including the Shares, if the credit is secured directly or indirectly by margin stock. Such secured credit may not be extended or maintained in an amount that exceeds the maximum loan value of all the direct and indirect collateral securing the credit, including margin stock and other collateral. The financing of the Offer will not be directly or indirectly secured by the Shares or other securities which constitute margin stock. Accordingly, all financing for the Offer will be in full compliance with the Margin Regulations.

16. FEES AND EXPENSES.

Parent has engaged Bear Stearns to act as the Dealer Manager in connection with the Offer. No fee is payable to Bear Stearns for its services as the Dealer Manager, however, Parent and Bear Stearns are in discussions regarding the compensation of Bear Stearns with respect to a financial advisory fee or other fee in connection with other services provided by Bear Stearns in connection with the Offer. Parent has agreed to reimburse Bear Stearns for all reasonable out-of-pocket fees, expenses and costs, including reasonable fees and expenses of legal counsel, and to indemnify Bear Stearns and certain related persons against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws. Bear Stearns has from time to time provided investment banking services to Parent. E. John Rosenwald, Jr., Vice Chairman of The Bear Stearns Companies Inc., is a Director of Parent.

Purchaser and Parent have retained D.F. King & Co. Inc. to serve as the Information Agent and BankBoston, N.A. to serve as the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by personal interview, mail, telephone, telex, telegraph and other methods of electronic communication and may request brokers, dealers, commercial banks, trust companies and other nominees to forward the Offer materials to beneficial holders. The Information Agent and the Depositary will each receive reasonable and customary compensation for their services, be reimbursed for certain reasonable out-of-pocket expenses and be indemnified against certain liabilities in connection with their services, including certain liabilities and expenses under the federal securities laws.

Except as set forth above, neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or other person or entity in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding the Offer materials to their customers.

17. MISCELLANEOUS.

Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, Purchaser shall make a good faith effort to comply with such statute or seek to have such statute declared inapplicable to the Offer. If, after such good faith effort, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) holders of Shares in such state.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR PURCHASER NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Purchaser and Parent have filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act, together with exhibits, furnishing certain additional information with respect to the Offer. In addition, the Company has filed with the Commission the Schedule 14D-9 pursuant to Rule 14d-9 under the Exchange Act, setting forth its recommendation with respect to the Offer and the reasons for its recommendation and furnishing certain additional related information. Such Schedules and any amendments thereto, including exhibits, should be available for inspection and copies should be obtainable in the same manner set forth in Section 9 of this Offer to Purchase (except that such material will not be available at the regional offices of the Commission).

NEW HIAC CORP.

August 14, 1998

SCHEDULE I

INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years, of each director and executive officer of Parent. Unless otherwise indicated, each such person is a citizen of the United States of America and the business address of each such person is c/o Hasbro, Inc. 1027 Newport Avenue, Pawtucket, RI 02861. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Parent. Unless otherwise indicated, each such person has held his or her present occupation as set forth below, or has been an executive officer at Parent for the past five years.

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
DONAL A. BARKSDALE	Mr. Barksdale has been Chief Information Officer since 1997. Prior thereto, he was Senior Director of Applications Development at Anheuser Busch from 1996 to 1997. Prior thereto, he was Vice President and Director of Information Systems at General Electric Company.
ALAN R. BATKIN Director since 1992	Mr. Batkin is Vice Chairman of Kissinger Associates, Inc. (geopolitical strategic consulting firm) and a director of PEC Israel Economic Corporation. Mr. Batkin is a member of both the Executive Committee and the Compensation and Stock Option Committee.
HAROLD P. GORDON Director since 1988	Mr. Gordon has been Vice Chairman since 1995. Prior thereto, he was a Partner at Stikeman, Elliott (law firm). He is a director of Alliance Communications Corporation, Fonorola Inc. and G.T.C. Transcontinental Group, Ltd. Mr. Gordon is a citizen of Canada.
ALEX GRASS Director since 1981	Mr. Grass has been the Chairman of the Executive Committee of Rite Aid Corporation (drug store chain) since 1995. Prior thereto, he was the Chairman of the Board and Chief Executive Officer of Rite Aid Corporation. He is Chairman of the Board of SuperRite Corporation. Mr. Grass is a member of both the Audit and the Compensation and Stock Option Committees.
ALAN G. HASSENFELD Director since 1978	Mr. Hassenfeld has been Chairman of the Board, President and Chief Executive Officer since 1989. Mr. Hassenfeld is Chairman of the Executive Committee.
SYLVIA K. HASSENFELD Director since 1983	Mrs. Hassenfeld is the former Chairman, since 1996 and prior thereto, she was the Chairman of the Board of the American Jewish Joint Distribution Committee, Inc. ("JDC") since 1993. Prior thereto, she was President of JDC. Mrs. Hassenfeld is Chair of the Nominating and Governance Committee.
RICHARD B. HOLT	Mr. Holt has been Senior Vice President and Controller since 1992.
VIRGINIA H. KENT	Ms. Kent has been President of Global Brands and Product Development since 1996. Prior thereto, she was General Manager, Girls/Boys/Nerf from 1994 to 1996. Prior thereto, she was Senior Vice President of Marketing for the Kenner Products Division.

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
ADAM KLEIN	Mr. Klein has been President of Global Marketing & Strategy since 1998. Prior thereto, he was Executive Vice President -- Global Strategy & Development from 1996 to 1998. Prior thereto, he was President, Klein & Co., a consulting firm specializing in managing strategic change.
MARIE JOSEE KRAVIS Director since 1995	Mrs. Kravis has been a Senior Fellow of the Hudson Institute (public policy analysis) since 1994. Prior thereto, she was Executive Director of the Hudson Institute of Canada. She is a Visiting Fellow of the Council on Foreign Relations. She is also a director of the Canadian Imperial Bank of Commerce, Ford Motor Company, Hollinger International, Inc., The Seagram Company, Ltd. and Unimedia Inc. Mrs. Kravis is a member of the Compensation and Stock Option Committee. Mrs. Kravis is a citizen of the United States, Canada and Switzerland.
CLAUDINE B. MALONE Director since 1992	Ms. Malone is the President of Financial and Management Consulting, Inc., and a director of Dell Computer Corporation, Hannaford Brothers Co., Houghton Mifflin Company, Lafarge Corp., The Limited, Inc., Lowe's Companies, Inc., Mallinckrodt Group, Inc., Science Applications International Corporation and Union Pacific Resources Corporation. Ms. Malone is a member of the Audit Committee.
MORRIS W. OFFIT Director since 1995	Mr. Offit is Chairman and Chief Executive Officer of Offitbank (investment management) and a director of Cantel Industries, Inc. and Mercantile Bankshares Corporation. Mr. Offit is a member of the Audit Committee.
JOHN T. O'NEILL	Mr. O'Neill has been Executive Vice President and Chief Executive Officer since 1989. Mr. O'Neill is a Trustee of the Galaxy Funds.
NORMA T. PACE Director since 1984	Mrs. Pace has been the President of Paper Analytics Associates (economic consulting) since 1995. She is also the Senior Economic Advisor for the WEFA Group (economic consulting and planning). She is a director of Engleghard Corporation. Mrs. Pace is Chair of the Audit Committee and a member of the Executive Committee.
CYNTHIA S. REED	Mrs. Reed has been Senior Vice President and General Counsel since 1995. Prior thereto, she was Vice President-Legal.
E. JOHN ROSENWALD, JR. Director since 1983	Mr. Rosenwald is the Vice Chairman of the Board of The Bear Stearns Companies Inc. (investment bankers) and a director of Cendant Corporation. Mr. Rosenwald is a member of the Executive Committee.

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
CARL SPIELVOGEL Director since 1992	Mr. Spielvogel has been the Chairman and Chief Executive Officer of Carl Spielvogel Associates, Inc. (international investments) since 1997. Prior thereto, he was Chairman of the Board and Chief Executive Officer of United Auto Group, Inc. (operator of multiple-franchise auto dealerships) from 1994 to 1997. Prior thereto, Mr. Spielvogel was Chairman of the Board and Chairman of the Executive Committee of Backer Spielvogel Bates Worldwide, Inc. (advertising) during 1994. Prior thereto, he was Chairman and Chief Executive Officer of Backer Spielvogel Bates Worldwide, Inc. He is a director of Data Broadcasting Inc. and Culligan Water Systems, Inc. Mr. Spielvogel is Chairman of the Compensation and Stock Option Committee.
PRESTON ROBERT TISCH Director since 1993	Mr. Tisch has been the Co-Chairman and Co-Chief Executive Officer of Loews Corporation since 1994. Prior thereto, he was President and Co-Chief Executive Officer of Loews Corporation. He is also a director of Bulova Watch Company, Inc., CNA Financial Corporation, Loews Corporation, Rite Aid Corporation and Chairman of the Board of the N.Y. Football Giants. Mr. Tisch is a member of the Nominating and Governance Committee.
MARTIN R. TRUEB	Mr. Trueb has been Senior Vice President and Treasurer since 1997. Prior thereto, Mr. Trueb was Assistant Treasurer of Amway Corporation from 1995 to 1997. Prior thereto, he was Director of International Treasury at RJR Nabisco, Inc.
ALFRED J. VERRECCHIA Director since 1992	Mr. Verrecchia has been the Executive Vice President and President of Global Operations since 1996. Prior thereto, he was Chief Operating Officer of Domestic Toy Operations. Mr. Verrecchia is also a director of Old Stone Corporation.
GEORGE B. VOLANAKIS	Mr. Volanakis has been President of European Sales and Marketing since 1998. Prior thereto, he was President and CEO of the ERTL Company Inc. (a toy and hobby manufacturer and marketer). Mr. Volanakis is a director of Zindart Ltd.
PHILLIP H. WALDOKS	Mr. Waldoks has been Senior Vice President -- Corporate Legal Affairs and Secretary since 1995. Prior thereto, he was Senior Vice President -- Corporate Legal Affairs.
E. DAVID WILSON	Mr. Wilson has been President of Hasbro Americas since 1996. Prior thereto, he was President of the Hasbro Games Group from 1995 to 1996. Prior thereto, he was President of Milton Bradley Company.
PAUL WOLFOWITZ Director since 1995	Mr. Wolfowitz has been the Dean of Paul H. Nitze School of Advanced International Studies at the Johns Hopkins University since 1994. Prior thereto, he was a Distinguished Visiting Fellow, at the National Defense University and the George F. Kennan Professor of National Security Strategy, at the National War College during 1993. Prior thereto, Mr. Wolfowitz was Undersecretary of Defense for Policy, U.S. Department of Defense. Prior thereto, he was U.S. Ambassador to the Republic of Indonesia. He is a director of eleven mutual funds of the Dreyfus Corporation. Mr. Wolfowitz is a member of the Nominating and Governance Committee.

2. DIRECTORS AND EXECUTIVE OFFICERS OF PURCHASER. The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years, of each director and executive officer of Purchaser. Other than Mr. Gordon, who is a Canadian citizen, each such person is a citizen of the United States of America, and the business address of each such person is c/o Hasbro, Inc., 1027 Newport Avenue, Pawtucket, RI 02861. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Parent. Unless otherwise indicated, each such person has held his or her present occupation as set forth below, or has been an executive officer at Parent, or the organization indicated, for the past five years.

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS
THOMAS R. DUSENBERRY.......	Director of Purchaser. Mr. Dusenberry has been President of Hasbro Interactive, Inc. since 1995. Prior thereto, he was Vice President of New Product Acquisitions for the Hasbro Games Group from 1994 to 1995. Prior thereto, he was Director of New Product Acquisitions for the Parker Brothers Division.
HAROLD P. GORDON...........	Director and President of Purchaser. See Part 1 of this Schedule I.
RICHARD B. HOLT............	Controller of the Purchaser. See Part 1 of this Schedule I.
JOHN T. O'NEILL............	Chief Financial Officer of the Purchaser. See Part 1 of this Schedule I.
MARTIN R. TRUEB............	Treasurer of the Purchaser. See Part 1 of this Schedule I.
PHILLIP H. WALDOKS.........	Director and Secretary of Purchaser. See Part 1 of this Schedule I.

Facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depositary, at the applicable address set forth below:

The Depositary for the Offer is:

BANKBOSTON, N.A.

By Mail:	By Hand:	By Overnight Delivery:
BankBoston, N.A. Attention: Corporate Reorganization P.O. Box 8029 Boston, MA 02266-8029	Securities Transfer & Reporting Services, Inc. c/o Boston EquiServe L.P. 1 Exchange Plaza 55 Broadway, 3rd Floor New York, NY 10006	BankBoston, N.A. Attention: Corporate Reorganization 150 Royall Street Canton, MA 02021

By Facsimile Transmission: (781) 575-2233 or (781) 575-2232

(For Eligible Institutions Only)

Confirm Facsimile by Telephone: (800) 733-5001

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and the other tender offer materials may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. KING & CO., INC.
77 Water Street
New York, New York 10005
CALL TOLL FREE: (800) 848-3409

The Dealer Manager for the Offer is:

BEAR, STEARNS & CO. INC.
245 Park Avenue
New York, New York 10167
CALL TOLL FREE: (877) 260-9674

LETTER OF TRANSMITTAL

TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

MICROPROSE, INC.
PURSUANT TO THE OFFER TO PURCHASE
DATED AUGUST 14, 1998

OF

NEW HIAC CORP.,

A WHOLLY OWNED SUBSIDIARY OF

HASBRO, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

BANKBOSTON, N.A.

By Mail:	By Hand:	By Overnight Delivery:
BankBoston, N.A.	Securities Transfer & Reporting Services, Inc.	BankBoston, N.A.
Attention: Corporate Reorganization	c/o Boston EquiServe L.P.	Attention: Corporate Reorganization
P.O. Box 8209	1 Exchange Plaza	150 Royall Street
Boston, MA 02266-8029	55 Broadway, 3rd Floor	Canton, MA 02021
	New York, NY 10006	

By Facsimile Transmission: (781) 575-2233 or (781) 575-2233

(For Eligible Institutions Only)

Confirm Facsimile by Telephone: (800) 733-5001

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

THE INSTRUCTIONS CONTAINED WITHIN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used by stockholders of MicroProse, Inc. if certificates for Shares (as such term is defined below) are to be forwarded herewith or, unless an Agent's message (as defined in Instruction 2 below) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at the Book-Entry Transfer Facility (as defined in and pursuant to the procedures set forth in Section 3 of the Offer to Purchase). Stockholders who deliver Shares by book-entry transfer are referred to herein as "Book-Entry Stockholders" and other stockholders who deliver shares are referred to herein as "Certificate Stockholders."

Stockholders whose certificates for Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) with respect to, their Shares and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY WILL NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution

Account Number

Transaction Code Number

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s)

Window Ticket Number (if any)

Date of Execution of Notice of Guaranteed Delivery

Name of Institution that Guaranteed Delivery

If delivered by Book-Entry Transfer, check box: [ ]

Account Number

Transaction Code Number

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SHARE CERTIFICATE(S))	SHARES TENDERED (ATTACH ADDITIONAL SIGNED LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S)(1)	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)(1)	NUMBER OF SHARES TENDERED(2)
	Total Shares		

(1) NEED NOT BE COMPLETED BY BOOK-ENTRY STOCKHOLDERS.

(2) UNLESS OTHERWISE INDICATED, IT WILL BE ASSUMED THAT ALL SHARES REPRESENTED BY SHARE CERTIFICATES DELIVERED TO THE DEPOSITARY ARE BEING TENDERED HEREBY. SEE INSTRUCTION 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby tenders to New HIAC Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), the above-described shares of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and, together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"), pursuant to Purchaser's offer to purchase all of the outstanding Shares at a price of $6.00 per Share, net to the seller in cash, without interest thereon (the "Offer Price") upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 14, 1998, and in this Letter of Transmittal (which, together with any amendments or supplements thereto or hereto, collectively constitute the "Offer"). The undersigned understands that Purchaser reserves the right to transfer or assign, in whole at any time, or in part from time to time, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer. Receipt of the Offer is hereby acknowledged.

The Company has distributed one Right for each outstanding Share pursuant to the Rights Agreement (as defined in the Offer to Purchase). The Rights are currently evidenced by and trade with certificates evidencing the Common Stock. The Company has taken such action so as to make the Rights Agreement inapplicable to Parent, Purchaser and their respective affiliates and associates in connection with the transactions contemplated by the Merger Agreement and the Stock Option Agreement (as such terms are defined in the Offer to Purchase).

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of August 11, 1998 (the "Merger Agreement"), by and among Parent, Purchaser and the Company.

Upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of any such extension or amendment), subject to, and effective upon, acceptance for payment of, and payment for, the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof on or after August 11, 1998 (collectively, "Distributions")) and irrevocably constitutes and appoints the Depositary the true and lawful Agent and attorney-in-fact of the undersigned with respect to such Shares (and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and any and all Distributions), or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares (and any and all Distributions) for transfer on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned hereby irrevocably appoints Harold P. Gordon, John T. O'Neill, Martin R. Trueb, Richard B. Holt and Phillip H. Waldoks in their respective capacities as officers of Purchaser, and any individual who shall thereafter succeed to any such office of Purchaser, and each of them, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote at any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof or otherwise in such manner as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, to execute any written consent concerning any matter as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, and to otherwise act as each such attorney-in-fact and proxy or his substitute shall in his sole discretion deem proper with respect to, all of the Shares (and any and all Distributions) tendered hereby and accepted for payment by Purchaser. This appointment will be effective if and when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall,

without further action, revoke any prior powers of attorney and proxies granted by the undersigned at any time with respect to such Shares (and any and all Distributions), and no subsequent powers of attorney, proxies, consents or revocations may be given by the undersigned with respect thereto (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for Shares or other securities to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of the Company's stockholders.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that the undersigned owns the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that the tender of the tendered Shares complies with Rule 14e-4 under the Exchange Act, and that when the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that the valid tender of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms or conditions of any such extension or amendment). Without limiting the foregoing, if the price to be paid in the Offer is amended in accordance with the Merger Agreement, the price to be paid to the undersigned will be the amended price notwithstanding the fact that a different price is stated in this Letter of Transmittal. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of all Shares purchased and/or return any certificates for Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and/or return any certificates evidencing Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and/or return any such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

[ ] CHECK HERE IF ANY OF THE CERTIFICATES REPRESENTING SHARES THAT YOU OWN HAVE BEEN LOST, DESTROYED OR STOLEN AND SEE INSTRUCTION 11.

NUMBER OF SHARES REPRESENTED BY LOST, DESTROYED OR STOLEN CERTIFICATES:

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares accepted for payment is to be issued in name of someone other than the undersigned, if certificates for Shares not tendered or not accepted for payment are to be issued in the name of someone other than the undersigned or if Shares tendered hereby and delivered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than the account indicated above.

Issue check and/or Share certificate(s) to:

Name

(PLEASE PRINT)

Address

(INCLUDE ZIP CODE)

(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(SEE SUBSTITUTE FORM W-9)

Credit Shares delivered by book-entry transfer and not purchased to the Book-Entry Transfer Facility account.

(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment is to be sent to someone other than the undersigned or to the undersigned at an address other than that shown under "Description of Shares Tendered."

Mail check and/or Share certificates to:

Name

(PLEASE PRINT)

Address

(INCLUDE ZIP CODE)

(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(SEE SUBSTITUTE FORM W-9)

SIGN HERE
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

- ---

- ---
(SIGNATURE(S) OF STOCKHOLDER(S))

Dated:
- ------------------------ ,1998

(Must be signed by registered holder(s) exactly as name(s) appear(s) on the Share certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5.)

Name(s)
- ---

- ---
(PLEASE PRINT)

Name of Firm
- ---

Capacity (full title)
- ---
(SEE INSTRUCTION 5)

Address
- ---
- ---
(INCLUDE ZIP CODE)

Area Code and Telephone Number
- --

Taxpayer Identification or Social Security Number
- --
(SEE SUBSTITUTE FORM W-9)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

Authorized Signature
- ---

Name(s)
- ---
- ---
(PLEASE PRINT)

Title
- ---

Name of Firm
- ---

Address
- ---
- ---
(INCLUDE ZIP CODE)

Area Code and Telephone Number
- --

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in any of the Book-Entry Transfer Facility's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith, unless such registered holder(s) has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (each, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be completed by stockholders of the Company either if Share certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if delivery of Shares is to be made by book-entry transfer pursuant to the procedures set forth herein and in Section 3 of the Offer to Purchase. For a stockholder validly to tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any required signature guarantees or an Agent's Message (in connection with book-entry transfer) and any other required documents, must be received by the Depositary at one of its addresses set forth herein prior to the Expiration Date and either (i) certificates for tendered Shares must be received by the Depositary at one of such addresses prior to the Expiration Date or (ii) Shares must be delivered pursuant to the procedures for book-entry transfer set forth herein and in Section 3 of the Offer to Purchase and a Book-Entry Confirmation must be received by the Depositary prior to the Expiration Date or (b) the tendering stockholder must comply with the guaranteed delivery procedures set forth herein and in Section 3 of the Offer to Purchase.

Stockholders whose certificates for Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot comply with the book-entry transfer procedures on a timely basis may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth herein and in Section 3 of the Offer to Purchase.

Pursuant to such guaranteed delivery procedures, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, must be received by the Depositary prior to the Expiration Date and (iii) the certificates for all tendered Shares, in proper form for transfer (or a Book-Entry Confirmation with respect to all tendered Shares), together with a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other required documents must be received by the Depositary within three trading days after the date of execution of such Notice of Guaranteed Delivery. A "trading day" is any day on which the Nasdaq National Market is open for business.

The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against the participant.

The signatures on this Letter of Transmittal cover the Shares tendered hereby.

THE METHOD OF DELIVERY OF THE SHARES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER. THE SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY

MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted, and no fractional Shares will be purchased. All tendering stockholders, by executing this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein under "Description of Shares Tendered" is inadequate, the number of Shares tendered and the Share certificate numbers with respect to such Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. (Not applicable to stockholders who tender by book-entry transfer). If fewer than all the Shares evidenced by any Share certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares that are to be tendered in the box entitled "Number of Shares Tendered." In any such case, new certificate(s) for the remainder of the Shares that were evidenced by the old certificates will be sent to the registered holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date or the termination of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any of the tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any Share certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of the authority of such person so to act must be submitted.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of Share certificates or separate stock powers are required unless payment or certificates for Shares not tendered or not accepted for payment are to be issued in the name of a person other than the registered holder(s). Signatures on any such Share certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares evidenced by certificates listed and transmitted hereby, the Share certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the Share certificates. Signature(s) on any such Share certificates or stock powers must be guaranteed by an Eligible Institution.

6. STOCK TRANSFER TAXES. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the transfer and sale of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or if certificates for Shares not tendered or not accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such other person) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Share certificates evidencing the Shares tendered hereby.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the purchase price of any Shares accepted for payment is to be issued in the name of, and/or Share certificates for Shares not accepted for payment or not tendered are to be issued in the name of and/or returned to, a person other than the signer of this Letter of Transmittal or if a check is

to be sent, and/or such certificates are to be returned, to a person other than the signer of this Letter of Transmittal, or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Any stockholder(s) delivering Shares by book-entry transfer may request that Shares not purchased be credited to such account maintained at the Book-Entry Transfer Facility as such stockholder(s) may designate in the box entitled "Special Payment Instructions." If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above as the account from which such Shares were delivered.

8. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent or the Dealer Manager at their respective addresses and phone numbers set forth below, or from brokers, dealers, commercial banks or trust companies.

9. WAIVER OF CONDITIONS. Subject to the Merger Agreement, Purchaser reserves the absolute right in its sole discretion to waive, at any time or from time to time, any of the specified conditions of the Offer, in whole or in part, in the case of any Shares tendered.

10. BACKUP WITHHOLDING. In order to avoid "backup withholding" of federal income tax on payments of cash pursuant to the Offer, a stockholder surrendering Shares in the Offer must, unless an exemption applies, provide the Depositary with such stockholder's correct taxpayer identification number ("TIN") on Substitute Form W-9 in this Letter of Transmittal and certify, under penalties of perjury, that such TIN is correct and that such stockholder is not subject to backup withholding.

Backup withholding is not an additional income tax. Rather, the amount of the backup withholding can be credited against the federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the stockholder upon filing an income tax return.

The stockholder is required to give the Depositary the TIN (i.e., social security number or employer identification number) of the record owner of the Shares. If the Shares are held in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

The box in Part 3 of the Substitute Form W-9 may be checked if the tendering stockholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the stockholder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Depositary will withhold 31% on all payments made prior to the time a properly certified TIN is provided to the Depositary. However, such amounts will be refunded to such stockholder if a TIN is provided to the Depositary within 60 days.

Certain stockholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. Noncorporate foreign stockholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

11. LOST, DESTROYED OR STOLEN SHARE CERTIFICATES. If any certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary by checking the box immediately preceding the special payment/special delivery instructions and indicating the number of Shares lost. The stockholder will then be instructed as to the steps that must be taken in order to replace the Share certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Share certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE HEREOF) TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE, AND ANY OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY

PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING STOCKHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

IMPORTANT TAX INFORMATION

Under Federal income tax law, a stockholder whose tendered Shares are accepted for payment is required to provide the Depositary (as payer) with such stockholder's correct taxpayer identification number on Substitute Form W-9 below. If such stockholder is an individual, the taxpayer identification number is his social security number. If a tendering stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box on the Substitute Form W-9. If the Depositary is not provided with the correct taxpayer identification number, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding.

Certain stockholders (including, among others, all corporations, and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depositary. Exempt stockholders, other than foreign individuals, should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9 below, and sign, date and return the Substitute Form W-9 to the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct taxpayer identification number by completing the form contained herein certifying that the taxpayer identification number provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a taxpayer identification number).

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, such stockholder should write "Applied For" in the space provided for in the TIN in Part 1, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price until a TIN is provided to the Depositary.

PAYOR'S NAME: BANKBOSTON, N.A.

SUBSTITUTE
FORM W-9
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

PAYER'S REQUEST FOR
TAXPAYER IDENTIFICATION
NUMBER ("TIN")

PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW

Social Security Number
(If awaiting TIN write "Applied For")
OR
Employer Identification Number
(If awaiting TIN write "Applied For")

PART 2 -- CERTIFICATE -- Under penalties of perjury, I certify that:
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued for me), and
(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under-reporting interest or dividends on your tax returns. However, if after being notified by the IRS that you are subject to backup withholding, you receive another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2). (Also see instructions in the enclosed Guidelines).

SIGNATURE ---------------------- DATE , 1998 Part 3 -- Awaiting TIN [ ]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY CASH PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number to the Depositary by the time of payment, 31% of all reportable payments made to me thereafter will be withheld, but that such amounts will be refunded to me if I provide a certified Taxpayer Identification Number to the Depositary within sixty (60) days.

Signature -- Date -------------------------------- , 1998

NOTICE OF GUARANTEED DELIVERY

FOR
TENDER OF SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

MICROPROSE, INC.

TO

NEW HIAC CORP.,

A WHOLLY OWNED SUBSIDIARY OF

HASBRO, INC.
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or a form substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates representing shares of Common Stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and, together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation, are not immediately available, if the procedure for book-entry transfer cannot be completed prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase), or if time will not permit all required documents to reach the Depositary prior to the Expiration Date. Such form may be delivered by hand, transmitted by facsimile transmission or mailed to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:
BANKBOSTON, N.A.

By Hand:
Securities Transfer & Reporting Services, Inc.
c/o Boston EquiServe L.P.
1 Exchange Plaza
55 Broadway, 3rd Floor
New York, NY 10006

By Mail:	Facsimile Transmission:	By Overnight Delivery:
BankBoston, N.A.	(781) 575-2233 or	BankBoston, N.A.
Attention:	(781)575-2232	Attention:
Corporate Reorganization	(for Eligible Institutions Only)	Corporate Reorganization
P.O. Box 8209		150 Royall Street
Boston, MA 02266-8029		Canton, MA 02021

Confirm Facsimile by Telephone:
(800) 733-5001

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

Ladies and Gentlemen:

The undersigned hereby tenders to New HIAC Corp., a Delaware corporation and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation, upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase dated August 14, 1998 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"), receipt of which is hereby acknowledged, the number of shares set forth below of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and, together with the Common Stock the "Shares"), of MicroProse, Inc., a Delaware corporation, pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Shares:

Certificate Nos. (if available):

Check box if Shares will be tendered by book-entry transfer: [ ]

Account Number:

Dated: ---------, 1998

Name(s) of Record Holder(s):

PLEASE PRINT

Address(es):

ZIP CODE

Area Code and Tel. No.:

Signature(s):

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

The undersigned, a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, guarantees to deliver to the Depositary either certificates representing the Shares tendered hereby, in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's accounts at The Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message, and any other documents required by the Letter of Transmittal, within three trading days (as defined in the Offer to Purchase) after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm: --

Address:

ZIP CODE

Area Code and Tel. No.: ------------------------------

AUTHORIZED SIGNATURE

Name:

PLEASE PRINT

Title:

Dated:
--- , 1998

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT ONLY WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

MICROPROSE, INC.
AT

$6.00 NET PER SHARE

BY

NEW HIAC CORP.,

A WHOLLY OWNED SUBSIDIARY OF

HASBRO, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998, UNLESS THE OFFER IS EXTENDED.

August 14, 1998

To Brokers, Dealers, Commercial Banks,
Trust Companies And Other Nominees:

We have been appointed by New HIAC Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), to act as Dealer Manager in connection with Purchaser's offer to purchase all outstanding shares of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and, together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"), at $6.00 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 14, 1998 (the "Offer to Purchase") and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") enclosed herewith. Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

The Offer is conditioned upon, among other things there being validly tendered and not withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) that number of Shares which, when added to the Shares beneficially owned by Parent and Purchaser (if any), represents at least 50.1% of the Shares outstanding (on a fully diluted basis) on the date Shares are accepted for payment. The Offer is also subject to other conditions set forth in the Offer to Purchase.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase dated August 14, 1998;

2. Letter of Transmittal for your use in accepting the Offer and tendering Shares and for the information of your clients;

3. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares and all other required documents cannot be delivered to the Depositary, or if the procedures for book-entry transfer cannot be completed, by the Expiration Date (as defined in the Offer to Purchase);

4. A letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. A letter to stockholders of the Company from Stephen M. Race, Chief Executive Officer of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9 dated August 14, 1998, which has been filed by the Company with the Securities and Exchange Commission;

6. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. A return envelope addressed to BankBoston, N.A. (the "Depositary").

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and pay for Shares which are validly tendered prior to the Expiration Date and not theretofore properly withdrawn when, as and if Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) certificates for such Shares, or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, pursuant to the procedures described in Section 3 of the Offer to Purchase, (ii) a properly completed and duly executed Letter of Transmittal (or a properly completed and manually signed facsimile thereof) or an Agent's Message in connection with a book-entry transfer and (iii) all other documents required by the Letter of Transmittal.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Dealer Manager, the Depositary and the Information Agent as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling costs incurred by them in forwarding the enclosed materials to their customers.

Purchaser will pay or cause to be paid all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998 UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry transfer of Shares, and any other required documents, should be sent to the Depositary, and certificates representing the tendered Shares should be delivered or such Shares should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and in the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents or to complete the procedures for delivery by book-entry transfer prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

BEAR, STEARNS & CO. INC.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU THE AGENT OF PARENT, PURCHASER, THE COMPANY, THE INFORMATION AGENT, THE DEPOSITARY, THE DEALER MANAGER OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)

OF

MICROPROSE, INC.
AT
$6.00 NET PER SHARE IN CASH
BY
NEW HIAC CORP.,
A WHOLLY OWNED SUBSIDIARY OF

HASBRO, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998, UNLESS THE OFFER IS EXTENDED.

To Our Clients: August 14, 1998

Enclosed for your consideration are the Offer to Purchase dated August 14, 1998 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer") in connection with the offer by New HIAC Corp., a Delaware corporation ("Purchaser"), and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), to purchase for cash all outstanding shares of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"). We are the holder of record of Shares held for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The enclosed Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The offer price is $6.00 per Share, net to you in cash without interest.

2. The Offer is being made for all outstanding Shares.

3. The Board of Directors of the Company has unanimously approved the Merger Agreement (as defined in the Offer to Purchase) and the transactions contemplated thereby, including the Offer and the Merger (as defined in the Offer to Purchase), and has unanimously determined that the Offer and the Merger are fair to, and in the best interests of, the Company's stockholders and unanimously recommends that stockholders accept the Offer and tender their Shares pursuant to the Offer.

4. The Offer and withdrawal rights expire at 12:00 Midnight, New York City time, on September 11, 1998 unless the Offer is extended.

5. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) that number of Shares which, when added to the Shares beneficially owned by Parent and Purchaser (if any), represents at least 50.1% of the Shares outstanding (on a fully diluted basis) on the date Shares are accepted for payment. The Offer is also subject to other conditions set forth in the Offer to Purchase.

6. Any stock transfer taxes applicable to the sale of Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Except as disclosed in the Offer to Purchase, Purchaser is not aware of any state in which the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. In any jurisdiction in which the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form set forth on the reverse side of this letter. An envelope to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the reverse side of this letter. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

INSTRUCTIONS WITH RESPECT TO THE
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
OF

MICROPROSE, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated August 14, 1998 and the related Letter of Transmittal in connection with the Offer by New HIAC Corp., a Delaware corporation and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation, to purchase all outstanding shares of common stock, par value $.001 per share (the "Common Stock"), including the associated preferred stock purchase rights (the "Rights" and together with the Common Stock, the "Shares"), of MicroProse, Inc., a Delaware corporation.

This will instruct you to tender the number of Shares indicated below (or if no number is indicated below, all Shares) held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

Number of Shares to be Tendered:*

Shares

Dated: ____________________, 1998

SIGNATURE(S)

PRINT NAME(S)

ADDRESS(ES)

AREA CODE AND TELEPHONE NUMBER

TAX ID OR SOCIAL SECURITY NUMBER

----
* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

	FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1.	An individual's account	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(2)
3.	Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(2)
4.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(3)
5.	Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6.	Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(4)
7.	a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)

	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
8.	Sole proprietorship account	The owner(5)
9.	A valid trust, estate, or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(1)
10.	Corporate account	The corporation
11.	Religious, charitable, or educational organization account	The organization
12.	Partnership account held in the name of the business	The partnership
13.	Association, club, or other tax-exempt organization	The organization
14.	A broker or registered nominee	The broker or nominee
15.	Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the legal trust, estate, or pension trust.
(2) List first and circle the name of the person whose number you furnish.
(3) Circle the minor's name and furnish the minor's social security number.
(4) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(5) Show the name of the owner.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you don't have a TIN or you don't know your number, obtain Internal Revenue Service Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at your local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a) or an individual retirement plan.
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER, IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a

taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS.--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income, such failure will be treated as being due to negligence and will be subject to a penalty of 5% on any portion of an under-payment attributable to that failure unless there is clear and convincing evidence to the contrary.

(3) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX
CONSULTANT OR THE INTERNAL REVENUE SERVICE

For Immediate Release

Contact:	Hasbro	MicroProse
	Wayne Charness: News Media	Angela Edwards
	401-727-5983	510-864-4336
	Renita O'Connell: Investor Relations	Virginia Turner
	401-727-5401	510-864-4431
	Dana Henry: Hasbro Interactive	
	978-921-3759	

[HASBRO LETTERHEAD]

HASBRO, INC. ANNOUNCES DEFINITIVE AGREEMENT TO ACQUIRE MICROPROSE, INC.

Pawtucket, R.I. August 12, 1998 -- Hasbro, Inc. [ASE:HAS] announced today that it has entered into a definitive agreement to acquire MicroProse, Inc. [NASDAQ:MPRS], a 17-year veteran publisher of popular simulation, 3-D action and strategy games for the personal computer. The purchase price is $6.00 per common share of MicroProse, payable in cash. The total value of the transaction is approximately $70 million, including assumed debt and redeemable preferred stock. Closing is expected in September of 1998.

The agreement calls for a wholly owned subsidiary of Hasbro to commence a tender offer no later than August 18, 1998 for all of MicroProse's outstanding common shares. The offer will be conditioned upon, among other things, the expiration or earlier termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 and the tender of a majority of the shares outstanding on a fully diluted basis of common stock of MicroProse. Following the consummation of the offer, Hasbro's subsidiary will be merged with MicroProse and any remaining MicroProse common shares will be converted into the right to receive $6.00 per share in cash.

-more-

Prior to a one-time charge in 1998 relating to the purchased in-process research and development expenses of MicroProse. Hasbro expects the transaction will not be dilutive to earnings this year, and will be accretive beginning in 1999. Hasbro will combine the activities of MicroProse with Hasbro Interactive, its leading entertainment software publishing arm.

"This acquisition is an incredible opportunity to combine the complementary talents of Hasbro Interactive and MicroProse," said Alan G. Hassenfeld, Chairman and CEO of Hasbro, Inc. "MicroProse brings us great people, especially in Research and Development, and a strong international operation, which is very important to us as we continue to aggressively pursue the international marketplace."

"The acquisition of MicroProse will significantly enhance Hasbro Interactive in three key strategic growth areas: brands and content, R&D assets, and European distribution," noted Tom Dusenberry, President of Hasbro Interactive, Inc. "We will now compete in virtually all major PC game categories. We also look forward to expanding many of MicroProse's games to multiple hardware platforms."

MicroProse has more games in the Computer Gaming World's Hall of Fame than any other publisher. The company has 10 Computer Gaming World Hall of Fame honors including awards for the legendary Civilization(R) series; the Falcon(R) flight simulation franchise; X-Com(R), the best-selling science fiction computer game line; and Gunship(R), Master of Orion(R), and Master of Magic(R). Other key brand franchises include the multi-million unit selling MechWarrior(R) line, Magic the Gathering(R), Star Trek(TM) Next Generation the series, the Grand Prix racing line, F-15 Strike Eagle(R), and Worms(R).

-more-

MicroProse has technologies that are critical to PC entertainment software development, including 3-D simulation, artificial game intelligence, and networked game-play capabilities.

Gilman G. Louie, Chairman of MicroProse, said, "We're excited about joining Hasbro Interactive and the many growth opportunities we can pursue together. Both organizations have clear strengths that will complement each other greatly."

Hasbro, Inc. is a worldwide leader in the design, manufacture and marketing of toys, games, interactive software, puzzles and infant products. Both internationally and in the U.S., its Playskool(R) , Kenner(R), Tonka(R), OddzOn(R), Super Soaker(R), Milton Bradley(R), Parker Brothers(R), Tiger(TM) and Hasbro Interactive(TM) products, provide children and families with the highest quality and most recognizable toys and games in the world.

Hasbro Interactive, Inc. is a leading all-family interactive games publisher, formed in 1995 to bring to life on the computer the deep library of toy and board games of parent company Hasbro, Inc. Hasbro Interactive has since expanded its charter to include original and licensed games for the PC, the Playstation(R) and Nintendo(R) 64 game consoles and for multi-player gaming over the Internet. Headquartered in Beverly, Massachusetts, Hasbro Interactive has offices in the U.K., France, Germany, Japan and Canada. For additional information, visit Hasbro Interactive's Web site at www.hasbro-interactive.com.

MicroProse, Inc. is a leading developer and publisher of interactive entertainment software for use on CD-ROM-based personal computers. The company has four development studios located in Alameda, California; Hunt Valley, Maryland; Chapel Hill, North Carolina; and Chipping Sodbury, England. Products are available nationally and internationally and are sold through major distributors, retailers, and mass merchants. Product and company information is available for download from the MicroProse(R) Web site at www.microprose.com.

-more-

Hasbro: Certain statements contained in this release contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are inherently subject to known and unknown risks and uncertainties. The Company's actual actions or results may differ materially from those expected or anticipated in the forward-looking statements. Specific factors that might cause such a difference include, but are not limited to, the timely manufacture and shipping by the Company of new and continuing products and their acceptance by customers and consumers in a competitive product environment; economic conditions and currency fluctuations in the various markets in which the Company operates throughout the world; the continuing trend of increased concentration of the Company's revenues in the second half and fourth quarter of the year, together with increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules; the impact of competition on revenues, margins and other aspects of the Company's business; third party actions or approvals that could delay, modify or increase the cost of implementation of, the Company's Global Integration and Profit Enhancement program; and the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this release or to update them to reflect events or circumstances occurring after the date of this release.

MicroProse: The statements contained in this release that are not historical facts are "forward-looking statements." The company cautions readers of this press release that a number of important factors could cause such company's actual future results to differ materially from those expressed in any such forward-looking statements. These important factors, and other factors that could affect the company are described in MicroProse's Annual Report on Form 10-K for the fiscal year ended March 31, which was filed with the United States Securities and Exchange Commission. Readers of this press release are referred to such filings.

(R), (TM) and (C) 1998 Paramount Television, All Rights Reserved. STAR TREK and related marks are trademarks of Paramount Pictures.

Magic: The Gathering, is a registered trademark of Wizards of the Coast, Inc.

WORMS2 (C) Team 17 Software Ltd. All rights reserved.

Falcon, Civilization, X-COM, Master of Orion, Gunship and F-15 Strike Eagle are trademarks of MicroProse, Inc. or its affiliates.

###

FOR IMMEDIATE RELEASE

Contact: Hasbro
Wayne Charness: News Media
401-727-5983

Renita O'Connell: Investor Relations
401-727-5401

MicroProse
Angela Edwards
510-864-4336

Virginia Turner
510-864-4431

HASBRO, INC. ANNOUNCES
COMMENCEMENT OF TENDER OFFER FOR
MICROPROSE, INC.

PAWTUCKET, RI, August 14, 1998 -- Hasbro, Inc. (ASE: HAS) announced today that New HIAC Corp., its wholly owned subsidiary, has commenced a cash tender offer to purchase all of the outstanding shares of MicroProse, Inc. (NASDAQ: MPRS) at a price of $6.00 per share.

The offer is being made pursuant to the previously announced merger agreement among New HIAC Corp., Hasbro, Inc. and MicroProse, Inc. The offer is conditioned upon, among other things, the tender of at least 50.1% of the shares of common stock outstanding on a fully diluted basis and the expiration or earlier termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The offer and withdrawal rights are scheduled to expire at 12:00 midnight, New York City time, on Friday, September 11, 1998, unless the offer is extended. Bear, Stearns & Co. Inc. is acting as the Dealer Manager and D.F. King & Co. is acting as the Information Agent in connection with the offer.

Hasbro, Inc. is a worldwide leader in the design, manufacture and marketing of toys, games, interactive software, puzzles and infant products. Both internationally and in the U.S., its Playskool[R], Kenner[R], Tonka[R], OddzOn[R], Super Soaker[R], Milton Bradley[R], Parker Brothers[R], Tiger[TM] and Hasbro Interactive products, provide children and families with the highest quality and most recognizable toys and games in the world.

MicroProse, Inc. is a leading developer and publisher of entertainment software for use on CD-ROM-based personal computers (PC's). The Company has four development studios located in Alameda, California; Hunt Valley, Maryland; Chapel Hill, North Carolina; and Chipping Sodbury, England. Products are available nationally and internationally and are sold through major distributors, retailers and mass merchants. Product and company information is available for download from the MicroProse Web site at www.microprose.com.

This press release is neither an offer to purchase nor a solicitation of an offer to sell securities. The tender offer is made only through the Offer to Purchase and the related Letter of Transmittal which is being mailed to stockholders today. Additional copies of such documents can be obtained by contacting the Information Agent at (800) 755-3107.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase, dated August 14, 1998, and the related Letter of Transmittal, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction or any administrative or judicial action pursuant thereto. In any jurisdiction where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of New HIAC Corp. by Bear, Stearns & Co. Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash

All of the Outstanding Shares of Common Stock
(Including the Associated Preferred Stock Purchase Rights)
of
MicroProse, Inc.
at
$6.00 Net Per Share
by
New HIAC Corp.
a Wholly Owned Subsidiary of
Hasbro, Inc.

New HIAC Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Hasbro, Inc., a Rhode Island corporation ("Parent"), is offering to purchase all of the outstanding shares of Common Stock, par value $.001 per share (the "Shares"), of MicroProse, Inc., a Delaware corporation (the "Company"), at a price of $6.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated August 14, 1998 (the "Offer to Purchase") and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, SEPTEMBER 11, 1998, UNLESS THE OFFER IS EXTENDED.

The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) that number of Shares which, when added to the Shares beneficially owned by Parent or Purchaser (if any), represents at least 50.1% of the Shares outstanding (on a fully diluted basis) on the date Shares are accepted for payment. The Offer is also subject to the other conditions set forth in the Offer to Purchase. See Section 14 of the Offer to Purchase.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of August 11, 1998 (the "Merger Agreement"), by and among Parent, Purchaser and the Company. The Merger Agreement provides that, as soon as practicable after the completion of the Offer and satisfaction or waiver, if permissible, of all conditions

contained in the Merger Agreement, and in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), Purchaser will be merged with and into the Company (the "Merger"). Following the consummation of the Merger, the Company will continue as the surviving corporation and will be a direct wholly owned subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held by any subsidiary of the Company or in the treasury of the Company, or by Parent, Purchaser or any other subsidiary of Parent, which Shares will be cancelled, and other than Shares, if any, held by stockholders who perfect their appraisal rights under the DGCL) will be converted into the right to receive $6.00 in cash (or such higher price paid pursuant to the Offer) without interest thereon.

In connection with the execution of the Merger Agreement, Parent and the Company have entered into a Stock Option Agreement, dated as of August 11, 1998 (the "Option Agreement"), pursuant to which the Company has granted to Parent an irrevocable option to purchase up to the number of Shares as equals 19.9% of the Company's Shares outstanding on the date thereof.

The Board of Directors of the Company has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, and has unanimously determined that the Offer and the Merger are fair to, and in the best interests of, the Company's Stockholders and unanimously recommends that stockholders accept the Offer and tender their Shares pursuant to the Offer. For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares properly tendered to Purchaser and not withdrawn as, if and when Purchaser gives oral or written notice to the Depositary (as defined in the Offer to Purchase) of its acceptance for payment of such Shares. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to tendering stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or a confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase)), (ii) a Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (iii) any other documents required by the Letter of Transmittal. The per Share consideration paid to any stockholder pursuant to the Offer will be the highest per Share consideration paid to any other stockholder pursuant to the Offer. Under no circumstances will interest be paid on the purchase price to be paid by Purchaser for such Shares, regardless of any extension of the Offer or any delay in making such payment.

The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Friday, September 11, 1998, unless and until Purchaser (in accordance with the terms of the

Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser shall expire. Subject to the applicable rules and regulations of the Securities and Exchange Commission and to applicable law, Purchaser expressly reserves the right, in its sole discretion (subject to the terms of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any of the events specified in Section 14 of the Offer to Purchase, by giving oral or written notice of such extension to the Depositary; provided, however, that Purchaser cannot extend the Offer beyond November 30, 1998 without the consent of the Company. Any such extension will be followed by a public announcement thereof by no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw such stockholder's Shares. Without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser will have no obligation to publish, advertise or otherwise communicate any such announcement other than by issuing a press release to the Dow Jones News Service or otherwise as may be required by applicable law.

Except as otherwise provided below, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment pursuant to the Offer, may also be withdrawn at any time after October 12, 1998, or such later time as may apply if the Offer is extended. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth in the Offer to Purchase. Any such notice of withdrawal must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates evidencing such Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the Depositary and, unless such Shares have been tendered for the account of an Eligible Institution (as defined in the Offer to Purchase), the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been delivered pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with the Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 3 of the

Offer to Purchase at any time prior to the Expiration Date. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding.

The information required to be disclosed by paragraph (e)(1)(vii) of Rule 14d-6 under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided Purchaser with the Company's stockholder lists and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal and other relevant documents will be mailed to record holders of Shares whose names appear on the stockholder list, and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the Company's stockholder lists, or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information and should be read carefully before any decision is made with respect to the Offer.

Questions and requests for assistance or additional copies of the Offer to Purchase, Letter of Transmittal and other tender offer documents may be directed to the Information Agent or the Dealer Manager (each as defined in the Offer to Purchase), at their respective addresses and telephone numbers set forth below, and copies will be furnished promptly at Purchaser's expense. Neither of Parent or Purchaser will pay any fees or commissions to any broker or dealer or other person other than the Dealer Manager and the Information Agent for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

D.F. King & Co., Inc.
77 Water Street
New York, New York 10005
Call Toll Free: (800) 755-3107

The Dealer Manager for the Offer is:

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, New York 10167
Call Toll Free: (877) 260-9674
August 14, 1998

AGREEMENT AND PLAN OF MERGER

by and among

HASBRO, INC.,

NEW HIAC CORP.

and

MICROPROSE, INC.

dated as of

August 11, 1998

TABLE OF CONTENTS

Page

ARTICLE I

THE OFFER AND MERGER..........................2
Section 1.1 The Offer...2
Section 1.2 Company Actions...3
Section 1.3 SEC Documents...4
Section 1.4 Directors...5
Section 1.5 The Merger..7
Section 1.6 Effective Time..7
Section 1.7 Closing...8

ARTICLE II

CONVERSION OF SECURITIES........................8
Section 2.1 Conversion of Capital Stock.....................................8
Section 2.2 Exchange of Certificates..9
Section 2.3 Withholding Taxes..11
Section 2.5 Appraisal Rights...12

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY............12
Section 3.1 Organization, Standing and Corporate Power.....................12
Section 3.2 Subsidiaries...13
Section 3.3 Capital Structure..13
Section 3.4 Authority; Noncontravention; Company Action....................15
Section 3.5 SEC Documents; Financial Statements............................16
Section 3.6 Schedule 14D-9; Offer Documents; Proxy Statement...............17
Section 3.7 Absence of Certain Changes or Events...........................18
Section 3.8 Litigation...18
Section 3.9 Absence of Changes in Benefit Plans; SEC Disclosure............18
Section 3.10 Employee Benefits; ERISA......................................19
Section 3.11 Taxes...21
Section 3.12 No Excess Nondeductible Payments..............................22
Section 3.13 Compliance with Applicable Laws...............................23
Section 3.14 Intellectual Property...25

Section 3.15 Properties..28
Section 3.16 Contracts...29
Section 3.17 Labor Relations...30
Section 3.18 Products Liability..30
Section 3.19 Applicability of State Takeover Statutes......................31
Section 3.20 Voting Requirements...31
Section 3.21 Brokers...31
Section 3.22 Opinion of Financial Advisor..................................31
Section 3.23 Year 2000...31
Section 3.24 Company Rights Agreement......................................32
Section 3.25 Absence of Questionable Payments..............................33
Section 3.26 Full Disclosure...33

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER.........................33
Section 4.1 Organization, Standing and Corporate Power......................33
Section 4.2 Authority; Noncontravention.....................................34
Section 4.3 Proxy Statement; Offer Documents................................35
Section 4.4 Operations of Purchaser...35
Section 4.5 Brokers...35

ARTICLE V

COVENANTS...................................35
Section 5.1 Interim Operations of the Company...............................35
Section 5.2 Access; Confidentiality...39
Section 5.3 Special Meeting, Proxy Statement................................39
Section 5.4 Reasonable Efforts; Notification................................40
Section 5.5 No Solicitation...41
Section 5.6 Publicity...43
Section 5.7 Transfer Taxes..43
Section 5.8 State Takeover Laws...44
Section 5.9 Indemnification and Insurance...................................44

ARTICLE VI

CONDITIONS..................................45

Section 6.1 Conditions to Each Party's Obligation to Effect the Merger......45

ARTICLE VII

TERMINATION..............................46
Section 7.1 Termination..46
Section 7.2 Effect of Termination..49

ARTICLE VIII

MISCELLANEOUS.............................49

Section 8.1 Fees and Expenses.......................................49
Section 8.2 Amendment and Modification..............................50
Section 8.3 Nonsurvival of Representations and Warranties...........50
Section 8.4 Notices...50
Section 8.5 Interpretation..51
Section 8.6 Counterparts..52
Section 8.7 Entire Agreement; No Third Party Beneficiaries; Rights of Ownership.................................52
Section 8.8 Severability..53
Section 8.9 Governing Law...53
Section 8.10 Assignment...53
Section 8.11 Enforcement..53
Section 8.12 Extension; Waiver......................................54
Section 8.13 Procedure for Termination, Amendment, Extension or Waiver..54
Section 8.14 Certain Undertakings of Parent..........................54
Section 8.15 Definitions..54

ANNEX A

CONDITIONS TO THE OFFER..A-1

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of August 11, 1998, by and among HASBRO, INC., a Rhode Island corporation ("Parent"), NEW HIAC CORP., a Delaware corporation and a wholly-owned Subsidiary of Parent ("Purchaser"), and MICROPROSE, INC., a Delaware corporation (the "Company").

WHEREAS, the Board of Directors of each of Parent, Purchaser and the Company have approved, and deem it fair to, advisable and in the best interests of their respective stockholders to consummate, the acquisition of the Company by Parent and Purchaser upon the terms and subject to the conditions set forth herein;

WHEREAS, in furtherance thereof, it is proposed that Purchaser make a cash tender offer to acquire all shares of the issued and outstanding common stock, $.001 par value, of the Company (the "Shares") (including the related Preferred Stock Purchase Rights (as herein defined)) for $6.00 per share, net to the seller in cash, upon the terms and subject to the conditions set forth herein;

WHEREAS, also in furtherance of such acquisition, the Board of Directors of each of Parent, Purchaser and the Company and the sole stockholder of Purchaser have approved this Agreement and the Merger (as herein defined) following the Offer (as herein defined) pursuant to which Purchaser shall merge with and into the Company and outstanding Shares shall be converted into the right to receive the Offer Price (as herein defined) in cash, without interest, all in accordance with the DGCL (as herein defined) and upon the terms and subject to the conditions set forth herein;

WHEREAS, the Board of Directors of the Company has determined that the consideration to be paid for each Share in the Offer and the Merger is fair to the holders of such Shares and has resolved to recommend that the holders of such Shares tender their Shares pursuant to the Offer and approve and adopt this Agreement and the Merger upon the terms and subject to the conditions set forth herein;

WHEREAS, the Company, Parent and Purchaser desire to make certain representations, warranties, covenants and agreements in connection with the Offer and the Merger; and

WHEREAS, as a condition and inducement to Parent's and Purchaser's entering into this Agreement and incurring the obligations set forth herein, concurrently with the execution and delivery of this Agreement, Parent is entering into an Option Agreement (the "Company Option Agreement") with the Company pursuant to which, among other things, the Company has granted Parent an option to purchase up to 19.9% of the Shares issued and outstanding as of the date hereof;

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements set forth herein, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

THE OFFER AND MERGER

Section 1.1 The Offer.

(a) As promptly as practicable (but in no event later than five business days after the public announcement of the execution hereof), Purchaser shall commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) a tender offer (the "Offer") for all of the outstanding Shares (including the related Preferred Stock Purchase Rights) at a price of $6.00 per Share, net to the seller in cash (such price, or such higher price per Share as may be paid in the Offer, being referred to herein as the "Offer Price"), subject to the conditions set forth in Annex A hereto.

(b) The obligations of Purchaser to accept for payment and to pay for any Shares validly tendered on or prior to the expiration of the Offer and not withdrawn shall be subject only to the conditions set forth in Annex A hereto. The Offer shall be made by means of an offer to purchase (the "Offer to Purchase") containing the terms set forth in this Agreement and the conditions set forth in Annex A hereto.

(c) Purchaser expressly reserves the right to modify the terms of the Offer; provided, that, without the Company's prior written consent, Purchaser shall not decrease the Offer Price, change the form of consideration to be paid in the Offer, or decrease the number of Shares sought or amend any other condition of the Offer in any manner adverse to the holders of the Shares (other than with respect to insignificant changes or amendments and subject to the third to last sentence of this

Section 1.1) or impose additional conditions without the written consent of the Company; provided further, however, that, if on the initial scheduled expiration date of the Offer, which shall be 20 business days after the date that the Offer is commenced, all conditions to the Offer shall not have been satisfied or waived, Purchaser may, from time to time until such time as all such conditions are satisfied or waived, in its sole discretion, extend the expiration date provided, however, that the expiration date of the Offer may not be extended beyond November 30, 1998. Parent and Purchaser agree that if all of the conditions set forth on Annex A hereto are not satisfied on any scheduled expiration date of the Offer then, provided that all such conditions are reasonably capable of being satisfied, Purchaser shall extend the Offer from time to time until such conditions are satisfied or waived, provided that Purchaser shall not be required to extend the Offer beyond October 15, 1998. In addition, the Offer Price may be increased and the Offer may be extended to the extent required by applicable Law in connection with such increase, in each case without the consent of the Company. Purchaser shall, on the terms and subject to the prior satisfaction or waiver of the conditions of the Offer, accept for payment and pay for Shares validly tendered as promptly as practicable; provided, however, that if, immediately prior to the initial expiration date of the Offer, the Shares validly tendered and not withdrawn pursuant to the Offer equal less than 90% of the outstanding Shares, Purchaser may extend the Offer for a period not to exceed 20 business days, notwithstanding that all conditions to the Offer are satisfied as of such expiration date of the Offer. Parent shall provide or cause to be provided to Purchaser on a timely basis the funds necessary to accept for payment and pay for any Shares that Purchaser becomes obligated to accept for payment, and pay for, pursuant to the Offer.

Section 1.2 Company Actions.

(a) The Company hereby approves of and consents to the Offer and represents that the Board of Directors of the Company, at a meeting duly called and held, has (i) unanimously determined that each of the Agreement, the Company Option Agreement, the Offer and the Merger (as defined in Section 1.5) are fair to and in the best interests of the stockholders of the Company, (ii) unanimously approved this Agreement, the Company Option Agreement, the Offer, the acquisition of Shares pursuant to the Offer and the Merger for purposes of Section 203 of the DGCL (the "Section 203 Approval"), (iii) received the opinion of Piper Jaffray, Inc. ("Piper Jaffray"), financial advisor to the Company, to the effect that the Offer Price to be received by holders of Shares pursuant to the Offer and the Merger Consideration (as defined in Section 2.1(c)) pursuant to the Merger is fair to the

holders of Shares from a financial point of view as of the date of such opinion, (iv) approved this Agreement and the Company Option Agreement and the transactions contemplated hereby and thereby, including the Offer and the Merger (collectively, the "Transactions") and (v) resolved to recommend that the stockholders of the Company accept the Offer, tender their Shares thereunder to Purchaser and approve and adopt this Agreement and the Merger. The Company has been advised by each of its directors and by each executive officer who as of the date hereof is actually aware (to the knowledge of the Company) of the Transactions that each such Person either intends to tender pursuant to the Offer all Shares owned by such Person or vote all Shares owned by such Person in favor of the Merger.

(b) In connection with the Offer, the Company will promptly furnish or cause to be furnished to Purchaser mailing labels, security position listings and any available listings or computer files containing the names and addresses of all holders of record of the Shares as of a recent date, and shall furnish Purchaser with such additional information (including, but not limited to, updated lists of holders of the Shares and their addresses, mailing labels and lists of security positions) and such assistance as Purchaser or its agents may reasonably request in communicating the Offer to the record and beneficial holders of the Shares. Subject to the requirements of applicable Law, and except for such steps as are necessary to disseminate the Offer Documents (as defined in Section 1.3(a)) and any other documents necessary to consummate the Merger, Purchaser and its affiliates and associates shall hold in confidence the information contained in any such labels, listings and files and all other information delivered pursuant to this Section 1.2(b), will use such information only in connection with the Offer and the Merger and, if this Agreement shall be terminated, will deliver to the Company all copies, extracts or summaries of such information in their possession or the possession of their agents.

Section 1.3 SEC Documents.

(a) On the date the Offer is commenced, Parent and Purchaser shall file with the United States Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 in accordance with the Exchange Act with respect to the Offer (together with all amendments and supplements thereto and including the exhibits thereto, the "Schedule 14D-1"). Purchaser shall provide the Schedule 14D-1 to the Company prior to filing such that the Company shall have a reasonable opportunity to comment thereon and the Company shall provide such comments to Purchaser promptly following receipt thereof. The Schedule 14D-1 will include, as exhibits, the Offer to Purchase and a form of letter of transmittal

(collectively, together with any amendments and supplements thereto, the "Offer Documents"). Concurrently with the filing of the Schedule 14D-1 by Parent and Purchaser, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 in accordance with the Exchange Act (together with all amendments and supplements thereto and including the exhibits thereto, the "Schedule 14D-9"), which shall, except as otherwise provided herein, contain the recommendation referred to in clause (v) of Section 1.2(a) hereof.

(b) Parent and Purchaser will take all steps necessary to ensure that the Offer Documents, and the Company will take all steps necessary to ensure that the Schedule 14D-9, will comply in all material respects with the provisions of applicable Federal and state securities Laws. Each of Parent and Purchaser will take all steps necessary to cause the Offer Documents, and the Company will take all steps necessary to cause the Schedule 14D-9, to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable Federal and state securities Laws. Each of Parent and Purchaser, on the one hand, and the Company, on the other hand, will promptly correct any information provided by it for use in the Offer Documents and the Schedule 14D-9 if and to the extent that it shall have become false and misleading in any material respect and Purchaser will take all steps necessary to cause the Offer Documents, and the Company will take all steps necessary to cause the Schedule 14D-9, as so corrected to be filed with the SEC and to be disseminated to holders of the Shares, in each case as and to the extent required by applicable Federal and state securities Laws. Parent and its counsel shall be given a reasonable opportunity to review and comment upon the Schedule 14D-9 and all amendments and supplements thereto prior to their filing with the SEC or dissemination to stockholders of the Company. The Company agrees to provide Parent and its counsel with copies of any written comments that the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments and each of Parent and Purchaser agrees to provide the Company and its counsel with copies of any written comments that Parent, Purchaser or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments.

Section 1.4 Directors.

(a) Promptly after (i) the purchase of and payment for any Shares by Purchaser or any of its affiliates as a result of which Purchaser and its affiliates own beneficially at least a majority of then outstanding Shares and (ii)

compliance with Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, whichever shall occur later, Parent shall be entitled to designate such number of directors, rounded up to the next whole number, on the Company's Board of Directors as is equal to the product of the total number of directors on such Board (giving effect to any increase in the size of such Board pursuant to this Section 1.4) multiplied by the percentage that the number of Shares beneficially owned by Purchaser (including Shares so accepted for payment) bears to the total number of Shares then outstanding. In furtherance thereof, the Company shall, upon request of Parent, use its best efforts promptly either to increase the size of its Board of Directors or to secure the resignations of such number of its incumbent directors, or both, as is necessary to enable such designees of Parent to be so elected or appointed to the Company's Board of Directors, and the Company shall take all actions available to the Company to cause such designees of Parent to be so elected or appointed. At such time, the Company shall, if requested by Parent, also take all action necessary to cause Persons designated by Parent to constitute at least the same percentage (rounded up to the next whole number) as is on the Company's Board of Directors of (i) each committee of the Company's Board of Directors, (ii) each board of directors (or similar body) of each Subsidiary of the Company and (iii) each committee (or similar body) of each such board.

(b) The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under Section 1.4(a), including mailing to stock holders the information required by such Section 14(f) and Rule 14f-1 (or, at Parent's request, furnishing such information to Parent for inclusion in the Offer Documents initially filed with the SEC and distributed to the stockholders of the Company) as is necessary to enable Parent's designees to be elected to the Company's Board of Directors. Parent or Purchaser will supply the Company any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-1. The provisions of this Section 1.4 are in addition to and shall not limit any rights which Purchaser, Parent or any of their affiliates may have as a holder or beneficial owner of Shares as a matter of applicable Law with respect to the election of directors or otherwise.

(c) Notwithstanding the provisions of this Section 1.4, the parties hereto shall use their respective reasonable best efforts to ensure that at least two of the members of the Board shall, at all times prior to the Effective Time (as defined in Section 1.6 hereof) be, Continuing Directors. From and after the time, if any, that Parent's designees constitute a majority of the Company's Board of Direc-

tors, any amendment or modification of this Agreement, any amendment to the Company's Certificate of Incorporation or By-Laws inconsistent with this Agreement, any termination of this Agreement by the Company, any extension of time for performance of any of the obligations of Parent or Purchaser hereunder, any waiver of any condition to the Company's obligations hereunder or any of the Company's rights hereunder or other action by the Company hereunder may be effected only by the action of a majority of the Continuing Directors of the Company, which action shall be deemed to constitute the action of any committee specifically designated by the Board of Directors of the Company to approve the actions contemplated hereby and the Transactions and the full Board of Directors of the Company; provided, that, if there shall be no Continuing Directors, such actions may be effected by majority vote of the entire Board of Directors of the Company.

Section 1.5 The Merger. (a) Subject to the terms and conditions of this Agreement, and in accordance with the DGCL, at the Effective Time (as defined in Section 1.6 hereof), the Company and Purchaser shall consummate a merger (the "Merger") pursuant to which (x) Purchaser shall be merged with and into the Company and the separate corporate existence of Purchaser shall thereupon cease and (y) the Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the Laws of the State of Delaware.

(b) Pursuant to the Merger, at the Effective Time, (x) the Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation and (y) the By-Laws of the Company, as in effect immediately prior to the Effective Time, shall be the by-laws of the Surviving Corporation, each until thereafter changed or amended as provided therein and by the DGCL.

(c) The directors of Purchaser at the Effective Time shall be the initial directors of the Surviving Corporation until their respective successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and by-laws. The officers of Purchaser at the Effective Time shall be the initial officers of the Surviving Corporation until their respective successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and by-laws.

(d) The Merger shall have the effects specified in the applicable provisions of the DGCL.

Section 1.6 Effective Time. Subject to the terms and conditions of this Agreement, Parent, Purchaser and the Company will cause a certificate of merger or, if applicable, a certificate of ownership and merger (as applicable, the "Certificate of Merger"), to be executed and filed on the date of the Closing (as defined in Section 1.7) (or on such other date as Parent and the Company may agree) with the Secretary of State of Delaware (the "Secretary of State") as provided in the DGCL. The Merger shall become effective on the date on which the Certificate of Merger has been duly filed with the Secretary of State or such time as is agreed upon by the parties and specified in the Certificate of Merger, and such time is hereinafter referred to as the "Effective Time."

Section 1.7 Closing. The closing of the Merger (the "Closing") shall take place at 10:00 a.m., local time, on a date to be specified by the parties, which shall be no later than the second business day after satisfaction or waiver of all of the conditions set forth in Article VI hereof (the "Closing Date"), at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 919 Third Avenue, New York, New York, 10022, unless another date or place is agreed to in writing by the parties hereto.

ARTICLE II

CONVERSION OF SECURITIES

Section 2.1 Conversion of Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of any Shares or any shares of capital stock of Purchaser:

(a) Purchaser Capital Stock. Each issued and outstanding share of common stock, par value $.01 per share, of Purchaser shall be converted into and become one fully paid and nonassessable share of common stock, par value $.01 per share, of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Purchaser-Owned Stock. All Shares that are owned by the Company or any Subsidiary of the Company and any Shares owned by Parent, Purchaser or any Subsidiary of Parent or Purchaser

shall be cancelled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor.

(c) Exchange of Shares. Each issued and outstanding Share (other than Shares to be cancelled in accordance with Section 2.1(b) and Dissenting Shares (as herein defined)) shall be converted into the right to receive the Offer Price in cash, without interest (the "Merger Consideration"). All such Shares, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest.

(d) Redemption of Preferred Stock. Upon the consummation of the Offer, the Company shall redeem, out of funds provided by Parent or Purchaser, all issued and outstanding Series A Preferred Shares (as herein defined) at the Series A Redemption Price (as defined in the Company's Certificate of Incorporation) in accordance with the applicable provisions of the Company's Certificate of Incorporation.

Section 2.2 Exchange of Certificates.

(a) Paying Agent. Prior to the Effective Time, Parent shall designate a bank, trust company or other Person, reasonably acceptable to the Company, to act as agent for the holders of the Shares in connection with the Merger (the "Paying Agent") to receive the funds to which holders of the Shares shall become entitled pursuant to Section 2.1(c). Parent shall, from time to time, make available to the Paying Agent funds in amounts and at times necessary for the payment of the Merger Consideration as provided herein. All interest earned on such funds shall be paid to Parent.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, Parent shall cause the Paying Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares (the "Certificates") whose Shares were converted into the right to receive the Merger Consideration pursuant to Section 2.1, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form not inconsistent with this Agreement as

Parent may specify) and (ii) instructions for use in surrendering the Certificates in exchange for payment of the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Paying Agent, Parent shall cause the Paying Agent to pay to the holder of such Certificate the Merger Consideration, and the Certificate so surrendered shall forthwith be cancelled. In the event of a surrender of a Certificate representing Shares which are not registered in the transfer records of the Company under the name of the Person surrendering such Certificate, payment may be made to a Person other than the Person in whose name the Certificate so surrendered is registered if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the Person requesting such payment shall pay any transfer or other Taxes required by reason of payment to a Person other than the registered holder of such Certificate or establish to the satisfaction of the Paying Agent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration which the holder thereof has the right to receive in respect of such Certificate pursuant to the provisions of this Article II. No interest shall be paid or will accrue on the Merger Consideration payable to holders of Certificates pursuant to the provisions of this Article II.

(c) Transfer Books; No Further Ownership Rights in Shares. At the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of the Shares on the records of the Company. From and after the Effective Time, the holders of Certificates evidencing ownership of the Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares, except as otherwise provided for herein or by applicable Law. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article II.

(d) Termination of Fund; No Liability. At any time following six months after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any interest received with respect thereto) which had been made available to the Paying Agent and which have not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat or other similar Laws) only as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Certificates, without any

interest thereon. Notwithstanding the foregoing, none of Parent, the Surviving Corporation or the Paying Agent shall be liable to any holder of a Certificate for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(e) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent shall pay in exchange for such lost, stolen or destroyed Certificate the Merger Consideration pursuant to this Agreement.

Section 2.3 Withholding Taxes. Parent and Purchaser shall be entitled to deduct and withhold, or cause the Paying Agent to deduct and withhold, from the Offer Price or the Merger Consideration payable to a holder of Shares pursuant to the Offer or the Merger any withholding and stock transfer Taxes and such amounts as are required under the Code, or any applicable provision of state, local or foreign Tax law. Parent shall take appropriate steps to minimize such Taxes. To the extent that amounts are so withheld by Parent or Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made by Parent or Purchaser.

Section 2.4 Stock Options. (a) Immediately prior to the Effective Time, each then outstanding option to purchase any shares of capital stock of the Company (in each case, an "Option"), whether or not then exercisable, shall be cancelled by the Company and in consideration of such cancellation and except to the extent that Parent or the Purchaser and the holder of any such Option otherwise agree, the Company (or, at Parent's option, the Purchaser) shall pay to such holders of Options an amount in respect thereof equal to the product of (A) the excess, if any, of the Offer Price over the exercise price of each such Option and (B) the number of Shares previously subject to the Option immediately prior to its cancellation (such payment to be net of withholding taxes and without interest). The Company shall use commercially reasonable efforts to obtain the consent of each holder of an Option as to whom Parent reasonably requests a consent be obtained to the transactions contemplated by this Section 2.4 no later than the Effective Time in a form acceptable to Parent. The Company shall provide to each holder of Options any

required notice (in a form acceptable to Parent) under the applicable Option Plan (as defined herein).

(b) The Company shall take all actions necessary and appropriate so that (i) no purchase rights are acquired after the date hereof under the Company's Employee Stock Purchase Plan and (ii) all stock option or other equity based plans maintained with respect to the Shares, including, without limitation, the Company's Employee Stock Purchase Plan and those plans listed in Section 3.3 hereof ("Option Plans"), shall terminate as of the Effective Time and the provisions in any other Benefit Plan providing for the issuance, transfer or grant of any capital stock of the Company or any interest in respect of any capital stock of the Company shall be deleted as of the Effective Time, and the Company shall use its best efforts to ensure that following the Effective Time no holder of an Option or any participant in any Option Plan shall have any right thereunder to acquire any capital stock of the Company, Parent, Purchaser or the Surviving Corporation.

Section 2.5 Appraisal Rights. Notwithstanding anything in this Agreement to the contrary, Shares (the "Dissenting Shares") that are issued and outstanding immediately prior to the Effective Time and which are held by stockholders who did not vote in favor of the Merger and who comply with all of the relevant provisions of Section 262 of the DGCL (the "Dissenting Stockholders") shall not be converted into or be exchangeable for the right to receive the Merger Consideration, unless and until such holders shall have failed to perfect or shall have effectively withdrawn or lost their rights to appraisal under the DGCL. If any Dissenting Stockholder shall have failed to perfect or shall have effectively withdrawn or lost such right, such holder's Shares shall thereupon be converted into and become exchangeable for the right to receive, as of the Effective Time, the Merger Consideration without any interest thereon. The Company shall give Parent (i) prompt notice of any written demands for appraisal of any Shares, attempted withdrawals of such demands and any other instruments served pursuant to the DGCL and received by the Company relating to stockholders' rights of appraisal, and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. Neither the Company nor the Surviving Corporation shall, except with the prior written consent of Parent, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment. If any Dissenting Stockholder shall fail to perfect or shall have effectively withdrawn or lost the right to dissent, the Shares held by such Dissenting Stockholder shall thereupon be treated as though such Shares had been converted into the right to receive the Merger Consideration pursuant to Section 2.1(c).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Purchaser as follows:

Section 3.1 Organization, Standing and Corporate Power. Each of the Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction in which it is organized and has the requisite corporate power and authority to carry on its business as is now being conducted. Each of the Company and its Subsidiaries is duly qualified as a foreign corporation or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed (individually or in the aggregate) would not have a Material Adverse Effect on the Company. The Company has delivered to Parent complete and correct copies of the Certificate of Incorporation of the Company and By-Laws of the Company, in each case as amended to the date of this Agreement, and has made available the certificates of incorporation and by-laws or other organizational documents of its Subsidiaries, in each case as amended as of the date of this Agreement. The respective certificates of incorporation and by-laws or other organizational documents of the Subsidiaries of the Company do not contain any provision limiting or otherwise restricting the ability of the Company to control such Subsidiaries.

Section 3.2 Subsidiaries. (a) Exhibit 21.1 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998 and Schedule 3.2 of the disclosure schedule delivered by the Company to Parent at or prior to the execution of this Agreement (the "Company Disclosure Schedule") together include the names, jurisdictions of incorporation and capitalization of all of the Subsidiaries of the Company. All the outstanding shares of capital stock of, or other equity interests in, each Subsidiary of the Company have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by the Company, free and clear of all Liens and free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests).

(b) The Company does not directly or indirectly beneficially own any securities or other beneficial ownership interests in any other entity (including through joint ventures or partnership arrangements) other than (i) the Subsidiaries of the Company or (ii) as disclosed on Schedule 3.2 of the Company Disclosure Schedule.

Section 3.3 Capital Structure. The authorized capital stock of the Company consists of 40,000,000 Shares and 9,000,000 shares of preferred stock, par value $.001 per share (the "Preferred Shares") of which 4,000,000 shares have been designated as Series A Convertible Preferred Stock (the "Series A Preferred Shares"), 750,000 shares have been designated as Series B Preferred Stock (the "Series B Preferred Shares"), 1,168,860 shares have been designated as Series B-1 Preferred Stock (the "Series B-1 Preferred Shares") and 40,000 shares have been designated as Series B Participating Preferred Stock (the "Series B Participating Preferred Shares"). As of the date hereof, (i) 5,753,598 Shares were issued and outstanding, 2,000,000 Series A Preferred Shares were issued and outstanding, no Series B Preferred Shares were issued and outstanding, no Series B-1 Preferred Shares were issued and out standing and no Series B Participating Preferred Shares were issued and outstanding, (ii) 16,583 Shares were reserved for issuance upon exercise of outstanding Options pursuant to the Company's 1991 Stock Option Plan with an exercise price range of a minimum exercise price of $25.00 and a maximum price of $53.75, (iii) 10,193 Shares were reserved for issuance upon exercise of outstanding Options pursuant to the Company's 1992 Stock Option Plan with an exercise price range of a minimum exercise price of $1.95 and a maximum price of $26.88, (iv) 64,310 Shares were reserved for issuance upon exercise of outstanding Options pursuant to the Company's 1994 Stock Option Plan with an exercise price range of a minimum exercise price of $6.56 and a maximum price of $66.25, (v) 89,228 Shares were reserved for issuance upon exercise of outstanding Options pursuant to the 1996 Stock Option Plan with an exercise price range of a minimum exercise price of $10.00 and a maximum price of $26.84, (vi) 59,000 Shares were reserved for issuance upon exercise of outstanding Options pursuant to the 1998 Non-statutory Stock Option Plan with an exercise price range of a minimum exercise price of $9.85 and a maximum price of $10.32, (vii) 120,000 Shares were reserved for issuance pursuant to the Company's Employee Stock Purchase Plan; (viii) Options to purchase a total of 754,677 Shares were issued and outstanding at a weighted average exercise price of $20.30 per Share, of which 308,284 were exercisable; (ix) 4,080 Shares were reserved for issuance upon exercise of the warrants (the "Warrants"), expiring July 13, 1999, held by Paragon Software Corporation or certain noteholders thereof, with an exercise price of $69.40 per Share, (x) 393,245 Shares were reserved for issuance

upon conversion of the Company's 6.5% Convertible Subordinated Notes due 2002 (the "Convertible Notes") and (xi) 366,715 Shares were issued and are held in the Company's treasury. Except as set forth above or on Schedule 3.3 of the Company Disclosure Schedule, as of the date of this Agreement: (i) no shares of capital stock or other voting securities of the Company are issued, reserved for issuance or outstanding; (ii) there are no stock appreciation rights, phantom stock units, restricted stock grants, contingent stock grants or Benefit Plans (as defined in Section 3.10 hereof) which grant awards of any of the foregoing, and there are no other outstanding contractual rights to which the Company is a party the value of which is based on the value of Shares; (iii) all outstanding shares of capital stock of the Company are, and all Shares which may be issued will be, when so issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights; and (iv) there are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of the Company may vote. Except for the Preferred Stock Purchase Rights, and except as set forth above, as of the date of this Agreement, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of the Company or of any of its Subsidiaries or obligating the Company or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. There are no programs in place, nor any outstanding contractual obligations of the Company or any of its Subsidiaries, to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries. Schedule 3.3 of the Company Disclosure Schedule accurately sets forth information regarding the current exercise price, date of grant and number of granted Options for each holder of Options pursuant to any Company Option Plan. Following the Effective Time, no holder of Options will have any right to receive shares of common stock of the Surviving Corporation upon exercise of Options.

Section 3.4 Authority; Noncontravention; Company Action. The Company has the requisite corporate power and authority to enter into this Agreement and the Company Option Agreement and, subject to approval of this Agreement by the holders of a majority of the outstanding Shares, to consummate the Merger contemplated by this Agreement. The execution, delivery and performance of this Agreement and the Company Option Agreement by the Company and the

consummation by the Company of the Transactions have been duly authorized by all necessary corporate action on the part of the Company, subject, in the case of the Merger, to approval of this Agreement by the holders of a majority of the outstanding Shares. This Agreement has been duly executed and delivered by the Company and, assuming this Agreement constitutes the valid and binding obligation of Parent and Purchaser, constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. Except as set forth on Schedule 3.4 of the Company Disclosure Schedule, the execution, delivery and performance of this Agreement and the Company Option Agreement do not, and the consummation of the Transactions (including the changes in the composition of the Board of Directors of the Company) and compliance with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries under, or result in the termination of, or require that any consent be obtained or any notice be given with respect to, (i) the Certificate of Incorporation or By-laws of the Company or the comparable charter or organizational documents of any of its Subsidiaries, (ii) any loan or credit agreement note, bond, mortgage, indenture, lease or other agreement, instrument or Permit applicable to the Company or any of its Subsidiaries or their respective properties or assets, (iii) any Law applicable to the Company or any of its Subsidiaries or their respective properties or assets or (iv) any licenses to which the Company or any of its Subsidiaries is a party, other than, in the case of clauses (ii), (iii) and (iv), any such conflicts, violations, defaults, rights, Liens, losses of a material benefit, consents or notices that, individually or in the aggregate, would not have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any other Person, is required by the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the Transactions, except for (i) the filings, permits, authorizations, consents and approvals set forth in Section 3.4 of the Company Disclosure Schedule, or as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, the HSR Act, any applicable state securities or "blue sky" Laws and the DGCL, and

(ii) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, (x) impair, in any material respect, the ability of the Company to perform its obligations under this Agreement, (y) prevent or significantly delay the consummation of the Transactions or (z) have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole. The Board of Directors of the Company has taken all appropriate action so that neither Parent nor Purchaser will be an "interested stockholder" within the meaning of Section 203 of the DGCL by virtue of Parent, Purchaser and the Company entering into this Agreement or the Company Option Agreement or any other agreement contemplated hereby or thereby and consummating the Transactions.

Section 3.5 SEC Documents; Financial Statements. The Company has filed all SEC Documents required to be filed by it since April 1, 1993 (the "Company's SEC Documents"). As of their respective dates, (i) the Company's SEC Documents complied in all material respects with the requirements of the Securities Act, or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and (ii) none of the Company's SEC Documents contained at the time of their filing any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company's SEC Documents, as of the dates of such SEC Documents, are true and complete and complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly presented the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except (i) as set forth on Schedule 3.5 of the Company Disclosure Schedule, (ii) as set forth in the Company's SEC Documents filed and publicly available prior to the date of this Agreement, (iii) for liabilities and obligations incurred in the ordinary course of business consistent with past practice since the date of the most recent consolidated balance sheet included in the Company's SEC Documents filed and publicly available prior to the date of this Agreement and (iv) for performance obligations under contracts entered into prior to the date hereof or entered into in compliance with Section 5.1 hereof, neither the

Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise).

Section 3.6 Schedule 14D-9; Offer Documents; Proxy Statement. Neither the Schedule 14D-9, any other document required to be filed by the Company with the SEC in connection with the Transactions, nor any information supplied by the Company for inclusion in the Offer Documents shall, at the respective times the Schedule 14D-9, any such other filings by the Company, the Offer Documents or any amendments or supplements thereto are filed with the SEC or are first published, sent or given to stockholders of the Company, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will not, on the date the Proxy Statement (including any amendment or supplement thereto) is first mailed to stockholders of the Company, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading or shall, at the time of the Special Meeting (as hereinafter defined) or at the Effective Time, omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Special Meeting which shall have become false or misleading in any material respect. The Schedule 14D-9, any other document required to be filed by the Company with the SEC in connection with the Transactions and the Proxy Statement will, when filed by the Company with the SEC, comply as to form in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to the statements made in any of the foregoing documents based on and in conformity with information supplied by or on behalf of Parent or Purchaser specifically for inclusion therein.

Section 3.7 Absence of Certain Changes or Events. Except as set forth in the Company's SEC Documents or on Schedule 3.7 of the Company Disclosure Schedule, since March 31, 1998, the Company and its Subsidiaries have con ducted their respective businesses in the ordinary course in all material respects, and there has not been any Material Adverse Change in the Company and its Subsidiaries, taken as a whole.

Section 3.8 Litigation. Except as set forth in the Company's SEC Documents or on Schedule 3.8 of the Company Disclosure Schedule or to the extent reserved for as reflected on the Company's financial statements for the year ended March 31, 1998, there are (i) no suits, actions or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the Company, (ii) no complaints, lawsuits, charges or other proceedings pending or, to the knowledge of the Company, threatened in any forum by or on behalf of any present or former employee of the Company or any of its Subsidiaries, any applicant for employment or classes of the foregoing alleging breach of any express or implied contract of employment, any applicable Law governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the Company, (iii) no judgments, decrees, injunctions or orders of any Governmental Entity or arbitrator outstanding against the Company that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on the Company and (iv) no orders, writs, judgments, injunctions, decrees, determinations or awards applicable to the Trademarks or the Other Intellectual Property.

Section 3.9 Absence of Changes in Benefit Plans; SEC Disclosure. Except as disclosed on Schedule 3.9 of the Company Disclosure Schedule, there has not been any adoption or amendment by the Company or any of its Subsidiaries or any ERISA Affiliate (as defined in Section 3.10 hereof) of any Benefit Plan since March 31, 1998. Except as disclosed on Schedule 3.9 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries has any formal plan or commitment to create any additional Benefit Plan or make any material modification or changes to any existing Benefit Plan that would affect any employee or terminated employee of the Company or a Subsidiary of the Company. All employment, consulting, severance, termination, change in control or indemnification agreements, arrangements or understandings between the Company or any of its Subsidiaries and any current or former officer or director of the Company or any of its Subsidiaries which are required to be disclosed in the Company's SEC Documents have been disclosed therein.

Section 3.10 Employee Benefits; ERISA. (a) Schedule 3.10 of the Company Disclosure Schedule contains a true and complete list of each material bonus, deferred compensation, incentive compensation, stock purchase, stock option, severance or termination pay, health insurance, supplemental unemployment

benefits, profit-sharing, pension, or retirement plan, program, agreement or arrangement, and each other employee benefit plan, program, agreement or arrangement, other than a non-material fringe benefit plan, sponsored, maintained or contributed to or required to be contributed to by the Company or any of its Subsidiaries or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that is a member of a "controlled group" within the meaning of section 4001 of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder ("ERISA") of which the Company or a Subsidiary is a member or which is under "common control" within the meaning of Section 4001 of ERISA, with the Company or a Subsidiary, for the benefit of any employee or terminated employee of the Company, its Subsidiaries or any ERISA Affiliate, whether formal or informal (the "Benefit Plans").

(b) With respect to each Benefit Plan, the Company has made available a true and complete copy thereof (including all amendments thereto), as well as true and complete copies of the two most recent annual reports, if required under ERISA, with respect thereto; the two most recent actuarial reports, if required under ERISA, with respect thereto; the two most recent reports prepared with respect thereto in accordance with Statement of Financial Accounting Standards No. 87, Employer's Accounting for Pensions; the most recent Summary Plan Description, together with each Summary of Material Modifications, if required under ERISA with respect thereto; if the Benefit Plan is funded through a trust or any third party funding vehicle, the trust or other funding agreement (including all amendments thereto) and the latest financial statements thereof; and the most recent determination letter received from the Internal Revenue Service with respect to each Benefit Plan that is intended to be qualified under section 401 of the Code.

(c) Each Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable Law, including but not limited to ERISA and the Code.

(d) No Benefit Plan is subject to Section 302 of the Code or Title IV of ERISA nor has the Company or any ERISA Affiliate maintained a plan which is subject to Section 302 of the Code or Title IV of ERISA.

(e) With respect to any Benefit Plan, neither the Company, nor any Subsidiary of the Company, nor any trust created thereunder, nor, to the knowledge of the Company, any trustee or administrator thereof has engaged in a transaction in connection with which the Company or any Subsidiary of the Com-

pany, any such trust, or any trustee or administrator thereof, or any party dealing with any Benefit Plan or any such trust could be subject to either a civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a tax imposed pursuant to section 4975 or 4976 of the Code.

(f) All Benefit Plans that are subject to the laws of any jurisdiction outside the United States are in material compliance with such applicable laws, including relevant tax laws, and the requirements of any trust deed under which they are established.

(g) With respect to each Benefit Plan which is a pension plan (within the meaning of Section 3(2) of ERISA) the Company (A) has either obtained a favorable determination letter from the Internal Revenue Service or intends to request such a determination letter prior to the Effective Time and (B) has no reason to believe that (i) any such determination letter should be revoked, or (ii) any application for a favorable determination letter with respect to a Benefit Plan which has not yet received a determination letter will be denied.

(h) No Benefit Plan provides health, death or medical benefits (whether or not insured) with respect to current or former employees of the Company or its Subsidiaries beyond their retirement or other termination of service (other than (a) coverage mandated by applicable Law, (b) benefits the full cost of which is borne by the current or former employee (or his beneficiary), (c) death or disability benefits under any of the Benefit Plans, (d) life insurance benefits for any employee of the Company who dies while in service with the Company) (e) benefits arising in connection with the severance plans set forth in Schedule 3.10 (a) (3) of the Company Disclosure Schedule or the employment agreements set forth on Schedule 3.16(b) of the Company Disclosure Schedule.

(i) Except as set forth on Schedule 3.10(i) of the Company Disclosure Schedule, the consummation of the Transactions, alone, will not (a) entitle any current or former employee or officer of the Company or any Subsidiary to severance pay, unemployment compensation or any other payment, (b) accelerate the time of payment or vesting for, or increase the amount of compensation due to any such employee or officer, (c) result in any prohibited transaction described in section 406 of ERISA or section 4975 of the Code for which an exemption is not available, or (d) require the Company or any ERISA Affiliate to fund or make any payments to any trust or other funding vehicle in respect of any Benefit Plan.

(j) Except as set forth on Schedule 3.10(j) of the Company Disclosure Schedule, there are no pending, anticipated or, to the knowledge of the Company, threatened claims, by any employee or beneficiary covered under any such Benefit Plan, or otherwise involving any such Benefit Plan (other than routine claims for benefits).

Section 3.11 Taxes.

(a) Each of the Company and each of its Subsidiaries has duly and timely filed (or has had duly and timely filed on its behalf) all Tax Returns required to be filed by it, and all such Tax Returns are true, complete and correct in all material respects. Except to the extent adequately reserved for in accordance with generally accepted accounting principles and reflected on the Company's March 31, 1998 balance sheet, all Taxes due and payable by the Company or any of its Subsidiaries have been timely paid in full. The consolidated financial statements contained in the most recent Company SEC Documents reflect an adequate accrual or reserve for all Taxes payable by the Company and its Subsidiaries for all taxable periods and portions thereof through the date of such financial statements.

(b) Each of the Company and each of its Subsidiaries has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes (including, without limitation, the withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or similar provisions under any applicable foreign Laws) and have, within the time and in the manner prescribed by applicable Laws, withheld from employee wages all amounts required to be so withheld under all applicable Laws other than those amounts that are not material, and have, within the time and manner prescribed by applicable Laws, paid over to the proper Governmental Entity all amounts so withheld.

(c) Except as set forth on Schedule 3.11 of the Company Disclosure Schedule, (i) no deficiencies for any Taxes have been proposed, asserted or assessed (either in writing or orally) against the Company or any of its Subsidiaries, (ii) no Governmental Entity is conducting or proposing to conduct an audit with respect to Taxes or any Tax Returns of the Company or any of its Subsidiaries, (iii) no extension or waiver of the statute of limitations with respect to Taxes or any Tax Return has been granted by the Company or any of its Subsidiaries, which remains in effect, other than an extension resulting from the filing of a Tax Return after its original due date in the ordinary course of business, (iv) neither the Company nor any of its Subsidiaries is a party to any agreement or arrangement to allocate, share or

indemnify another party for Taxes that includes any party other than the Company or any Subsidiary thereof other than those agreements entered into in the ordinary course of business, (v) there are no Liens for material Taxes upon the assets of the Company or any of its Subsidiaries, except for Liens for Taxes not yet due , (vi) no jurisdiction where either the Company or any of its Subsidiaries does not file a Tax Return has asserted or other wise made a claim that the Company or any of its Subsidiaries is required to file a Tax Return for such jurisdiction, (vii) neither the Company nor any of its Subsidiaries has agreed to make, or is required to make, any adjustment under Section 481(a) of the Code (or comparable provision under state, local or foreign Tax laws) by reason of a change in accounting method or otherwise, (viii) neither the Company nor any of its Subsidiaries could have any liability for Taxes to another party (not the Company or any of its Subsidiaries) under Section 1.1502-6 of the Treasury regulations promulgated under the Code or any comparable state, local or foreign Tax laws or by contract or otherwise and (ix) no power of attorney has been granted by or with respect to the Company or any of its Subsidiaries with respect to any matter relating to Taxes.

(d) As of March 31, 1998, the Company's net operating losses (without regard to any limitations that may apply) were (i) not less than $95.0 million for federal income tax purposes and (ii) not less than $15.0 million for state income tax purposes.

(e) Schedule 3.11 of the Company Disclosure Schedule sets forth the taxable years of the Company or any of its Subsidiaries as to which the respective statutes of limitations with respect to Taxes have not expired and, with respect to such taxable years, those years for which examinations have been completed, those years for which examinations are presently being conducted, those years for which examinations have not been initiated and those years for which required Returns have not yet been filed.

Section 3.12 No Excess Nondeductible Payments.

(a) Except as set forth on Schedule 3.12 of the Company Disclosure Schedule, no amounts payable as a result of the Transactions under the Benefit Plans or any other plans or arrangements will constitute a "parachute payment" to a "disqualified individual" as those terms are defined in Section 280G of the Code, without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future.

(b) Neither the Company nor any of its Subsidiaries is a party to any contract, agreement or other arrangement which could result in the payment of amounts that could be nondeductible by reason of Section 162(m) of the Code.

Section 3.13 Compliance with Applicable Laws.

Except as set forth on Schedule 3.13 of the Company Disclosure Schedule:

(a) The Company and each of its Subsidiaries have complied and are presently complying in all material respects with all applicable Laws, and neither the Company nor any of its Subsidiaries has received notification of any asserted present or past failure to so comply, except such non-compliance that (i) has not and will not prevent the Company from carrying on its business substantially as now conducted, or (ii) would not be reasonably expected to (x) result in a Material Adverse Effect on the Company or (y) materially impair the ability of the parties hereto to consummate the Transactions.

(b) Each of the Company and its Subsidiaries has in effect, or has timely filed applications for, all Permits necessary for it to own, lease or operate its properties and assets and to carry on its business substantially as now conducted, except such Permits the failure of which to obtain would not have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole, and there are no appeals nor any other actions pending to revoke any such Permits, and there has occurred no material default or violation under any such Permits.

(c) Each of the Company and its Subsidiaries is, and has been, and each of the Company's former Subsidiaries, while a Subsidiary of the Company, was in compliance in all respects with all applicable Environmental Laws, and there are no circumstances or conditions that would be reasonably likely to prevent or interfere with compliance by the Company or its Subsidiaries in the future with Environmental Laws (or Permits issued thereunder), except where non-compliance is not reasonably likely to result in a Material Adverse Effect on the Company and its Subsidiaries taken as a whole.

(d) Neither the Company nor any Subsidiary of the Company has received any written claim, demand, notice, complaint, court order, administrative order or request for information from any Governmental Entity or private party, alleging violation of, or asserting any noncompliance with or liability under or

potential liability under, any Environmental Laws, except for matters which are no longer threatened or pending or for which the Company or its Subsidiaries are not subject to further requirements pursuant to an administrative or court order, judgment or settlement agreement.

(e) During the period of ownership or operation by the Company and its Subsidiaries of any of their respective current or previously owned or leased properties, there have been no Releases of Hazardous Material in, on, under or affecting such properties and none of the Company or its Subsidiaries have disposed of any Hazardous Material or any other substance either on said owned or leased properties or at other properties, in a manner that has led, or could reasonably be anticipated to lead, to a Release. Prior to the period of ownership or operation by the Company and its Subsidiaries of any of their respective current or previously owned or leased properties, to the knowledge of the Company, no Hazardous Material was disposed of at such current or previously owned or leased properties, and there were no Releases of Hazardous Material in, on, under or affecting any such property.

(f) Except for leases entered into in the ordinary course of business, as to which no notice of a claim for indemnity or reimbursement has been received by the Company, neither the Company nor any of its Subsidiaries has entered into any agreement that may require it to pay to, reimburse, guarantee, pledge, defend, indemnify, or hold harmless any Person for or against any Environmental Liabilities and Costs.

(g) Neither the Company nor any of its Subsidiaries has treated, stored or disposed of "hazardous waste", as that term is defined in the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., analogous state Laws, or the regulations promulgated thereunder, such that the Company or any of its Subsidiaries would be required to obtain a permit under said Laws for such treatment, storage or disposal.

(h) The Company has provided to Parent true and correct copies of all environmental studies and reports in its possession or in the possession of its representative, agents or consultants, prepared within the last five years, relating to (i) the Company's and its Subsidiaries' compliance with Environmental Laws; (ii) the environmental condition of the Company's and its Subsidiaries' currently owned or leased properties, including, but not limited to, the extent of any on-site contamination at any of such properties, results of investigations at such properties, remedial action plans for such properties, and asbestos surveys; and (iii) the environmental

condition of any properties formerly owned or operated by the Company or any of its Subsidiaries, or of any other location at which the Company or any of its Subsidiaries is subject to an environmental claim, including, but not limited to, the extent of any on-site contamination at any such properties, results of investigations at such properties and remedial action plans at such properties.

Section 3.14 Intellectual Property.

(a) (i) Except as set forth on Schedule 3.14(a)(i) of the Company Disclosure Schedule, the Company is the sole and exclusive owner of, or has the valid and transferable right to use, the Trademarks, free and clear of all Liens. Schedule 3.14(a)(i) of the Company Disclosure Schedule sets forth a complete and accurate list of all U.S., state and foreign (i) Trademark registrations and applications, and (ii) material unregistered Trademarks, each as owned by the Company or its Subsidiaries. The Company or one of its Subsidiaries currently is listed in the records of the appropriate United States, state or foreign agency as the sole owner of record for each application and registration listed on Schedule 3.14(a)(i) of the Company Disclosure Schedule.

(ii) Except as set forth on Schedule 3.14(a)(ii) of the Company Disclosure Schedule, the Company is the sole and exclusive owner of, or has the valid and transferable right to use the Other Intellectual Property, free and clear of all Liens. Schedule 3.14(a)(ii) of the Company Disclosure Schedule sets forth a complete and accurate list of all U.S. and foreign:

(1) patents and patent applications,

(2) copyright registrations and applications, and

(3) material unregistered copyrights.

The Company currently is listed in the records of the appropriate United States, state or foreign agency as the sole owner of record for each application, patent and registration listed on Schedule 3.14(a)(ii) of the Company Disclosure Schedule that is currently owned by the Company or one of its Subsidiaries.

(b) The registrations listed on Schedules 3.14(a)(i) and 3.14(a)(ii) of the Company Disclosure Schedule are valid and subsisting, in full force and effect in all material respects, and have not been cancelled, expired or abandoned.

There is no pending, existing or, to the Company's knowledge, threatened, opposition, interference, cancellation proceeding or other legal or governmental proceeding before any court or registration authority in any jurisdiction against the applications, patents and registrations listed on Schedules 3.14(a)(i) and 3.14(a)(ii) of the Company Disclosure Schedule. To the Company's knowledge, there is no pending, existing or threatened, opposition, interference, cancellation proceeding or other legal or govern mental proceeding before any court or registration authority in any jurisdiction against any of the Trademarks or any of the Other Intellectual Property owned by the Company or its Subsidiaries.

(c) Schedule 3.14(c)(i) of the Company Disclosure Schedule sets forth a complete and accurate list of all agreements granting to third parties any material right to use or practice any material rights under any of the Trademarks or any of the Other Intellectual Property owned by the Company; Schedule 3.14(c)(ii) of the Company Disclosure Schedule sets forth a complete and accurate list of all material agreements permitting the Company or its Subsidiaries to use any Trademarks or Other Intellectual Property (such agreements, together with the agreements referenced on Schedule 3.14(c)(i) of the Company Disclosure Schedule are collectively referred to herein as the "Licenses"). The Licenses are valid and binding agreements of the Company or one or more of its Subsidiaries, as applicable, fully transferable to Parent and Purchaser, enforceable in accordance with their terms, and the Company and the Subsidiaries, and to the Company's knowledge, the other parties thereto, as applicable, are not in material breach or default thereunder.

(d) Each Product is either:

(i) owned by the Company, or one or more of its Subsidiaries, or otherwise available to the Company or its Subsidiaries without the license, lease or consent of any third party, or

(ii) used under rights granted to the Company or one or more of its Subsidiaries pursuant to a written agreement, license or lease from a third party, which written agreement, license or lease is set forth on Schedule 3.14(c)(ii) of the Company Disclosure Schedule.

The Company and each of its Subsidiaries uses the Computer Programs in connection with the operation of its business as conducted on the date

hereof and, to the Company's knowledge, such use does not violate the rights of any third party. All Computer Programs which are owned by the Company or its Subsidiaries were either developed by:

(i) employees of the Company or its Subsidiaries within the scope of their employment,

(ii) third parties as "works-made-for-hire", as that term is defined under Section 101 of the United States copy right laws, pursuant to written agreements, or

(iii) independent contractors who have assigned their rights to the Company or one or more of its Subsidiaries pursuant to written agreements, or were assigned to the Company or its Subsidiaries.

(e) The Company has taken reasonable measures to protect the confidentiality of its material trade secrets, including requiring employees having access thereto to execute written non-disclosure agreements. No trade secret or confidential know-how material to the business of the Company or any of its Subsidiaries as currently operated has been disclosed or authorized to be disclosed to any third party, other than pursuant to a non-disclosure agreement that protects the Company's or such Subsidiary's proprietary interests in and to such trade secrets and confidential know-how.

(f) To the Company's knowledge, the conduct of the business of the Company and each of its Subsidiaries does not infringe upon any intellectual property right owned or controlled by any third party. There are no claims or suits pending or, to the Company's knowledge, threatened, and neither the Company nor any of its Subsidiaries has received any written notice of a third party claim or suit:

(i) alleging that the Company's or such Subsidiary's activities or the conduct of its business infringes upon or constitutes the unauthorized use of the proprietary rights of any third party, or

(ii) challenging the ownership, use, validity or enforceability of the Trademarks or the Other Intellec-

tual Property owned or used by the Company or its Subsidiaries.

(g) To the Company's knowledge, except as set forth on Schedule 3.14(g) of the Company Disclosure Schedule, no third party is infringing upon any of the Trademarks or the Other Intellectual Property owned by the Company or any of its Subsidiaries and, except as set forth on Schedule 3.14(g) of the Company Disclosure Schedule, no such claims have been made against a third party by the Company or any of its Subsidiaries.

(h) Except as set forth on Schedule 3.14(h) of the Company Disclosure Schedule, there are no settlements, consents, judgments or orders which restrict the Company's or any of its Subsidiaries' rights to use any of the Trademarks or the Other Intellectual Property, and no concurrent use or other agreements (aside from license and other like agreements) which restrict the Company's or any of its Subsidiaries' rights to use any of the Trademarks or the Other Intellectual Property owned by the Company or any of its Subsidiaries.

(i) The consummation of the Transactions will not result in the loss or impairment of the Company's or any of its Subsidiaries' rights to own or use any of the Trademarks or the Other Intellectual Property owned by or licensed to the Company or its Subsidiaries nor will it require the consent of any Governmental Entity or third party in respect of any such Trademarks or the Other Intellectual Property.

(j) No present or former employee, officer or director of the Company or any of its Subsidiaries has any right, title or interest, directly or indirectly, in whole or in part, in any of the Trademarks or Other Intellectual Property owned by or licensed to the Company or its Subsidiaries.

Section 3.15 Properties. Each of the Company and each of its Subsidiaries has sufficiently good and valid title to, or an adequate leasehold interest in, its properties and assets (including the Real Property) in order to allow it to conduct, and continue to conduct, its business as currently conducted, except for such properties and assets the loss or forfeiture of which is not reasonably likely to have a Material Adverse Effect on the Company and its Subsidiaries, taken as a

whole. Except as set forth on Schedule 3.15 of the Company Disclosure Schedule, and except for such properties and assets the loss or forfeiture of which is not reasonably likely to have a Material Adverse Effect on the Company and its Subsidiaries, taken as a whole, such material tangible properties and assets (including the Real Property) are sufficiently free of Liens to allow the Company and each of its Subsidiaries to conduct, and continue to conduct, its business as currently conducted in all material respects and the consummation of the Transactions will not alter or impair such ability in any material respect. Except as set forth on Schedule 3.15 of the Company Disclosure Schedule, the Company and/or its Subsidiaries have good, valid, marketable and fee simple title to all the Fee Property, free and clear of all Liens other than Liens the enforcement of which is not reasonably likely to have a material impact on the continued use or value of such properties.

Section 3.16 Contracts. (a) Except as set forth in the Company's SEC Documents or Schedule 3.16 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to or bound by (i) any "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC), (ii) any non-competition agreement or any other agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, all or any material portion of the business of the Company and its Subsidiaries, taken as a whole, may be conducted, (iii) any transaction, agreement, arrangement or understanding with any Affiliate that would be required to be disclosed under Item 404 of regulation S-K under the Securities Act, (iv) any voting or other agreement governing how any Shares shall be voted, (v) any material agreement with any stockholders of the Company, (vi) any acquisition, merger, asset purchase or sale agreement or (vii) any contract or other agreement which would prohibit or materially delay the consummation of the Merger or any of the Transactions (all contracts of the type described in clauses (i) - (vii) being referred to herein as "Company Material Contracts"). Each Company Material Contract is valid and binding on the Company (or, to the extent a Subsidiary of the Company is a party, such Subsidiary) and is in full force and effect, and the Company and each Subsidiary of the Company have, in all material respects, performed all obligations required to be performed by them to date under each Company Material Contract, except where such noncompliance, individually or in the aggregate, would not have a Material Adverse Effect on the Company. Neither the Company nor any Subsidiary of the Company knows of, or has received notice of, any violation or default under (nor, to the knowledge of the Company, does there exist any condition which with the passage of time or the giving of notice or both would result in such a violation or default under) any Company Material Contract, except where such occurrence or default would not have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole.

(b) Except as disclosed in the Company's SEC Documents or on Schedule 3.16 of the Company Disclosure Schedule or as provided for in this Agreement, neither the Company nor any of its Subsidiaries is a party to any oral or written (i) employment or consulting agreements not terminable on thirty (30) days' or less notice, (ii) union or collective bargaining agreement, (iii) agreement with any executive officer or other key employee of the Company or any of its Subsidiaries the benefits of which are contingent or vest, or the terms of which are materially altered, upon the occurrence of a transaction involving the Company or any of its Subsidiaries of the nature contemplated by this Agreement, (iv) agreement with respect to any executive officer or other key employee of the Company or any of its Subsidiaries providing any term of employment or compensation guarantee or (v) agreement or plan, including any stock option, stock appreciation right, restricted stock or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the Transactions or the value of any of the benefits of which will be calculated on the basis of any of the Transactions.

Section 3.17 Labor Relations. Except to the extent set forth in the Company's SEC Documents or Schedule 3.17 of the Company Disclosure Schedule, (i) the Company and each of its Subsidiaries is, and has at all times been, in material compliance with all applicable Laws respecting employment and employment practices, terms and conditions of employment, wages, hours of work and occupational safety and health, and is not engaged in any unfair labor practices as defined in the National Labor Relations Act or other applicable Law, except where the failure to comply would not be reasonably likely to cause a Material Adverse Effect on the Company; (ii) there is no labor strike, slowdown, stoppage or lockout actually pending, or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries; and (iii) neither the Company nor any of its Subsidiaries is a party to or bound by any collective bargaining or similar agreement with any labor organization.

Section 3.18 Products Liability; Recalls. (a) Except as set forth in Schedule 3.18 of the Company Disclosure Schedule, (i) there is no claim, action, suit or proceeding pending before any Governmental Entity in which a Product is alleged to have a Defect; (ii) to the knowledge of the Company and its Subsidiaries, no such claim, action, suit or proceeding is threatened; (iii) no valid basis exists for any such claim, action, suit or inquiry, proceeding; and (iv) no claim, action, suit or proceeding referred to in clause (i) or (ii) of this Section 3.18 would, if adversely determined, have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Except as disclosed in Schedule 3.18 of the Company Disclosure Schedule, there is no pending, or to the knowledge of the Company, threatened recall or investigation of any Product, which recall or investigation would reasonably be expected to have a material Adverse Effect on the Company.

Section 3.19 Applicability of State Takeover Statutes. The Section 203 Approval is valid and in full force and effect. Section 203 of the DGCL will not apply to the Company Option Agreement, the Offer, the acquisition of Shares pursuant to the Offer or the Merger. No other state takeover statute or similar statute or regulation applies or purports to apply to the Offer, the Merger or the other Transactions.

Section 3.20 Voting Requirements. The affirmative vote of the holders of a majority of all the Shares entitled to vote approving this Agreement is the only vote of the holders of any class or series of the Company's capital stock necessary to approve this Agreement and the Transactions.

Section 3.21 Brokers. No broker, investment banker, financial advisor or other Person, other than Piper Jaffray, the fees and expenses of which will be paid by the Company, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company. The Company has provided Parent true and correct copies of all agreements between the Company and Piper Jaffray, including, without limitations, any fee arrangements.

Section 3.22 Opinion of Financial Advisor. The Company has received the opinion of Piper Jaffray, to the effect that, as of the date of this Agreement, the consideration to be received in the Offer and the Merger by the holders of Shares is fair to such holders from a financial point of view, as of the date of such opinion, and a complete and correct signed copy of such opinion has been, or promptly upon receipt thereof will be, delivered to Parent. The Company has been authorized by Piper Jaffray to permit the inclusion of such opinion in its entirety in the Offer Documents and the Schedule 14D-9 and the Proxy Statement, so long as such inclusion is in form and substance reasonably satisfactory to Piper Jaffray and its counsel.

Section 3.23 Year 2000.

Except as set forth on Schedule 3.23 of the Company Disclosure Schedule:

(a) all of the Computer Programs, computer firmware, computer hardware (whether general or special purpose) and other similar or related items of automated, computerized and/or software system(s) that are used or relied on by the Company or by any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing, and/or receiving (i) date-related data into and between the twentieth and twenty-first centuries and (ii) date-related data in connection with any valid date in the twentieth and twenty- first centuries; and

(b) all of the products and services sold, licensed, rendered or otherwise provided by the Company or by any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data and will not produce incorrect results when processing, providing and/or receiving (i) date-related data into and between the twentieth and twenty-first centuries and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries; and neither the Company nor any of its Subsidiaries is or shall be subject to claims or liabilities arising from their failure to do so; and

(c) neither the Company nor any of its Subsidiaries has made other representations or warranties regarding the ability of any product or service sold, licensed, rendered or otherwise provided by the Company or by any of its Subsidiaries in the conduct of their respective businesses to operate without malfunction, to operate without ceasing to function, to generate correct data and to produce correct results when processing, providing and/or receiving (i) date-related data into and between the twentieth and twenty-first centuries and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries.

Section 3.24 Company Rights Agreement. The Company and its Board of Directors have taken all action which may be necessary under the Company Rights Agreement so that the Offer is deemed to be a "Permitted Offer" (as defined in the Company Rights Agreement) and the execution and delivery of this Agreement

and the Company Option Agreement (and any amendments thereto by the parties hereto), and the consummation of the Merger and the Transactions, will not cause (i) Parent or Purchaser to constitute an "Acquiring Person" (as defined in the Company Rights Agreement), (ii) a "Distribution Date," "Section 13 Event," "Triggering Event," or "Share Acquisition Date" (each as defined in the Company Rights Agreement) to occur or (iii) the Rights (as defined in the Company Rights Agreement) to become exercisable pursuant to Section 11(a)(ii) thereof or otherwise. The Company shall cause the Company Rights Agreement to be amended such that the "Final Expiration Date" (as such term is defined in the Company Rights Agreement) and the expiration of the Rights shall occur upon the acceptance for payment of Shares pursuant to the Offer.

Section 3.25 Absence of Questionable Payments. Neither the Company nor any of its Subsidiaries nor any director, officer, agent, employee or other person acting on behalf of the Company or any of its Subsidiaries, has used any corporate or other funds for unlawful contributions, payments, gifts, or entertainment, or made any unlawful expenditures relating to political activity to government officials or others or established or maintained any unlawful or unrecorded funds in violation of Section 30A of the Exchange Act. Neither the Company nor any of its Subsidiaries nor any current director, officer, agent, employee or other person acting on behalf of the Company or any of its Subsidiaries, has accepted or received any unlawful contributions, payments, gifts, or expenditures. The Company and each of its Subsidiaries which is required to file reports pursuant to Section 12 or 15(d) of the Exchange Act is in compliance with the provisions of Section 13(b) of the Exchange Act.

Section 3.26 Full Disclosure. The Company has not failed to disclose to Parent any fact material to the business, results of operations, assets, liabilities or condition (financial or otherwise) of the Company necessary to make the information which the Company has disclosed to Parent or Purchaser not misleading. No representation or warranty by the Company in this Agreement and no statement contained in any exhibit, disclosure schedule, or certificate contemplated by this Agreement contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements herein or therein not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Purchaser represent and warrant to the Company as follows:

Section 4.1 Organization, Standing and Corporate Power. Each of Parent and Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction in which each is incorporated and has the requisite corporate power and authority to carry on its business as now being con ducted. Each of Parent and Purchaser is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed (individually or in the aggregate) would not have a Material Adverse Effect on Parent.

Section 4.2 Authority; Noncontravention. Parent and Purchaser have the requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution and delivery of this Agreement by Parent and Purchaser and the consummation by Parent and Purchaser of the Transactions have been duly authorized by all necessary corporate action on the part of Parent and Purchaser, as applicable. This Agreement has been duly executed and delivered by Parent and Purchaser and, assuming this Agreement constitutes the valid and binding obligation of the Company, constitutes a valid and binding obligation of each such party, enforceable against each such party in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The execution and delivery of this Agreement do not, and the consummation of the Transactions will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any lien upon any of the properties or assets of Parent under, (i) the certificate of incorporation or by-laws of Parent or Purchaser, (ii) any Law applicable to Parent or Purchaser or their respective properties or assets, other than, in the case of clause (ii), any such conflicts, viola-

tions, defaults, rights or Liens that individually or in the aggregate would not (x) impair in any material respect the ability of Parent and Purchaser to perform their respective obligations under this Agreement or (y) prevent or impede the consummation of any of the Transactions. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any other Person is required by Parent or Purchaser in connection with the execution and delivery of this Agreement or the consummation by Parent or Purchaser, as the case may be, of any of the Transactions, except for (i) the filings, permits, authorizations, consents and approvals set forth in Schedule 4.2 of the disclosure schedule delivered by Parent to the Company at or prior to the execution of this Agreement (the "Parent Disclosure Schedule"), or as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, the HSR Act, any applicable state securities or "blue sky" Laws and the DGCL, and (ii) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, prevent the consummation of or materially impair the ability of Parent or Purchaser to consummate the Transactions.

Section 4.3 Proxy Statement; Offer Documents. The Offer Documents and any other documents to be filed by Parent with the SEC or any other Government Entity in connection with the Merger and the other Transactions will (in the case of the Offer Documents and any such other documents filed with the SEC under the Securities Act or the Exchange Act) comply as to form in all material respects with the requirements of the Exchange Act and the Securities Act, respectively, and will not, on the date of filing with the SEC or, in the case of the Proxy Statement, on the date the Proxy Statement is first mailed to stockholders of the Company, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading or shall, at the time of the Special Meeting (as defined in Section 5.3) or at the Effective Time, omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Special Meeting which shall have become false or misleading in any material respect. Notwithstanding the foregoing, neither Parent nor Purchaser makes any representation or warranty with respect to the statements made in any of the foregoing documents based on and in conformity with information supplied by or on behalf of the Company specifically for inclusion therein.

Section 4.4 Operations of Purchaser. Purchaser was formed solely for the purpose of engaging in the Transactions and has not engaged in any business activities or conducted any operations other than in connection with the Transactions.

Section 4.5 Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or Purchaser.

ARTICLE V

COVENANTS

Section 5.1 Interim Operations of the Company. After the date hereof and prior to the time the designees of Parent have been elected or appointed to, and shall constitute a majority of, the Board of Directors of the Company pursuant to Section 1.4 or the date, if any, on which this Agreement is earlier terminated pursuant to Section 7.1, and except (i) as expressly contemplated by this Agreement, (ii) as set forth on Schedule 5.1 of the Company Disclosure Schedule or (iii) as agreed in writing by Parent:

(a) the Company shall and shall cause its Subsidiaries to carry on their respective businesses in the ordinary course;

(b) the Company shall and shall cause its Subsidiaries to use all commercially reasonable efforts consistent with good business judgment to preserve intact their current business organizations, keep available the services of their current officers and key employees and preserve their relationships consistent with past practice with desirable customers, suppliers, licensors, licensees, distributors and others having business dealings with them to the end that their goodwill and ongoing businesses shall be unimpaired in all material respects at the Effective Time;

(c) neither the Company nor any of its Subsidiaries shall, directly or indirectly, amend its certificate of incorporation or by-laws or similar organizational documents;

(d) Officers of the Company and its Subsidiaries shall confer at such times as Parent may reasonably request with one or more Representatives of

Parent to report material operational matters and the general status of ongoing operations;

(e) neither the Company nor any of its Subsidiaries shall: (i)(A) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to the Company's capital stock or that of its Subsidiaries, except that a wholly-owned Subsidiary of the Company may declare and pay a dividend or make advances to its parent or the Company or (B) redeem, purchase or otherwise acquire directly or indirectly any of the Company's capital stock or that of its Subsidiaries; (ii) issue, sell, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class of the Company or its Subsidiaries, other than Shares issued upon the exercise of Options outstanding on the date hereof in accordance with the Option Plans as in effect on the date hereof; or (iii) split, combine or reclassify the outstanding capital stock of the Company or of any of the Subsidiaries of the Company;

(f) except as permitted by this Agreement, neither the Company nor any of its Subsidiaries shall acquire or agree to acquire (A) by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof (including entities which are Subsidiaries of the Company or any of the Company's Subsidiaries) or (B) any assets, including real estate, except purchases in the ordinary course of business consistent with past practice;

(g) neither the Company nor any of its Subsidiaries shall make any new capital expenditure or expenditures which individually exceed $50,000 and in the aggregate exceed $150,000;

(h) neither the Company nor any of its Subsidiaries shall, except in the ordinary course of business and except as otherwise permitted by this Agreement, amend or terminate any Company Material Contract where such amendment or termination would have a Material Adverse Affect on the Company, or waive, release or assign any material rights or claims;

(i) neither the Company nor any of its Subsidiaries shall transfer, lease, license, sell, mortgage, pledge, dispose of or encumber any property or assets other than in the ordinary course of business and consistent with past practice;

(j) neither the Company nor any of its Subsidiaries shall: (i) enter into any employment or severance agreement with or grant any severance or termination pay to any officer, director or key employee of the Company or any its Subsidiaries; or (ii) hire or agree to hire any new or additional key employees or officers;

(k) neither the Company nor any of its Subsidiaries shall, except as required to comply with applicable Law or expressly provided in this Agreement, (A) adopt, enter into, terminate, amend or increase the amount or accelerate the payment or vesting of any benefit or award or amount payable under any Benefit Plan or other arrangement for the current or future benefit or welfare of any director, officer or current or former employee, except to the extent necessary to coordinate any such Benefit Plans with the terms of this Agreement, (B) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee, (C) pay any benefit not provided for under any Benefit Plan, (D) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Benefit Plan (including the grant of stock options, stock appreciation rights, stock based or stock related awards, performance units or restricted stock, or the removal of existing restrictions in any Benefit Plans or agreements or awards made thereunder) or (E) take any action to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or Benefit Plan;

(l) neither the Company nor any of its Subsidiaries shall: (i) incur or assume any long-term debt, or except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice; (ii) incur or modify any material indebtedness or other liability except as set forth on Schedule 5.1 of the Company Disclosure Schedule; (iii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except in the ordinary course of business and consistent with past practice; (iv) make any loans, advances or capital contributions to, or investments in, any other Person (other than to wholly owned Subsidiaries of the Company or customary loans or advances to employees in the ordinary course of business and consistent with past practice); (v) settle any claims other than in the ordinary course of business, in accordance with past practice and without admission of liability; or (vi) enter into any material commitment or transaction;

(m) neither the Company nor any of its Subsidiaries shall change any of the accounting methods used by it unless required by GAAP;

(n) neither the Company nor any of its Subsidiaries shall make any Tax election, amend any Tax Return, make a claim for any Tax Refund or settle or compromise any Tax liability (whether with respect to amount or timing);

(o) neither the Company nor any of its Subsidiaries shall pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, in the ordinary course of business and consistent with past practice, of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of the Company and its consolidated Subsidiaries; or, except in the ordinary course of business consistent with past practice, waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which the Company or any of its Subsidiaries is a party;

(p) neither the Company nor any of its Subsidiaries shall (by action or inaction) amend, renew, terminate or cause to be extended any lease, agreement or arrangement relating to any of the Leased Properties or enter into any lease, agreement or arrangement with respect to any real property.

(q) neither the Company nor any of its Subsidiaries will enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing; and

(r) neither the Company nor any of its Subsidiaries shall take any action that the Company knows at the time of taking such action would result in any of the conditions to the Offer set forth in Annex A not being satisfied (subject to the Company's right to take action specifically permitted by Section 5.5).

Section 5.2 Access; Confidentiality. The Company shall (and shall cause each of its Subsidiaries to) afford to the Representatives of Parent reasonable access on reasonable prior notice during normal business hours, throughout the period prior to the earlier of the Effective Time or the termination of this Agreement, to all of its properties, offices, executive employees, contracts, commitments, books and

records (including but not limited to Tax Returns) and any report, schedule or other document filed or received by it pursuant to the requirements of federal or state securities laws and shall (and shall cause each of its Subsidiaries to) furnish promptly to Parent such additional financial and operating data and other information as to its and its Subsidiaries' respective businesses and properties as Parent may from time to time reasonably request. Parent and Purchaser will make all reasonable efforts to minimize any disruption to the businesses of the Company and its Subsidiaries which may result from the requests for data and information hereunder and pursuant to Section 5.1(d) hereof. Except as otherwise agreed to by the Company, unless and until Parent and Purchaser shall have purchased Shares pursuant to the Offer, Parent will be bound by the terms of a confidentiality agreement (the "Confidentiality Agreement"), dated as of June 16, 1998 and amended as of July 27, 1998, by and between Parent and the Company.

Section 5.3 Special Meeting, Proxy Statement.

(a) If required by applicable Law in order to consummate the Merger, the Company, acting through its Board of Directors, shall, in accordance with applicable Law, its Certificate of Incorporation and By-laws:

(i) as promptly as practicable following the acceptance for payment and purchase of Shares by Purchaser pursuant to the Offer duly call, give notice of, convene and hold a special meeting of its stockholders (the "Special Meeting") for the purposes of considering and taking action upon the approval of the Merger and the approval and adoption of this Agreement;

(ii) prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and this Agreement and (x) obtain and furnish the information required to be included by the SEC in the Proxy Statement (as hereinafter defined) and, after consultation with Parent, respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement, including any amendment or supplement thereto (the "Proxy Statement") to be mailed to its stockholders at the earliest practicable date; provided that no amendment or supplement to the Proxy Statement will be made by the Company without consultation with Parent and its counsel and (y) use its reasonable best efforts to obtain the necessary approvals of the Merger and this Agreement by its stockholders; and

(iii) unless this Agreement has been terminated in accordance with Article VII, subject to its rights pursuant to Section 5.5, include in the Proxy Statement the recommendation of its Board of Directors that stockholders of the Company vote in favor of the approval of the Merger and the approval and adoption of this Agreement.

(b) Parent shall vote, or cause to be voted, all of the Shares then owned by it, Purchaser or any of its other Subsidiaries in favor of approval of the Merger and the approval and adoption of this Agreement.

(c) Notwithstanding anything else herein or in this Section 5.3, in the event that Parent, Purchaser and any other Subsidiaries of Parent shall acquire in the aggregate a number of the outstanding shares of each class of capital stock of the Company, pursuant to the Offer or otherwise, sufficient to enable Purchaser or the Company to cause the Merger to become effective under applicable Law without a meeting of stockholders of the Company, the parties hereto shall, at the request of Parent and subject to Article VI, take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the consummation of such acquisition, without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

Section 5.4 Reasonable Efforts; Notification. (a) Upon the terms and subject to the conditions set forth in this Agreement, including without limitation Section 5.5 hereto, each of the parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Offer and the Merger, and the other Transactions, including (i) the preparation and filing with the SEC of the Offer Documents, the Schedule 14D-9, the preliminary Proxy Statement and the Proxy Statement and all necessary amendments or supplements thereto; (ii) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from any Governmental Entity and the making of all necessary registrations and filings (including filings with any Governmental Entity, if any) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity, (iii) the obtaining of all necessary consents, approvals or waivers from third parties, (iv) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of any of the Transactions, including seeking to have any stay or temporary restraining order entered by any court

or other Governmental Entity vacated or reversed, and (v) the execution and delivery of any additional instruments necessary to consummate the Transactions and to fully carry out the purposes of this Agreement.

(b) Each of the Company, Parent and Purchaser shall give prompt notice to the other of (i) any of their representations or warranties contained in this Agreement becoming untrue or inaccurate in any material respect (including in the case of representations or warranties receiving knowledge of any fact, event or circumstance which is reasonably likely to cause any representation qualified as to the knowledge to be or become untrue or inaccurate in any material respect) or (ii) the failure by them to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by them under this Agreement; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

Section 5.5 No Solicitation. (a) The Company shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize (and shall use its best efforts not to permit) any officer, director or employee of, or any investment banker, attorney or other advisor or representative of, the Company or any of its Subsidiaries to, (i) solicit or initiate, or encourage, directly or indirectly, any inquiries or the submission of, any Takeover Proposal, (ii) participate in any discussions or negotiations regarding, or furnish to any Person any information or data with respect to or access to the proper ties of, or take any other action to knowingly facilitate the making of any proposal that constitutes, or may reasonably be expected to lead to, any Takeover Proposal or (iii) enter into any agreement with respect to any Takeover Proposal or approve or resolve to approve any Takeover Proposal; provided, that nothing contained in this Section 5.5 or any other provision hereof shall prohibit the Company or the Company's Board of Directors from (A) taking and disclosing to the Company's stockholders a position with respect to a tender or exchange offer by a third party pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act, or (B) making such disclosure to the Company's stockholders as, in the good faith judgment of the Company's Board of Directors, after receiving written advice from outside counsel, is required under applicable Law, provided that the Company may not, except as permitted by Section 5.5(b), withdraw or modify, or propose to withdraw or modify, its position with respect to the Offer or the Merger or approve or recommend, or propose to approve or recommend any Takeover Proposal, or enter into any agreement with respect to any Takeover Proposal. Upon execution of this Agreement, the Company will immediately cease any existing activities, discussions or negotia-

tions with any parties conducted heretofore with respect to any of the foregoing. Notwithstanding the foregoing, prior to the time of acceptance of Shares for payment pursuant to the Offer, the Company may furnish information concerning its business, properties or assets to any Person or group and may negotiate and participate in discussions and negotiations with such Person or group concerning a Takeover Proposal if:

(x) such Person or group has submitted a Superior Proposal; and

(y) in the opinion of the Company's Board of Directors such action is required to discharge the Board's fiduciary duties to the Company's stockholders under applicable Law, determined only after receipt of a written opinion from independent legal counsel to the Company that the failure to provide such information or access or to engage in such discussions or negotiations would cause the Company's Board of Directors to violate its fiduciary duties to the Company's stockholders under applicable Law.

The Company will promptly (but in no case later than 24 hours) notify Parent of the existence of any proposal, discussion, negotiation or inquiry received by the Company regarding any Takeover Proposal, and the Company will promptly communicate to Parent the terms of any proposal, discussion, negotiation or inquiry which it may receive regarding any Takeover Proposal (and will promptly provide to Parent copies of any written materials received by the Company in connection with such proposal, discussion, negotiation or inquiry) and the identity of the party making such proposal or inquiry or engaging in such discussion or negotiation. The Company will promptly provide to Parent any non-public information concerning the Company provided to any other Person in connection with any Takeover Proposal which was not previously provided to Parent. The Company will keep Parent informed of the status and details of any such Takeover Proposal and of any amendments or proposed amendments to any Takeover Proposal and will promptly (but in no case later than 24 hours) notify Parent of any determination by the Company's Board of Directors that a Superior Proposal has been made.

(b) Except as set forth in this Section 5.5(b), neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent or Purchaser, the approval or recommendation by the Board of Directors of the Company or any such committee of the Offer, this Agreement or the Merger, (ii) approve or recommend, or

propose to approve or recommend, any Takeover Proposal or (iii) enter into any agreement with respect to any Takeover Proposal. Notwithstanding the foregoing, subject to compliance with the provisions of this Section 5.5, prior to the time of acceptance for payment of Shares pursuant to the Offer, the Company's Board of Directors may withdraw or modify its approval or recommendation of the Offer, this Agreement or the Merger, approve or recommend a Superior Proposal, or enter into an agreement with respect to a Superior Proposal, in each case at any time after the third business day following Parent's receipt of written notice (including by facsimile) from the Company advising Parent that the Board of Directors of the Company has received a Superior Proposal which it intends to accept, specifying the material terms and conditions of such Superior Proposal and identifying the Person making such Superior Proposal, but only if the Company shall have caused its financial and legal advisors to negotiate with Parent promptly following delivery of such notice and through such three business day period to make such adjustments to the terms and conditions of this Agreement as would enable the Company to proceed with the Transactions on such adjusted terms.

Section 5.6 Publicity. Except as required by Law or as permitted by Section 5.5, so long as this Agreement is in effect, neither the Company, Parent nor any of their respective affiliates shall issue or cause the publication of any press release or other announcement with respect to the Merger, this Agreement or the other Transactions without the prior consultation of the other party.

Section 5.7 Transfer Taxes. All liability for transfer or other similar Taxes arising out of or related to the Offer and the Merger or the consummation of any other Transaction, and due to the property owned by the Company or any of its Subsidiaries or affiliates ("Transfer Taxes") shall be borne by the Company, and the Company shall file or cause to be filed all Tax Returns relating to such Transfer Taxes which are due.

Section 5.8 State Takeover Laws. Notwithstanding any other provision in this Agreement, in no event shall the Section 203 Approval be withdrawn, revoked or modified by the Board of Directors of the Company. If any state takeover statute other than Section 203 of the DGCL becomes or is deemed to become applicable to the Company Stockholder Agreement, the Offer, the acquisition of Shares pursuant to the Offer or the Merger, the Company shall take all action necessary to render such statute inapplicable to all of the foregoing.

Section 5.9 Indemnification and Insurance.

(a) The Company shall, to the fullest extent permitted under applicable Delaware Law, the terms of the Company's Certificate of Incorporation or By-Laws and regardless of whether the Merger becomes effective, indemnify and hold harmless, and, after the Effective Time, the Surviving Corporation shall, to the fullest extent permitted under applicable Delaware Law, indemnify and hold harmless, each present and former director, officer or employee of the Company or any of its Subsidiaries (collectively, the "Indemnified Parties") against any costs or expenses (including reasonable attorneys' fees), judgments, losses, claims, damages and liabilities incurred in connection with, and amounts paid in settlement of, any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative and wherever asserted, brought or filed, (x) arising out of or pertaining to the Transactions or (y) otherwise with respect to any acts or omissions or alleged acts or omissions occurring at or prior to the Effective Time, in each case for a period of six years after the date hereof. In the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), (i) any counsel retained by the Indemnified Parties for any period after the Effective Time must be reasonably satisfactory to the Surviving Corporation, (ii) after the Effective Time, the Surviving Corporation shall pay the reasonable fees and expenses of such counsel, promptly after statements therefor are received, and (iii) the Surviving Corporation will cooperate in the defense of any such matter; provided, however, that the Surviving Corporation shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed); and provided, further, that, in the event that any claim or claims for indemnification are asserted or made within such six year period, all rights to indemnification in respect of any such claim or claims shall continue until the disposition of any and all such claims. The Indemnified Parties as a group shall be reimbursed for the costs of only one law firm to represent them with respect to any single action unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more Indemnified Parties. The indemnity agreements of the Surviving Corporation in this Section 5.9(b) shall extend, on the same terms to, and shall inure to the benefit of and shall be enforceable by, each Person or entity who controls, or in the past controlled, any present or former director, officer or employee of the Company or any of its Subsidiaries.

(b) For a period of three years after the Effective Time, Parent shall cause the Surviving Corporation to maintain in effect, if available, directors' and

officers' liability insurance covering those Persons who are currently covered by the Company's directors' and officers' liability insurance policy (a copy of which has been made available to Parent) on terms (including the amounts of coverage and the amounts of deductibles, if any) that are no less favorable to the terms now applicable to them under the Company's current policies; provided, however, that in no event shall Parent or the Surviving Corporation be required to expend in excess of 150% of the annual premium currently paid by the Company for such coverage; and provided further, that, if the premium for such coverage exceeds such amount, Parent or the Surviving Corporation shall purchase a policy with the greatest coverage available for such 150% of the annual premium.

(c) This Section 5.9 shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, the Surviving Corporation and the Indemnified Parties, shall be binding on all successors and assigns of the Surviving Corporation and shall be enforceable by the Indemnified Parties.

ARTICLE VI

CONDITIONS

Section 6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction on or prior to the Effective Time of each of the following conditions, any and all of which may be waived in whole or in part by the Company, Parent or Purchaser, as the case may be, to the extent permitted by applicable Law:

(a) this Agreement shall have been approved and adopted by the requisite vote of the holders of Shares, if required by applicable Law and the Certificate of Incorporation, in order to consummate the Merger;

(b) any waiting period applicable to the Merger under the HSR Act shall have expired or been terminated;

(c) no statute, rule, regulation, order, decree or injunction shall have been enacted, promulgated or issued by any Governmental Entity precluding, restraining, enjoining or prohibiting consummation of the Merger; and

(d) Parent, Purchaser or their affiliates shall have purchased all Shares duly tendered and not withdrawn pursuant to the Offer; provided, however, that the obligation of Parent and Purchaser to effect the Merger shall not be conditioned on the fulfillment of the condition set forth in this subsection (d) if the failure of Purchaser to purchase the Shares pursuant to the Offer shall have constituted a breach of this Agreement.

ARTICLE VII

TERMINATION

Section 7.1 Termination. This Agreement may be terminated and the Merger contemplated herein may be abandoned at any time prior to the Effective Time, whether before or after approval of matters presented in connection with the Merger by the stockholders of the Company (provided, however, that if Shares are purchased pursuant to the Offer, neither Parent nor Purchaser may in any event terminate this Agreement):

(a) By the mutual written consent of Parent and the Company; provided, however, that if Parent shall have a majority of the directors pursuant to Section 1.4, such consent of the Company may only be given if approved by the Continuing Directors.

(b) By either of Parent or the Company if (i) a statute, rule or executive order shall have been enacted, entered or promulgated prohibiting the Transactions on the terms contemplated by this Agreement or (ii) any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the Transactions and such order, decree, ruling or other action shall have become final and non-appealable.

(c) By either of Parent or the Company if at least that number of Shares required by the Minimum Condition to be tendered shall not have been purchased in the Offer on or before November 30, 1998; provided, that the party seeking to terminate this Agreement pursuant to this Section 7.1(c) shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the failure to consummate the Offer on or before such date;

(d) By the Company:

(i) if the Company has entered into an agreement with respect to a Superior Proposal or has approved or recommended a Superior Proposal in accordance with Section 5.5(b), provided the Company has complied with all provisions thereof, including the notice provisions therein, and that it simultaneously terminates this Agreement and makes simultaneous payment to the Parent of the Expenses and the Termination Fee; or

(ii) if Parent or Purchaser shall have terminated the Offer or the Offer expires without Parent or Purchaser, as the case may be, purchasing any Shares pursuant thereto; provided that the Company may not terminate this Agreement pursuant to this Section 7.1(d)(ii) if the Company is in material breach of this Agreement or the Company Option Agreement;

(iii) if Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate this Agreement pursuant to this Section 7.1(d)(iii) if the Company is in material breach of this Agreement or the Company Option Agreement; or

(iv) if there shall be a breach by Parent or Purchaser of any of their representations, warranties, covenants or agreements contained in this Agreement which breach is incapable of being cured or is not cured within 10 days of notice from the Company to Parent, except, in each case, where such breach does not have a material adverse effect on the ability of Parent or Purchaser to consummate the Offer or the Merger.

(e) By Parent or Purchaser:

(i) (A) if prior to the purchase of the Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn, or modified or changed in a manner adverse to Parent or Purchaser its approval or recommendation of the Offer, this Agreement or the Merger or shall have recommended or approved a Takeover Proposal (provided that the Company merely providing notice to Parent pursuant to the last sentence of Section 5.5(b) shall not in itself constitute a recommendation or approval of a Takeover Proposal); or

(B) there shall have been a material breach of any provision of Section 5.5; or

(ii) if Parent or Purchaser shall have terminated the Offer without Parent or Purchaser purchasing any Shares thereunder, provided that Parent or Purchaser may not terminate this Agreement pursuant to this Section 7.1(e)(ii) if Parent or Purchaser is in material breach of this Agreement; or

(iii) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions set forth in Annex A hereto, Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; or

(iv) if the Company receives a Takeover Proposal from any Person (other than Parent or Purchaser), and the Company's Board of Directors takes a neutral position or makes no recommendation with respect to such Takeover Proposal after a reasonable amount of time (and in no event more than ten business days following such receipt) has elapsed for the Company's Board of Directors to review and make a recommendation with respect to such Takeover Proposal; or

(v) if there shall be a breach by the Company of any of its representations, warranties, covenants or agreements contained in this Agreement or the Company Option Agreement which breach is incapable of being cured or is not cured within 10 days of notice from Parent to the Company, except, in each case, where such breach (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) does not have a Material Adverse Effect on the Company or a materially adverse effect on the ability of the Company to consummate the Offer or the Merger.

Section 7.2 Effect of Termination. In the event of termination of this Agreement by either the Company or Parent or Purchaser as provided in Section 7.1, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Parent, Purchaser or the Company, other than the provisions of Section 3.21, 4.6, 5.2, this Section 7.2 and Article VIII and except to the extent that such termination results from the wilful and material breach by a party of

any of its representations, warranties, covenants or agreements set forth in this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Fees and Expenses. (a) Except as provided below, all fees and expenses incurred in connection with the Offer, the Merger, this Agreement and the Transactions shall be paid by the party incurring such fees or expenses, whether or not the Offer or the Merger is consummated.

(b) If (x) Parent or Purchaser terminates this Agreement pursuant to Section 7.1(e)(i) or 7.1(e)(iv) or (y) the Company terminates this Agreement pursuant to Section 7.1(d)(i), then in each case, the Company shall pay, or cause to be paid to Parent, at the time of termination, an amount equal to $2,500,000 (the "Termination Fee") and an amount equal to Parent's and Purchaser's actual and documented reasonable out-of-pocket expenses incurred by Parent or Purchaser in connection with the Offer, the Merger, this Agreement and the consummation of the Transactions, including, without limitation, the reasonable fees and expenses payable to all attorneys, accountants, banks, investment banking firms, and other financial institutions and Persons and their respective agents and counsel incurred in connection with the Transactions or arranging or committing to provide or providing any financing for, the Transactions (the "Expenses"). In addition, if this Agreement is '[]terminated by either Parent or the Company pursuant to Section 7.1(c), by Parent pursuant to Section 7.1(e)(ii) (other than if such termination is a result of the failure to satisfy the conditions set forth in paragraphs (a)(i), (a)(ii), (a)(v), (a)(vii), (a)(viii), (b) or (c) of Annex A hereto) or 7.1(e)(v) (other than by reason of a breach of Section 5.5) or by the Company pursuant to Section 7.1(d)(ii) (other than if such termination is a result of the failure to satisfy the conditions set forth in paragraphs (a)(i), (a)(ii), (a)(v), (a)(vii), (a)(viii), (b) or (c) of Annex A hereto) and at the time of such termination, Parent is not in material breach of this Agreement, then the Company shall pay to Parent, at the time of termination, the Expenses, and, if the Company shall thereafter, within 12 months after such termination, enter into an agreement with respect to a Takeover Proposal, then the Company shall pay the Termination Fee concurrently with entering into any such agreement. Any payments required to be made pursuant to this Section 8.1 shall be made by wire transfer of same day funds to an account designated by Parent. The Termination Fee payable hereunder if (x) Parent or

Purchaser terminates this Agreement pursuant to Section 7.1(e)(i) or 7.1(e)(iv) or (y) the Company terminates this Agreement pursuant to Section 7.1(d)(i) (the "Immediately Payable Termination Fee"), shall be secured by the Company's assets pursuant to the Security Agreement, dated as of the date hereof by and among Parent, Hasbro Interactive Inc., a Delaware corporation and a wholly owned subsidiary of Parent and the Company.

Section 8.2 Amendment and Modification. Subject to applicable Law, this Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company contemplated hereby, by written agreement of the parties hereto (which in the case of the Company shall include approvals as contemplated in Section 1.4(c)), at any time prior to the Closing Date with respect to any of the terms contained herein; provided, however, that after the approval of this Agreement by the stockholders of the Company, no such amendment, modification or supplement shall reduce the amount or change the form of the Merger Consideration or otherwise adversely affect the rights of stockholders.

Section 8.3 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any schedule, instrument or other document delivered pursuant to this Agreement shall survive the Effective Time or in the case of the Company shall survive the acceptance for payment of and payment for Shares purchased pursuant to the Offer. This Section 8.3 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

Section 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon receipt, and shall be given to the parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(a) if to Parent or Purchaser, to:

Hasbro, Inc.
1027 Newport Avenue
Pawtucket, Rhode Island 02861
Attention: Harold P. Gordon, Vice Chairman
Telecopy: (401) 727-5121

with a copy to:

Hasbro, Inc.
32 W. 23rd Street
New York, New York 10010
Attention: Phillip H. Waldoks

Senior Vice President-Corporate
Legal Affairs and Secretary
Telecopy: (212) 741-0663

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022-3897
Attention: Howard L. Ellin, Esq.
Telecopy: 212-735-2000

(b) if to the Company, to:

MicroProse, Inc.
2490 Mariner Loop
Suite 100
Alameda, California 94501
Attention: Stephen M. Race
Chief Executive Officer
Telecopy: (510) 864-4607

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: David Drummond, Esq.
Telecopy: (650) 493-6811

Section 8.5 Interpretation. (a) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless

other wise specified. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

(b) The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to August 11, 1998. The phrase "to the knowledge of" the Company and/or any Subsidiary thereof or any similar phrase shall mean such facts and other information which as of the date of this Agreement are known to any vice president, chief financial officer, controller, and any officer superior to any of the foregoing, of the referenced party after the conduct of a reasonable investigation by such officers.

(c) The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 8.6 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 8.7 Entire Agreement; No Third Party Beneficiaries; Rights of Ownership. This Agreement, the Confidentiality Agreement and the Company Option Agreement (including the documents and the instruments referred to herein and therein): (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the

subject matter hereof, and (b) except as provided in Sections 5.9 and 1.4(c) (which is for the benefit of the Company's stockholders other than Parent and Purchaser) are not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 8.8 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated unless the economic or legal substance of the Transactions is affected in an adverse way to any party.

Section 8.9 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without giving effect to the principles of conflicts or choice of law thereof or of any other jurisdiction.

Section 8.10 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of Law or otherwise) without the prior written consent of the other parties, except that Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to Parent or to any direct or indirect wholly owned Subsidiary of Parent. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 8.11 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of Delaware or any Delaware state court in the event any dispute arises out of this Agreement or any of the Transactions, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from

any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the Transactions in any court other than a Federal or state court sitting in the State of Delaware.

Section 8.12 Extension; Waiver. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties of the other parties contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the proviso of Section 8.2, waive compliance by the other parties with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

Section 8.13 Procedure for Termination, Amendment, Extension or Waiver. A termination of this Agreement pursuant to Section 7.1, an amendment of this Agreement pursuant to Section 8.2 or an extension or waiver pursuant to Section 8.12 shall, in order to be effective, require in the case of Parent, Purchaser or the Company, action by its Board of Directors or the duly authorized designee of its Board of Directors; provided, however, that in the event that Parent's designees are appointed or elected to the Board of Directors of the Company as provided in Section 1.4, after the acceptance for payment of Shares pursuant to the Offer and prior to the Effective Time, except as otherwise contemplated by this Agreement the affirmative vote of a majority of the Continuing Directors of the Company shall be required by the Company to amend this Agreement by the Company.

Section 8.14 Certain Undertakings of Parent. Parent shall perform, or cause to be performed and shall be liable for any obligation of Purchaser under this Agreement which shall have been breached by Purchaser.

Section 8.15 Definitions. For purposes of this Agreement:

"Affiliate" has the meaning set forth in Rule 12b-2 of the Exchange Act.

"Benefit Plans" has the meaning assigned thereto in Section 3.10.

"By-laws" means the by-laws of the Company as in effect on the date of this Agreement.

"Certificate of Incorporation" means the certificate of incorporation of the Company as in effect on the date of this Agreement.

"Certificate of Merger" has the meaning assigned thereto in Section 1.6.

"Certificates" has the meaning assigned thereto in Section 2.2.

"Closing" has the meaning assigned thereto in Section 1.7.

"Closing Date" has the meaning assigned thereto in Section 1.7.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means MicroProse, Inc., a Delaware corporation.

"Company Disclosure Schedule" has the meaning assigned thereto in Section 3.2.

"Company Material Contract" has the meaning assigned thereto in Section 3.16.

"Company Option Agreement" has the meaning assigned thereto in the recitals.

"Company's SEC Documents" has the meaning assigned thereto in Section 3.5.

"Computer Programs" means:

(i) any and all computer software programs, including all source and object code,

(ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise,

(iii) billing, reporting, and other management information systems,

(iv) all descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing,

(v) all content contained on any Internet site(s), and

(vi) all documentation, including user manuals and training materials, relating to any of the foregoing.

"Company Rights Agreement" means the Preferred Shares Rights Agreement, dated as of February 6, 1996, by and between the Company and Chemical Mellon Shareholder Services, L.L.C.

"Confidentiality Agreement" has the meaning assigned thereto in Section 5.2.

"Continuing Director" means (i) any member of the Board of Directors of the Company as of the date hereof, or (ii) any successor of a Continuing Director who is (A) unaffiliated with, and not a designee or nominee, of Parent or Purchaser, and (B) recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors of the Company, and in each case under clauses (i) and (ii), who is not an employee of the Company.

"Convertible Notes" has the meaning assigned thereto in Section 3.3.

"Defect" means a defect or impurity of any kind, whether in design, manufacture, processing, or otherwise, including, without limitation, any dangerous propensity associated with any reasonably foreseeable use of a Product, or the failure to warn of the existence of any defect, impurity, or dangerous propensity.

"DGCL" means the Delaware General Corporation Law, as amended.

"Dissenting Shares" has the meaning assigned thereto in Section 2.5.

"Dissenting Stockholders" has the meaning assigned thereto in Section 2.5.

"Effective Time" has the meaning assigned thereto in Section 1.6.

"Environmental Laws" means all foreign, Federal, state and local Laws relating to pollution or protection of human health, safety or the environment, including, without limitation, Laws relating to Releases or threatened Releases of

Hazardous Materials into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Materials, and all Laws and regulations with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, and all Laws relating to endangered or threatened species of fish, wildlife and plants and the management or use of natural resources.

"Environmental Liabilities and Costs" means all liabilities, obligations, responsibilities, obligations to conduct cleanup, losses, damages, deficiencies, punitive dam ages, consequential damages, treble damages, costs and expenses (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigations and feasibility studies and responding to government requests for information or documents), fines, penalties, restitution and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future, resulting from any claim or demand, by any Person or entity, whether based in contract, tort, implied or express warranty, strict liability, joint and several liability, criminal or civil statute, including any Environmental Law, or arising from environmental, health or safety conditions, or the Release or threatened Release of Hazardous Materials into the environment.

"ERISA" has the meaning assigned thereto in Section 3.10.

"ERISA Affiliate" has the meaning assigned thereto in Section 3.10.

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

"Expenses" has the meaning assigned thereto in Section 8.1.

"Fee Properties"means all real property and interests in real property owned in fee by the Company or one of its Subsidiaries.

"GAAP" has the meaning assigned thereto in Section 3.5.

"Governmental Entity" means any (i) nation, state county, city, town, village, district, or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any

court or other tribunal); or (iv) body exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Hazardous Materials" means all substances defined as hazardous substances in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. Section 300.5, or substances defined as hazardous substances, hazardous materials, toxic substances, hazardous wastes, pollutants or contaminants, under any Environmental Law, or substances regulated under any Environmental Law, including, but not limited to, petroleum (including crude oil or any fraction thereof), asbestos, and polychlorinated biphenyls.

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

"Indemnified Parties" has the meaning assigned thereto in Section 5.9.

"Laws" means any administrative order, constitution, law, ordinance, principle of common law, rule, regulation, statute, treaty, judgment, decree, license or permit enacted, promulgated, issued, enforced or entered by any Governmental Entity.

"Leased Properties" means all real property and interests in real property leased by the Company or one of its Subsidiaries.

"Licenses" has the meaning assigned thereto in Section 3.14(c) hereof.

"Lien" means any conditional sale agreement, default of title, easement, encroachment, encumbrance, hypothecation, lien, mortgage, pledge, reservation, restriction, security interest, title retention or other security arrangement, or any \adverse right or interest, charge or claim of any nature whatsoever of, on, or with respect to any asset, property or property interest.

"Material Adverse Change" or "Material Adverse Effect" means, when used in connection with the Company or Parent, any change or effect (or any development that, insofar as can reasonably be foreseen, is likely to result in any change or effect) that is materially adverse to the business, assets, financial condition or results of operations of such party and its Subsidiaries taken as a whole (except for any such change or effect that (i) is caused by conditions affecting the United States or world

economy as a whole, (ii) affects the industry in which the Company competes as a whole or (iii) arises as a result of the announcement or pendency of the Offer).

"Merger" has the meaning assigned thereto in Section 1.5.

"Merger Consideration" has the meaning assigned thereto in Section 2.1.

"Minimum Condition" has the meaning assigned thereto in Annex A.

"Offer" has the meaning assigned thereto in Section 1.1.

"Offer Documents" has the meaning assigned thereto in Section 1.3.

"Offer Price" has the meaning assigned thereto in Section 1.1.

"Offer to Purchase" has the meaning assigned thereto in Section 1.1.

"Option Plans" has the meaning assigned thereto in Section 2.4.

"Option" has the meaning assigned thereto in Section 2.4.

"Other Intellectual Property" shall mean all intellectual property rights used in the business of the Company or any of its Subsidiaries as currently conducted, including but not limited to all patents and patent applications; copyrights, copyright registrations and applications (including copyrights in Computer Programs); Computer Programs; technology, trade secrets, know-how, confidential information, proprietary processes and formulae; "semiconductor chip product" and "mask works" (as such terms are defined in 17 U.S.C. 901); and rights of publicity and privacy relating to the use of the names, signatures, likenesses, voices and biographical information of real persons; together with any and all rights of renewal thereof and the right to sue for past, present or future infringements or misappropriations thereof.

"Paying Agent" has the meaning assigned thereto in Section 2.2.

"Parent" means Hasbro, Inc.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permit" means any Federal, state, local and foreign governmental approval, authorization, certificate, filing, franchise, license, notice, permit or right.

"Person" means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, labor union, estate, trust, unincorporated organization or other entity, including any Governmental Entity.

"Piper Jaffray" has the meaning assigned thereto in Section 1.2.

"Preferred Shares" has the meaning assigned thereto in Section 3.3.

"Preferred Stock Purchase Rights" shall mean the preferred stock purchase rights issued pursuant to the Company Rights Agreement.

"Product" means any product designed, manufactured, shipped, sold, marketed, distributed and/or otherwise introduced into the stream of commerce by or on behalf of the Company or any of its Subsidiaries.

"Proxy Statement" has the meaning assigned thereto in Section 5.3.

"Purchaser" means New HIAC Corp.

"Real Property" means the Leased Properties and the Fee Properties.

"Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, and surface or subsurface strata) or into or out of any property of any Hazardous Material, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

"Representative" means, with respect to any Person, such Person's officers, directors, employees, agents and representatives (including any investment banker, financial advisor, accountant, legal counsel, agent, representative or expert retained by or acting on behalf of such Person or its Subsidiaries).

"Schedule 14D-1" has the meaning assigned thereto in Section 1.3.

"Schedule 14D-9" has the meaning assigned thereto in Section 1.3.

"SEC" means the United States Securities and Exchange Commission or any successor agency.

"SEC Documents" means reports, proxy statements, forms, and other documents required filed with the SEC under the Securities Act and the Exchange Act.

"Secretary of State" has the meaning assigned thereto in Section 1.6.

"Section 203 Approval" has the meaning assigned thereto in Section 1.2.

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

"Series A Preferred Shares" has the meaning assigned thereto in Section 3.3.

"Series B Preferred Shares" has the meaning assigned thereto in Section 3.3.

"Series B-1 Preferred Shares" has the meaning assigned thereto in Section 3.3.

"Series B Participating Preferred Shares" has the meaning assigned thereto in Section 3.3.

"Shares" has the meaning assigned thereto in the recitals.

"Significant Subsidiaries" has the meaning assigned thereto in Rule 1-02 of Regulation S-X of the SEC.

"Special Meeting" has the meaning assigned thereto in Section 5.3.

"Subsidiary" means, with respect to any Person, any corporation, partnership, joint venture or other entity, whether incorporated or unincorporated, of which such Person or any other Subsidiary of such Person (i) owns, directly or indirectly, 50% or more of the outstanding voting securities or equity interests, (ii) is entitled to elect at least a majority of the Board of Directors or similar governing body, or (iii) is a general partner (excluding such partnerships where such Person or any Subsidiary of such Person do not have a majority of the voting interests in such partnership).

"Superior Proposal" means an unsolicited bona fide proposal by a Third Party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than a majority of the Shares then outstanding or all or substantially all of the

assets of the Company or to acquire, directly or indirectly, the Company by merger or consolidation, and otherwise on terms which the Board of Directors of the Company determines in good faith to be more favorable to the Company's stockholders than the Offer and the Merger (based on advice of the Company's independent financial advisor that the value of the consideration provided for in such proposal is superior to the value of the consideration provided for in the Offer and the Merger), for which financing, to the extent required, is then committed or which, in the good faith reasonable judgment of the Board of Directors of the Company, based on advice from the Company's independent financial advisor, is reasonably capable of being financed by such Third Party.

"Surviving Corporation" has the meaning assigned thereto in Section 1.5.

"Takeover Proposal" means any bona fide proposal or offer, whether in writing or otherwise, from any Person other than Parent, Purchaser or any affiliates thereof (a "Third Party") to acquire beneficial ownership (as defined under Rule 13(d) of the Exchange Act) of all or a material portion of the assets of the Company and its Subsidiaries taken as a whole or 50% or more of any class of equity securities of the Company pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of assets, tender offer, exchange offer or similar transaction with respect to either the Company or any of its Subsidiaries, including any single or multi-step transaction or series of related transactions, which is structured to permit such Third Party to acquire beneficial ownership of any material portion of the assets of the Company and its Subsidiaries taken as a whole or 50% or more of such equity interest in the Company.

"Taxes" mean any federal, state, local or foreign net income, gross income, receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add-on minimum, ad valorem, transfer, stamp or environmental tax, or any other tax, custom, duty, govern mental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any govern mental authority.

"Tax Returns" mean all returns, reports, or statements required to be filed with any Governmental Entity with respect to any Tax (including any attachments thereto), including, without limitation, any consolidated, unitary or similar return, information return, claim for refund, amended return or declaration of estimated Tax.

"Termination Fee" has the meaning assigned thereto in Section 8.1(b).

"Third Party" has the meaning assigned thereto in this Section 8.15 under "Takeover Proposal."

"Trademarks" shall mean all United States and foreign trademarks (including service marks and trade names, whether registered or at common law), registrations and applications therefor, owned or licensed by the Company or its Subsidiaries, and the goodwill of the Company's and each of its Subsidiaries' respective businesses associated therewith, together with any and all (i) rights of renewal thereof and (ii) rights to sue for past, present and future infringements or misappropriation thereof.

"Transactions" has the meaning assigned thereto in Section 1.2(a).

"Transfer Taxes" has the meaning assigned thereto in Section 5.7.

"Warrants" has the meaning assigned thereto in Section 3.3.

IN WITNESS WHEREOF, Parent, Purchaser and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

HASBRO, INC.

By: /s/ Harold P. Gordon

Name: Harold P. Gordon
Title: Vice Chairman

NEW HIAC CORP.

By: /s/ Harold P. Gordon

Name: Harold P. Gordon
Title: President

MICROPROSE, INC.

By: /s/ Stephen M. Race

Name: Stephen M. Race
Title: Chief Executive Officer

ANNEX A

CONDITIONS TO THE OFFER

Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement and Plan of Merger of which this Annex A is a part. Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may extend or amend the Offer consistent with the terms of the Merger Agreement if (i) there shall not have been validly tendered and not withdrawn prior to the expiration of the Offer such number of Shares which, when added to the Shares, if any, beneficially owned by Parent or Purchaser, would constitute at least 50.1% of the Shares outstanding on a fully diluted basis (the "Minimum Condition"), (ii) any applicable waiting period under the HSR Act has not expired or been terminated, or (iii) at any time on or after the date of the Merger Agreement and prior to the Expiration Date, any of the following events shall occur and shall not result from the material breach by Parent or Purchaser of any of their obligations under the Merger Agreement:

(a) there shall be threatened in writing or pending any suit, action or proceeding (i) seeking to prohibit or impose any material limitations on Parent's or Purchaser's ownership or operation (or that of any of their respective Subsidiaries or Affiliates) of all or a material portion of their or the Company's businesses or assets, (ii) seeking to compel Parent or Purchaser or their respective Subsidiaries and Affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Parent and their respective Subsidiaries, in each case taken as a whole, (iii) challenging the acquisition by Parent or Purchaser of any Shares pursuant to the Offer or the Company Option Agreement, (iv) seeking to restrain or prohibit the making or consummation of the Offer or the Merger or the performance of any of the other Transactions, (v) seeking to obtain from the Company any damages that would be reasonably likely to have a Material Adverse Effect on the Company, (vi) seeking to impose material limitations on the ability of Purchaser, or rendering Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares pursuant to the Offer and the Merger, (vii) seeking to impose material limitations on the ability of Purchaser or Parent effectively to exercise full rights of ownership of the Shares, including, without limitation, the right to vote the Shares

purchased by it on all matters properly presented to the Company's stockholders, or (viii) which otherwise is reasonably likely to have a Material Adverse Effect on the Company or, as a result of the Transactions, Parent and its Subsidiaries, which, in the case of any of the foregoing, is reasonably likely to succeed on the merits; or

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (viii) of paragraph (a) above; or

(c) there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange, the American Stock Exchange or in the Nasdaq National Market System, for a period in excess of three hours (excluding suspensions or limitations resulting solely from physical damage or interference with such exchanges not related to market conditions), (2) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (3) any limitation or proposed limitation (whether or not mandatory) by any United States governmental authority or agency that has a material adverse effect generally on the extension of credit by banks or other financial institutions, (4) any change in general financial bank or capital market conditions which has a material adverse effect the ability of financial institutions in the United States to extend credit or syndicate loans, (5) any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 500 Industrial Companies by an amount in excess of 15% measured from the close of business on the date of this Agreement or (6) in the case of any of the situations in clauses (1) through (5) inclusive, existing at the time of the commencement of the Offer, a material acceleration or worsening thereof; or

(d) the representations and warranties of the Company set forth in the Merger Agreement shall not be true and accurate as of the date of consummation of the Offer as though made on or as of such date (except for those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and accurate as of such date or with respect to such period) or the Company shall have breached or failed to perform or comply with any obligation, agreement or covenant required by the Merger Agreement to be performed or complied with by it except, in each case where the failure of such representations and warranties to be true and accurate (without

giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein), or the failure to perform or comply with such obligations, agreements or covenants, do not, individually or in the aggregate, have a Material Adverse Effect on the Company or a materially adverse effect on the ability to consummate the Offer or the Merger; or

(e) there shall have occurred a Material Adverse Effect on the Company; or

(f) the Company's Board of Directors (i) shall have withdrawn, or modified or changed in a manner adverse to Parent or Purchaser (including by amendment of the Schedule 14D-9) its recommendation of the Offer, the Merger Agreement, or the Merger, (ii) shall have recommended a Takeover Proposal, (iii) shall have adopted any resolution to effect any of the foregoing, or (iv) shall have taken a neutral position or made no recommendation with respect to a Takeover Proposal received from any Person (other than Parent or Purchaser) after a reasonable amount of time (and in no event more than ten business days following such receipt) has elapsed for the Company's Board of Directors to review and make a recommendation with respect to such Takeover Proposal; or

(g) any party to the Company Option Agreement other than Purchaser and Parent shall have breached or failed to perform any of its agreements under such agreement or breached any of its representations and warranties in such agreements or any such agreement shall not be valid, binding and enforceable, except for such breaches or failures or failures to be valid, binding and enforceable that do not materially and adversely affect the benefits expected to be received by Parent and Purchaser under the Merger Agreement or the Company Option Agreement;

(h) the Merger Agreement shall have been terminated in accordance with its terms; or

(i) the Company pursuant to or within the meaning of Title 11, U.S. Code or any similar Federal or state law for the relief of debtors ("Bankruptcy Law"): (1) commences a voluntary case, (2) consents to the entry of an order for relief against it in an involuntary case, (3) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law (a "Custodian") of it or for all or substantially all of its property, (4) makes a general assignment for the benefit of its creditors, or (5) generally is not paying its debts as they become due; or (6) a court of competent jurisdiction enters an order or decree under

any Bankruptcy Law that: (x) is for relief against the Company in an involuntary case, (y) appoints a Custodian of the Company or for all or substantially all of the property of the Company, or (z) orders the liquidation of the Company, and the order or decree remains unstayed and in effect for 60 days;

which in the reasonable good faith judgment of Parent or Purchaser, in any such case, and regardless of the circumstances (including any action or inaction by Parent or Purchaser) giving rise to such condition makes it inadvisable to proceed with the Offer and/or with such acceptance for payment of or payments for Shares.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be waived by Parent or Purchaser, in whole or in part, at any time and from time to time, in the sole discretion of Parent or Purchaser (except for the Minimum Condition). The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of August 11, 1998 (the "Agreement"), between MICROPROSE, INC., a Delaware corporation ("Issuer"), and HASBRO, INC., a Rhode Island corporation ("Grantee").

RECITALS

A. Issuer and Grantee have entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), providing for, among other things, upon the terms and subject to the conditions thereof, the merger of Purchaser with and into Issuer (the "Merger"); and

B. As a condition and inducement to Grantee's willingness to enter into the Merger Agreement, Grantee has requested that Issuer agree, and Issuer has agreed, to grant Grantee the Option (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, Issuer and Grantee agree as follows:

Capitalized terms used but not defined herein have the meanings set forth in the Merger Agreement.

1. Grant of Option. Subject to the terms and conditions set forth herein, Issuer hereby grants to Grantee an unconditional, irrevocable option (the "Option") to purchase up to 19.9% of the number of shares (the "Option Shares") of common stock, par value $0.001 per share ("Issuer Common Stock"), of Issuer issued and outstanding immediately prior to the grant of the Option (provided that the Option Shares shall not, upon timely issuance, constitute more than 19.9% of the then issued and outstanding shares of Issuer) at a purchase price of $6.00 (as adjusted as set forth herein) per Option Share (the "Purchase Price"). The Cash-Out Right (as defined herein) when payable in connection with the Immediately Payable Termination Fee (the "Immediately Payable Cash-Out Right"), shall be secured by the Issuer's assets pursuant to the Security Agreement, dated as of the date hereof, by and among Grantee, Hasbro Interactive Inc., a Delaware corporation and a wholly owned subsidiary of Grantee, and the Issuer.

2. Exercise of Option. (a) Grantee may exercise the Option, with respect to any or all of the Option Shares at any time and from time to time, subject to the provisions of Section 2(c), after the Merger Agreement becomes terminable under circumstances which could entitle Grantee to the Termination Fee under Section 8.1 of the Merger Agreement (a "Triggering Event") except that (i) subject to the last sentence of this Section 2(a), the Option will terminate and be of no further force and effect upon the earliest to occur of (A) the consummation of the Offer, (B) six months after the date on which a Triggering Event occurs, and (C) termination of the Merger Agreement in accordance with its terms prior to the occurrence of a Triggering Event, unless, in the case of clauses (B) and (C), the Grantee could be entitled to receive termination fees following such time or termination upon the occurrence of certain events, in which case the Option will not terminate until the later of (x) six months following the time such termination fees become payable and (y) the expiration of the period in which the Grantee has such right to receive termination fees, and (ii) any purchase of Option Shares upon exercise of the Option will be subject to compliance with the HSR Act and the obtaining or making of any consents, approvals, orders, notifications or authorizations, the failure of which to have obtained or made would have the effect of making the issuance of Option Shares illegal (the "Regulatory Approvals") and no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance shall be in effect. Notwithstanding the termination of the Option, Grantee will be entitled to purchase the Option Shares if it has exercised the Option in accordance with the terms hereof prior to the termination of the Option, and the termination of the Option will not affect any rights hereunder which by their terms do not terminate or expire prior to or as of such termination.

(b) In the event that Grantee wishes to exercise the Option, it will send to Issuer a written notice (an "Exercise Notice"; the date of which being herein referred to as the "Notice Date") to that effect which Exercise Notice also specifies the number of Option Shares, if any, Grantee wishes to purchase pursuant to this Section 2(b), the number of Option Shares, if any, with respect to which Grantee wishes to exercise its Cash-Out Right (as defined herein) pursuant to Section 7(c), the denominations of the certificate or certificates evidencing the Option Shares which Grantee wishes to purchase pursuant to this Section 2(b) and a date not earlier than 20 business days nor later than 30 business days from the Notice Date for the closing (an "Option Closing") of such purchase (an "Option Closing Date"). Any Option Closing will be at an agreed location and time in New York, New York on the applicable Option Closing Date or at such later date as may be necessary so as to comply with clause (ii) of Section 2(a).

(c) Notwithstanding anything to the contrary contained herein, any exercise of the Option and purchase of Option Shares shall be subject to compliance with applicable laws and regulations, which may prohibit the purchase of all the Option Shares specified in the Exercise Notice without first obtaining or making certain Regulatory Approvals. In such event, if the Option is otherwise exercisable and Grantee wishes to exercise the Option, the Option may be exercised in accordance with Section 2(b) and Grantee shall acquire the maximum number of Option Shares specified in the Exercise Notice that Grantee is then permitted to acquire under the applicable laws and regulations, and if Grantee thereafter obtains the Regulatory Approvals to acquire the remaining balance of the Option Shares specified in the Exercise Notice, then Grantee shall be entitled to acquire such remaining balance. Issuer agrees to use its reasonable best efforts to assist Grantee in seeking the Regulatory Approvals.

In the event (i) Grantee receives official notice that a Regulatory Approval required for the purchase of any Option Shares will not be issued or granted or (ii) such Regulatory Approval has not been issued or granted within six months of the date of the Exercise Notice, Grantee shall have the right to exercise its Cash-Out Right (as defined herein) pursuant to Section 7(c) with respect to the Option Shares for which such Regulatory Approval will not be issued or granted or has not been issued or granted.

(d) if Grantee receives in aggregate (i) the Termination Fee pursuant to Section 8.1(b) of the Merger Agreement, (ii) amounts from the sale or other disposition of the Option Shares, and (iii) pursuant to Section 7(c) hereof in excess of the sum of (A) $3,500,000 plus (B) the amounts paid by Grantee to purchase any Option Shares, then all such excess amounts shall be remitted by Grantee to Issuer. If any payment by Issuer pursuant to Section 7(c) hereof or payment of the Termination Fee pursuant to Section 8.1(b) of the Merger Agreement would cause Grantee to become obligated to remit amounts pursuant to this Section, then Issuer shall have the right to reduce such payments such that no such obligation would arise.

3. Payment and Delivery of Certificates. (a) At any Option Closing, Grantee will pay to Issuer in same day funds by wire transfer to a bank account designated in writing by Issuer an amount equal to the Purchase Price multiplied by the number of Option Shares to be purchased at such Option Closing.

(b) At any Option Closing, simultaneously with the delivery of same day funds as provided in Section 3(a), Issuer will deliver to Grantee a certificate or certificates representing the Option Shares to be purchased at such Option Closing, which Option Shares will be free and clear of all liens, claims, charges and encumbrances of any kind

whatsoever. If at the time of issuance of Option Shares pursuant to an exercise of the Option hereunder, Issuer shall have issued any securities similar to rights under a shareholder rights plan, then each Option Share issued pursuant to such exercise will also represent such a corresponding right with terms substantially the same as and at least as favorable to Grantee as are provided under any Issuer shareholder rights agreement or any similar agreement then in effect.

(c) Certificates for the Option Shares delivered at an Option Closing will have typed or printed thereon a restrictive legend which will read substantially as follows:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1993, AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IF SO REGISTERED OR IF ANY EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCK OPTION AGREEMENT, DATED AS OF AUGUST 11, 1998, A COPY OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF MICROPROSE, INC. AT ITS PRINCIPAL EXECUTIVE OFFICES."

It is understood and agreed that (i) the reference to restrictions arising under the Securities Act in the above legend will be removed by delivery of substitute certificate(s) without such reference if such Option Shares have been sold in compliance with the registration and prospectus delivery requirements of the Securities Act, such Option Shares have been sold in reliance on and in accordance with Rule 144 under the Securities Act or Grantee has delivered to Issuer a copy of a letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to Issuer and its counsel, to the effect that such legend is not required for purposes of the Securities Act and (ii) the reference to restrictions pursuant to this Agreement in the above legend will be removed by delivery of substitute certificate(s) without such reference if the Option Shares evidenced by certificate(s) containing such reference have been sold or transferred in compliance with the provisions of this Agreement under circumstances that do not require the retention of such reference.

4. Incorporation of Representations and Warranties of Issuer. The representations and warranties of Issuer contained in Article III of the Merger Agreement are hereby incorporated by reference herein with the same force and effect as though made pursuant to this Agreement.

5. Representations and Warranties of Issuer. Issuer hereby represents and warrants to Grantee as follows:

(a) Corporate Authorization. Issuer has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Issuer, and no other corporate proceedings on the part of Issuer are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Issuer, and assuming this Agreement constitutes a valid and binding agreement of Grantee, this Agreement constitutes a valid and binding agreement of Issuer, enforceable against Issuer in accordance with its terms (except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(b) Authorized Stock. Issuer has taken all necessary corporate and other action to authorize and reserve and, subject to the expiration or termination of any required waiting period under the HSR Act, to permit it to issue, and, at all times from the date hereof until the obligation to deliver Option Shares upon the exercise of the Option terminates, shall have reserved for issuance, upon exercise of the Option, shares of Issuer Common Stock necessary for Grantee to exercise the Option, and Issuer will take all necessary corporate action to authorize and reserve (and shall at all times maintain, free from pre-emptive rights, sufficient authorized and reserved shares) for issuance all additional shares of Issuer Common Stock or other securities which may be issued pursuant to Section 7 upon exercise of the Option. The shares of Issuer Common Stock to be issued upon due exercise of the Option, including all additional shares of Issuer Common Stock or other securities which may be issuable upon exercise of the Option or any other securities which may be issued pursuant to Section 7, upon issuance pursuant hereto, will be duly and validly issued, fully paid and nonassessable, and will be delivered free and clear of all liens, claims, charges and encumbrances of any kind or nature whatsoever, including without limitation any preemptive rights of any stockholder of Issuer.

6. Representations and Warranties of Grantee. Grantee hereby represents and warrants to Issuer that:

(a) Corporate Authorization. Grantee has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Grantee, and no other corporate proceedings on the part of Grantee are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Grantee, and assuming this Agreement constitutes a valid and binding agreement of Issuer, this Agreement constitutes a valid and binding agreement of Grantee, enforceable against Grantee in accordance with its terms (except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(b) Purchase Not For Distribution. Any Option Shares or other securities acquired by Grantee upon exercise of the Option will not be, and the Option is not being, acquired by Grantee with a view to the public distribution thereof. Neither the Option nor any of the Option Shares will be offered, sold, pledged or otherwise transferred except in compliance with, or pursuant to an exemption from, the registration requirements of the Securities Act.

7. Adjustment upon Changes in Capitalization, Etc. (a) In the event of any changes in Issuer Common Stock by reason of a stock dividend, reverse stock split, merger, recapitalization, combination, exchange of shares, or similar transaction, the type and number of shares or securities subject to the Option, and the Purchase Price therefor, will be adjusted appropriately, and proper provision will be made in the agreements governing such transaction, so that Grantee will receive upon exercise of the Option the number and class of shares or other securities or property that Grantee would have received with respect to Issuer Common Stock if the Option had been exercised immediately prior to such event or the record date therefor, as applicable.

(b) Without limiting the parties' relative rights and obligations under the Merger Agreement, in the event that the Issuer enters into an agreement (i) to consolidate with or merge into any person, other than Grantee or one of its subsidiaries, and Issuer will not be the continuing or surviving corporation in such consolidation or merger, (ii) to permit any person, other than Grantee or one of its subsidiaries, to merge into Issuer and Issuer will be the continuing or surviving corporation, but in connection with such merger, the shares of Issuer Common Stock outstanding immediately prior to the consummation of such merger will be changed into or exchanged for stock or other

securities of Issuer or any other person or cash or any other property, or the shares of Issuer Common Stock outstanding immediately prior to the consummation of such merger will, after such merger represent less than 50% of the outstanding voting securities of the merged company, or (iii) to sell or otherwise transfer all or substantially all of its assets to any person, other than Grantee or one of its subsidiaries, then, and in each such case, the agreement governing such transaction will make proper provision so that the Option will, upon the consummation of any such transaction and upon the terms and condition set forth herein, be converted into, or exchanged for, an option with identical terms appropriately adjusted to acquire the number and class of shares or other securities or property that Grantee would have received in respect of Issuer Common Stock if the Option had been exercised immediately prior to such consolidation, merger, sale, or transfer, or the record date therefor, as applicable and make any other necessary adjustments.

(c) If, at any time during the period commencing on the occurrence of a Triggering Event and ending on the termination of the Option in accordance with Section 2, Grantee sends to Issuer an Exercise Notice indicating Grantee's election to exercise its right (the "Cash-Out-Right") pursuant to this Section 7(c), then Issuer shall pay to Grantee, on the Option Closing Date, in exchange for the cancellation of the Option with respect to such number of Option Shares as Grantee specifies in the Exercise Notice, an amount in cash equal to such number of Option Shares multiplied by the difference between (i) the average closing price for the 5 trading days commencing on the 12th Nasdaq trading day immediately preceding the Notice Date, per share of Issuer Common Stock as reported on the Nasdaq National Market (or, if not listed on the Nasdaq, as reported on any other national securities exchange or national securities quotation system on which the Issuer Common Stock is listed or quoted, as reported in The Wall Street Journal (Northeast edition), or, if not reported thereby, any other authoritative source) (the "Closing Price") and (ii) the Purchase Price. Notwithstanding the termination of the Option, Grantee will be entitled to exercise its rights under this Section 7(c) if it has exercised such rights in accordance with the terms hereof prior to the termination of the Option.

8. Registration Rights.

(a) At any time and from time to time within three years of the date hereof, Grantee may by written notice (a "Registration Notice") to Issuer request Issuer to register under the Securities Act all or part of any Issuer Common Stock beneficially owned by Grantee (collectively, the "Registrable Securities") in order to permit the sale or other disposition of such securities pursuant to, at the option of Grantee (i) a shelf

registration or (ii) a bona fide, firm commitment underwritten public offering in which Grantee shall have the right, including with respect to any takedown off the shelf, to select the managing underwriter, which shall be reasonably acceptable to the Issuer, and shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use reasonable efforts to prevent any person or group from purchasing through such offering shares representing more than 3% of the shares of Issuer Common Stock then outstanding on a fully-diluted basis; provided, however, that any such Registration Notice must relate to a number of shares equal to at least 2% of the shares of Issuer Common Stock then outstanding on a fully-diluted basis.

(b) Issuer shall use reasonable best efforts to effect, as promptly as practicable, the registration under the Securities Act of the Registrable Securities requested to be registered in the Registration Notice; provided, however, that (i) Grantee shall not be entitled to more than an aggregate of three effective registration statements hereunder and (ii) Issuer will not be required to file any such registration statement during any period of time (not to exceed 40 days after a Registration Notice in the case of clause (A) below or 90 days after a Registration Notice in the case of clauses (B) and (C) below) when (A) Issuer is in possession of material non-public information which it reasonably believes would be detrimental to be disclosed at such time and, based upon the advice of outside securities counsel to Issuer, such information would have to be disclosed if a registration statement were filed at that time; (B) Issuer would be required under the Securities Act to include audited financial statements for any period in such registration statement and such financial statements are not yet available for inclusion in such registration statement; or (C) Issuer determines, in its reasonable judgment, that such registration would interfere with any financing, acquisition or other material transaction involving Issuer. If the consummation of the sale of any Registrable Securities pursuant to a registration hereunder does not occur within 90 days after the filing with the SEC of the initial registration statement therefor, the provisions of this Section shall again be applicable to any proposed registration, it being understood that Grantee shall not be entitled to more than an aggregate of three effective registration statements hereunder. Issuer will use reasonable best efforts to cause each such registration statement to become effective, to obtain all consents or waivers of other parties which are required therefor, and to keep such registration statement effective for such period not in excess of 180 calendar days from the day such registration statement first becomes effective as may be reasonably necessary to effect such sale or other disposition. Issuer shall use reasonable best efforts to cause any Registrable Securities registered pursuant to this Section to be qualified for sale under the securities or blue sky laws of such jurisdictions as Grantee may reasonably request and shall continue such registration or qualification in effect in such jurisdictions; provided, however, that Issuer

shall not be required to qualify to do business in, or consent to general service of process in, any jurisdiction.

(c) If Issuer effects a registration under the Securities Act of Issuer Common Stock for its own account or for any other stockholders of Issuer (other than on Form S-4 or Form S-8, or any successor form), it will allow Grantee the right to participate in such registration, and such participation will not affect the obligation of Issuer to effect demand registration statements for Grantee under this Section 8, except that, if the managing underwriters of such offering advise Issuer in writing that in their opinion the number of shares of Issuer Common Stock requested to be included in such registration exceeds the number which can be sold in such offering, Issuer will include that portion of the shares requested to be included therein equal to the product obtained by multiplying (i) the number of shares which the underwriter has informed the Issuer can be included in the offering and (ii) the percentage obtained by dividing (x) the total number of shares of Issuer Common Stock held by Grantee and (y) the total number of shares of Issuer outstanding.

(d) The registration rights set forth in this Section are subject to the condition that Grantee shall provide Issuer with such information with respect to Grantee Registrable Securities, the plan for distribution thereof, and such other information with respect to Grantee as, in the reasonable judgment of counsel for Issuer, is necessary to enable Issuer to include in a registration statement all material facts required to be disclosed with respect to a registration hereunder.

(e) A registration effected under this Section shall be effected at Issuer's expense, except for underwriting discounts and commissions and the fees and expenses of Grantee's counsel, and Issuer shall provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from auditors) as are customary in connection with underwritten public offerings and as such underwriters may reasonably require. In connection with any registration, Grantee and Issuer agree to enter into an underwriting agreement reasonably acceptable to each such party, in form and substance customary for transactions of this type.

9. Listing. If Issuer Common Stock or any other securities to be acquired upon exercise of the Option are then listed on the Nasdaq (or any other national securities exchange or national securities quotation system), Issuer, upon the request of Grantee, will promptly file an application to list the shares of Issuer Common Stock or other securities to be acquired upon exercise of the Option on the Nasdaq (and any such other

national securities exchange or national securities quotation system) and will use reasonable efforts to obtain approval of such listing as promptly as practicable.

10. Miscellaneous. (a) Expenses. Except as otherwise provided in the Merger Agreement, each of the parties hereto will pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

(b) Amendment. This Agreement may not be amended, except by an instrument in writing signed on behalf of each of the parties.

(c) Extension; Waiver. Any agreement on the part of a party to waive any provision of this Agreement, or to extend the time for performance, will be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise will not constitute a waiver of such rights.

(d) Entire Agreement; No Third-Party Beneficiaries. This Agreement and the Merger Agreement (including the documents and instruments attached thereto as exhibits or schedules or delivered in connection therewith) (i) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement, and (ii) are not intended to confer upon any person other than the parties any rights or remedies.

(e) Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

(f) Notices. All notices, requests, claims, demands, and other communications under this Agreement must be in writing and will be deemed given if delivered personally, telecopied (which is confirmed), or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Issuer to:

MicroProse, Inc.
2490 Mariner Loop
Suite 100
Alameda, California 94501
Attention: Stephen M. Race, Chief Executive Officer
Telecopy: (510) 864-4607

with a copy to:

Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: David Drummond
Telecopy: (650) 493-6811

If to Grantee to:

Hasbro, Inc.
1027 Newport Avenue
Pawtucket, Rhode Island 02861
Attention: Harold P. Gordon, Vice Chairman
Telecopy: (401) 727-5121

with a copy to:

Hasbro, Inc.
32 West 23rd Street
New York, New York 10010
Attention: Phillip H. Waldoks, Senior Vice President - Corporate Legal Affairs and Secretary
Telecopy: (212) 741-0663

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Attention: Howard L. Ellin, Esq.
Telecopy: (212) 735-2000

(g) Assignment. Neither this Agreement, the Option nor any of the rights, interests, or obligations under this Agreement may be assigned, transferred or delegated, in whole or in part, by operation of law or otherwise, by Issuer or Grantee without the prior written consent of the other. Any assignment, transfer or delegation in violation of the preceding sentence will be void. Subject to the first and second sentences of this Section 11(g), this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

(h) Further Assurances. In the event of any exercise of the Option by Grantee, Issuer and Grantee will execute and deliver all other documents and instruments and take all other action that may be reasonably necessary in order to consummate the transactions provided for by such exercise.

(i) Enforcement. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Delaware or in Delaware state court, the foregoing being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (i) consents to submit itself to the personal jurisdiction of any Federal court located in the State of Delaware or any Delaware state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a Federal court sitting in the State of Delaware or a Delaware state court.

IN WITNESS WHEREOF, Issuer and Grantee have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the day and year first written above.

MICROPROSE, INC.

By: /s/ Stephen M. Race

Name: Stephen M. Race
Title: Chief Executive Officer

HASBRO, INC.

By: /s/ Harold P. Gordon

Name: Harold P. Gordon
Title: Vice Chairman

SOFTWARE DISTRIBUTION AND LOAN AGREEMENT

SOFTWARE DISTRIBUTION AND LOAN AGREEMENT, dated as of August 11, 1998, by and between HASBRO INTERACTIVE, INC., a Delaware corporation ("Distributor"), and MICROPROSE, INC., a Delaware corporation ("Publisher").

WHEREAS, Publisher designs, develops, manufactures and markets computer software products in various formats and for various platforms;

WHEREAS, Distributor has various distribution and marketing channels which Publisher desires to be used in the sale and distribution of its computer software products;

WHEREAS, the parties hereto desire that Distributor be the exclusive distributor of Publisher's computer software products in the United States and Canada, and that Publisher provide manufacturing and marketing services and promotion for such computer software products, subject to the terms and conditions set forth in this Agreement; and

WHEREAS, as a financial accommodation to Publisher, Distributor has agreed to make available certain loans to Publisher, subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, terms, covenants and conditions set forth herein, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

For purposes of this Agreement:

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Bundling" means combining the Products with any hardware equipment, including, without limitation, any computer system or any multimedia upgrade kit.

"Business Day" shall mean any day excluding Saturday, Sunday and any day which shall be in New York a legal holiday or a day on which banking institutions in New York are authorized or required by law or other government actions to close.

"Change of Control" means (i) any sale, transfer or other conveyance, whether direct or indirect, of a more than 35% of the fair market value of the assets of Publisher, on a consolidated basis, in one transaction or a series of related transactions, (ii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 promulgated pursuant to the Exchange Act), directly or indirectly, of more than 35% of the equity of Publisher then outstanding normally entitled to vote in elections of directors, or (iii) Publisher enters into, or Publisher's Board of Directors approves, any agreement, arrangement or letter of intent with respect to the foregoing, other than as provided by written notice from Publisher to Distributor prior to the execution hereof on the date hereof.

"Collateral Account" shall have the meaning set forth in Article I of the Security Agreement.

"Dealer-Reseller" shall mean any dealer, reseller or other third party intermediary which purchases Software Copies from Distributor for resale solely to End-Users and retailers hereunder, and not for further resale.

"Default" shall mean any event, act or condition which would become an Event of Default with the giving of notice, the lapse of time, or both.

"Documentation" shall mean any instruction manuals or documentation provided by Publisher with the Products.

"End-User" shall mean an end-user customer located within the Licensed Territory who is licensed to use a Software Copy for its internal purposes, and not for resale, redistribution, or any other purpose.

"End-User License Agreement" shall mean an End-User license agreement pursuant to which the Distributor licenses End-Users to use a Software Copy, which shall be in a form approved by Publisher that is at least as protective of the Software Copy under applicable local law as Publisher's then-current standard End-User license agreement.

"Event of Default" shall have the meaning set forth in Section 6.7 hereof.

"Indebtedness" of any Person shall mean, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business of such Person), (ii) all indebtedness of such Person evidenced by a note, bond, debenture or similar instrument, (iii) the face amount of all letters of credit issued for the account of such Person and, without duplication, all unreimbursed amounts drawn thereunder and (iv) all indebtedness of any other Person secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed.

"Intellectual Property Security Agreement" shall have the meaning set forth in Section 6.5(a)(ii) of this Agreement.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Loan Documents" shall mean this Agreement, the Note, the Security Agreement, the Intellectual Property Security Agreement, and any other agreement, instrument or document executed and delivered by Publisher or any of its subsidiaries in connection herewith, including, without limitation, those executed and delivered after the Effective Date under Article VI.

"Notice of Borrowing" shall have the meaning set forth in Section 6.5(f).

"OEM" means original equipment manufacturer.

"Obligations" shall mean all obligations, liabilities and indebtedness of every nature of Publisher from time to time owing to Distributor under or in connection with this Agreement.

"Permitted Lien" shall have the meaning set forth in Section 6.6(c) of this Agreement.

"Person" shall mean and include any individual, partnership, joint venture, firm, corporation, limited liability company or partnership, association, trust or other enterprise or any government or political subdivision or agency, department or instrumentality thereof.

"Products" shall have the meaning set forth in Section 2.2 hereof.

"Publisher Trademarks" means trademarks, trade names, service marks, service names, logos and other similar proprietary rights owned, controlled or licensed by Publisher from time to time with respect to the Products.

"Sale" or "selling" of the Products or Software Copies shall mean the sale of a license to use such Products or Software Copies. All references in this Agreement to the purchase, sale or distribution of Software or Software Copies shall mean the purchase, sale or distribution of a license to use such Software or Software Copy.

"Software Copy" or "Software Copies" shall mean an object code (machine-readable) copy or copies of the Products, together with a copy or copies of any accompanying Documentation redistributing thereto that is designated by Publisher for distribution to End-Users. All such copies shall be fixed on CD-ROM, diskette or other tangible media.

"Territory" means the United States, Canada and any and all United States possessions, territories and military bases.

ARTICLE II
APPOINTMENT OF DISTRIBUTOR

Section 2.1. Appointment and Authority of Distributor.

(a) Appointment of Distributor. Subject to the terms and conditions set forth herein, Publisher hereby appoints Distributor to advertise, promote, resell and distribute ("Distribute") Software Copies of the Products in the Territory, and Distributor hereby accepts such appointment. Such appointment shall be on an exclusive basis during the Term. Distributor's sole remuneration for the Distribution of the Products shall be the fee set forth in Section 5.1 hereof. As a Distributor, Distributor shall have the right to obtain Software Copies from Publisher and to market and resell such Software Copies to End-Users both directly and indirectly.

(b) Territorial and Other Resale Restrictions. All Dealer-Resellers shall have a ship-to address within the Territory and the End-User License Agreement shall limit use of the Products to within the Licensed Territory. The Distributor's marketing rights are expressly limited to the marketing of the Products

under approved Publisher Trademarks pursuant to Article 7 below. The foregoing license is further limited to distribution of Software Copies in tangible packaged goods media, in the format provided by Publisher, which may include CD-ROM or diskette, and no right or license is granted to distribute copies via the Internet or any wide area network (WAN) or otherwise in electronic media. In addition, the Distributor may not distribute the Products on an OEM, Bundled or value-added basis, or through original equipment manufacturers, and may not bundle the Products with the software of a third party, without the prior written consent of Publisher. The Distributor shall use all commercially reasonable efforts to realize the maximum sales potential for the Software Copies in the Territory. The Distributor shall not advertise, market, distribute, sell, or ship the Software Copies outside the Territory, or sell to any party reasonably expected to engage in any of the foregoing acts outside the Territory. The Distributor shall not sell or distribute, or permit the sale or distribution by any party, of the Products in any scheme being a lottery, as premiums, give-aways, discounts, as Bundled merchandise, or in conjunction with any co-branded or other marketing arrangement not approved by Publisher, or for any other purposes not expressly contemplated and permitted by this Agreement.

(c) Additional Restrictions on the Products. The Software Copies may not be reproduced, duplicated, copied, modified, translated or otherwise altered by the Distributor. The Distributor agrees that it will not itself, or through any Subsidiary, affiliate or other third party: (i) lease, timeshare, or encumber the Products; (ii) attempt to decompile, disassemble or reverse engineer the Products in whole or in part, or otherwise attempt to derive the source code of the Publisher Product, or take any other action in derogation of Publisher's or its suppliers' intellectual property rights; or (iii) market, distribute, sell, develop or cause to be developed any derivative software or any other software program based upon Publisher trade secrets or Confidential Information of Publisher.

(d) Reservation of Rights. All rights not expressly granted hereunder are reserved by Publisher. This Agreement does not authorize or imply any rights other than as expressly set forth herein. Without limiting the foregoing, Publisher reserves the right under all of its intellectual property rights to make, have made, develop, market, license, sell and distribute within the Territory any software products other than the Products licensed for resale hereunder, to distribute the Products in the Territory on a Bundled or original equipment manufacturer basis, and to distribute the Products in the Territory via the Internet or any wide area network (WAN) or otherwise in electronic media.

(e) Ownership. Publisher retains ownership of the Products and all right, title and interest therein, provided, however, that nothing contained herein shall be construed to limit, restrict or abrogate any grant of a security interest under the Security Agreement or the Intellectual Property Security Agreement of the Publisher. The Distributor acknowledges and agrees that it is acquiring a limited right to resell certain Software Copies of the Products and a license to use the Publisher Trademarks as specified hereunder. All patents, copyrights, trade secrets and other intellectual property rights in and to the Products shall remain the exclusive property of Publisher or its suppliers. Distributor agrees that, as between Distributor and Publisher, Publisher owns all right, title, and interest in the Products and in all of Publisher's patents, trademarks, trade names, inventions, copyrights, know-how, and trade secrets relating to the design, manufacture, operation or service of the Products. The use by Distributor of any of these property rights is authorized only for the purposes herein set forth or in the Other Loan Documents, and, except as otherwise provided herein or in the Other Loan Documents, upon termination of this Agreement for any reason such authorization shall cease. The Software Copies are offered for sale and are sold by Publisher subject in every case to the condition that such sale does not convey any license, expressly or by implication, to manufacture, duplicate or otherwise copy or reproduce any of the Software Copies, except as expressly set forth herein.

(f) Notification of Unauthorized Use. The Distributor shall promptly notify Publisher in writing upon its discovery of any unauthorized use or infringement of the Products or Publisher's patent, copyright, trademark or other intellectual property rights with respect thereto. Publisher shall have the sole and exclusive right in its sole discretion to bring an infringement action or proceeding for its own account against a third party, and, in the event that Publisher brings such an action or proceeding, the Distributor shall cooperate and provide reasonable information and assistance to Publisher and its counsel in connection with any such action or proceeding.

Section 2.2. Products. For purposes of this Agreement, "Products" includes all computer software and hardware and related products manufactured or marketed by Publisher prior to and during the term of this Agreement. The term "Products" does not include, however, those computer software and hardware and related products for which Publisher does not have the right, pursuant to agreements that are in force on the date hereof and listed on Exhibit A hereto ("Excluded Products"), to grant to Distributor the rights described herein, except that, with respect to such Excluded Products, Distributor shall have the rights described herein

to the extent permissible under such existing agreements. In addition, Publisher shall use commercially reasonable efforts to (i) obtain for Distributor the full rights hereunder to the Excluded Products and (ii) make available to Distributor any comparable distribution rights which become available during the term of this Agreement in the Territory, as such rights become available. Upon such termination, such computer software and hardware and related products shall be deemed "Products" for purposes of this Agreement.

Section 2.3. Consents. Publisher has secured or will use all commercially reasonable efforts to secure for the Products and the Publisher Trademarks all necessary licenses and consents required pursuant to all applicable copyright and other intellectual property laws and waivers of any and all moral rights free of royalty and fees to the relevant parties for Distributor to exercise its rights under this Agreement with respect to the Publisher Trademarks and the Products. Any and all expenses incurred by Publisher to obtain such licenses and consents from third parties shall be borne by Publisher.

Section 2.4. Right of First Offer. If Publisher desires to grant a third party license to develop, manufacture or market conversions of any Products in formats or on platforms other than as manufactured or marketed by Publisher, Publisher and Distributor shall enter into good faith negotiations to reach an agreement with respect to such other formats or platforms. In the event that Publisher and Distributor are unable to reach an agreement within 60 days after commencing such negotiations, and at such time or thereafter Publisher is considering entering into an agreement or arrangement with a third party, Publisher shall first give written notice of its intention to enter into such agreement or arrangement to Distributor, specifying the material terms thereof, and Distributor shall have 20 days from the receipt of such notice to enter into such agreement or arrangement with Publisher on the same terms as specified in such notice. If Distributor does not exercise such right by the end of such 20 day term, Publisher may enter into such agreement or arrangement with such third party on terms identical to those specified in its notice to Distributor. Notwithstanding the foregoing, nothing herein shall be deemed to restrict Publisher's right to manufacture or market any Products in formats or on platforms other than those existing on the date hereof if such manufacturing or marketing activities are carried out by Publisher, and not by a third party.

ARTICLE III
TERM

Section 3.1. Initial Term. This Agreement is effective as of the date hereof (the "Effective Date") and, subject to extension or earlier termination as provided for herein, shall terminate on March 31, 2001 (the "Initial Term"). Distributor's right to Distribute the Products is effective as soon as is reasonably practicable after the date hereof, in Distributor's sole discretion.

Section 3.2. Renewal. Distributor and Publisher, in their sole discretion, may mutually agree to renew this Agreement at the end of the Initial Term or any subsequent renewal thereof for a period of one (1) year from such date (a "Renewal Term"). Prior to the end of the Initial Term or any Renewal Term the parties shall conduct good faith discussions regarding the renewal of such term, provided, however, that neither party shall be obligated to renew such term. Unless otherwise provided, the Initial Term and all Renewal Terms shall be referred to as the "Term."

ARTICLE IV
DISTRIBUTION, MARKETING AND SUPPORT OF THE PRODUCTS

Section 4.1. Creation and Delivery of Products. Publisher shall be responsible for, and shall bear the costs associated with, creating the Products, including, without limitation, research and development and preparing, producing, manufacturing, developing and packaging the Products and the associated documentation and inserts. Publisher shall manufacture the Products to be final Products, containing, at a minimum, final software and instruction manuals consistent with Publisher's existing practices. Publisher shall use commercially reasonable efforts to meet the reasonable delivery dates and reasonable quantities set forth on Distributor's orders. At the request of either party, the parties shall consult in good faith with respect to inventory held by Publisher and/or Distributor and forecasts of future orders. Products ordered by Distributor hereunder shall be shipped to such location as designated by Distributor, freight prepaid by Publisher, on a consignment basis, for sale and shipment by Distributor to its customers. Distributor may request from time to time for Publisher to ship products directly to Distributor's customers, and such shipments shall be treated under this Agreement as a sale and shipment by Distributor, as if such Products had been shipped to Distributor by Publisher and then sold and shipped by Distributor to Distributor's customers. Any shipments by

Distributor to its customers, or by Publisher to Distributor's customers at Distributor's request, shall be at Distributor's sole expense.

Section 4.2. Quality and Support. Publisher agrees that the Products shall conform to the standards of quality consistent with Publisher's prior products in the same price classification. Publisher shall maintain reasonable and adequate quality assurance for the Products as is customary in the industry. Publisher shall be also responsible for, and provide, consumer technical support for the Products consistent with its current practice, and in no event less than a level of support that is customary in the industry.

Section 4.3. Risk of Loss. Distributor shall bear the risk of loss for all Products after such Products are received by Distributor in accordance with orders placed by Distributor pursuant to Section 4.1 above. Risk of loss shall pass to Publisher upon receipt by Publisher of any Products returned by Distributor pursuant to Section 4.6.

Section 4.4. Sales Literature. Publisher agrees to provide at Publisher's cost to Distributor such quantities of specification sheets, catalogs and other printed sales materials relating to the Products that Publisher prepares for the marketing and promotion of the Products as may be reasonably requested by Distributor in sufficient time before the release of the Products and continuing for the life of the Products.

Section 4.5. Marketing Support. Publisher agrees to use commercially reasonable efforts to provide at its expense advertising and public relations support in order to facilitate the marketing of the Products by Distributor in the Territory. Prior to and throughout the Term of this Agreement, Publisher agrees to consult with Distributor on the nature and extent of its market support activities. Publisher agrees to provide Distributor with a reasonable number of free trade and press samples of the Products as requested from time to time by Distributor. A representative of Publisher reasonably satisfactory to Distributor shall, at Publisher's or Distributor's reasonable request, accompany Distributor on sales calls and at meetings with Distributor's customers, at Publisher's expense. Distributor shall manage co-op marketing and advertising with respect to Products Distributed by Distributor and Publisher shall bear the expense thereof up to an amount equal to 5.5% of Distributor's gross sales in each fiscal year of Distributor or a greater amount that is mutually agreed upon by the parties. Credits or refunds for co-op marketing granted by Distributor may be deducted by Distributor from payments due Publisher hereunder.

Section 4.6. Consignment and Return. All Products ordered by Distributor and delivered by Publisher shall be held for the benefit of Publisher until shipped to Distributor's customers and at no time shall title of Products ordered by or delivered to Distributor pass to Distributor. Products shall be shipped by Distributor to its customers F.O.B. point of shipment. Costs of freight shall be the responsibility of such customer or Distributor, as agreed upon by Distributor and its customers in accordance with current trade practices. Distributor's return policy shall provide that customers may return Products as defective or for stock balancing with approval of Distributor and an authorized return merchandise authorization number ("RMA"). Distributor shall have the right to return to Publisher any and all Products (i) not manufactured to the quality standards of products customarily distributed by Distributor; (ii) not delivered in accordance with the order placed by Distributor or the terms and conditions of this Agreement; (iii) that are defective in operation or packaging; (iv) returned by Distributor's customers or end-users; or (v) which Distributor does not Distribute. Distributor shall request from Publisher a RMA for returns by a Distributor customer in excess of one thousand (1,000) units, and Publisher shall issue such RMA number to Distributor unless such customer does not return such units. Distributor and Publisher shall consult with respect to the actions to be taken with respect to requests by Distributor customers to return units of the Products in excess of one thousand (1,000) units. Distributor shall be responsible for costs of freight and insurance for all Products returned to Publisher, except for returns pursuant to items (i), (ii) or (iii) of this Section or in the event that Distributor terminates this Agreement pursuant to Sections 11.2(a) or 11.2(b). Following the termination of this Agreement, Publisher shall be responsible for all requests for returns of Products from Distributor's customers, including credits or refunds with respect thereto, and Distributor shall have no responsibility or liability of any kind with respect thereto, except as set forth in this paragraph below. For each unit of a Product returned to Publisher following the termination of this Agreement, by a customer who acquired such Product from Distributor, in excess of the aggregate units of such Product Distributed to such customer following such termination, Distributor shall pay to Publisher the lesser of fifteen percent (15%) of the amount Publisher actually refunds or credits such customer for such returned unit or the amount received by Distributor pursuant to Section 5.1 for the Distribution of such returned unit. Distributor shall pay such amount to Publisher within sixty (60) days of receipt of an invoice detailing the customer returning the Products, the number of units of the Products returned, the number of units of the Products Distributed to such customer following termination of this Agreement and the amount of the refund or credit with respect to such returns actually granted by Publisher. Notwithstanding

the foregoing, except for returns pursuant to items (i), (ii), and (iii) of this Section, Distributor may not return more than 18% of all Products Distributed during any year or 25% of a single identified Product.

Section 4.7. General. Subject to Section 4.8 below and the other terms of this Agreement, all aspects of Distributor's exercise of any and/or all of the rights herein granted by Publisher with respect to the Distribution of the Products during the Term shall be undertaken in Distributor's sole discretion, including without limitation, returns policies, terms and conditions of sale, compilation of customer names and use of warranty and end-user registration information. Distributor agrees that it shall disclose to Publisher and Publisher agrees that it shall disclose to Distributor, following the other party's written request, any warranty or end-user registration information with respect to the Products previously Distributed by Distributor. Publisher shall be solely liable and responsible for any uses it makes of such information.

Section 4.8. Pricing. Publisher shall, after consultation with Distributor, develop a price list with respect to the Products, which may include different prices for Products Distributed in Canada. Such price list shall set forth the price Distributor shall charge its customers for the Products, prior to any customary trade discounts, rebates, promotional allowances or fees, and commission splits Distributor may offer customers for the Products. Such price list may also set forth the guidelines for co-op advertising, price protection, allowances for defective Products, shipping charges and promotional incentives as such policies are set forth in this Agreement. Distributor may Distribute Products without consulting Publisher as long as prices are consistent with the price list. Distributor shall consult with Publisher regarding any price protections or price reductions.

Section 4.9. Warranty Obligation. Publisher shall be fully responsible for providing a warranty to End-Users, to the extent determined by Publisher, for the Products. Distributor shall pass on to End-Users Publisher's standard limited warranty and other terms contained in the End-User License Agreement included with each Software Copy but Distributor shall have no warranty obligation to End-Users.

Section 4.10. Consumer Adviser Rating Compliance. Publisher agrees that, if so required by Distributor and/or any governmental entity, it shall submit each Product or materials associated with such Product to such third party as is designated by Distributor and/or the governmental entity for the purpose of obtaining consumer

advisory rating code(s) for each Product. Any and all costs and expenses incurred in connection with the procurement of such consumer advisory rating code(s) shall be borne solely by Publisher.

ARTICLE V
TERMS OF PAYMENT WITH RESPECT TO DISTRIBUTION

Section 5.1. Service Fees. Distributor shall be entitled to receive payment of, and to deduct and retain a monthly service fee (the "Service Fee") equal to, 17.5% of Net Receipts for each fiscal month of Distributor or, in the case of the first month, the number of days in which this Agreement is in effect, in consideration of Distributor's Distribution of the Products. Payment of the Service Fee shall have priority over all payments to Publisher and other deductions by Distributor under this Agreement. For the purposes of this Agreement, "Net Receipts" shall mean, for any period, monies received by Distributor from customers in respect of sales of the Products less customary trade discounts, price protection and monies credited to customers' accounts for sales returns, in each case during such period.

Section 5.2. Uncollectible Accounts. Distributor shall manage the invoicing and collection of amounts due Distributor for its Distribution of Products. Distributor shall take such steps as it deems reasonable and appropriate to collect any such amount which is overdue. Distributor shall determine in its sole discretion exercised in good faith (but in any event no later than six (6) months after such amount was due) when an amount may be deemed uncollectible. In the event that all or any portion of an amount deemed uncollectible is later collected, Distributor shall remit such amount in conjunction with the statements and payments to be made pursuant to Paragraph 5.3(a) below.

Section 5.3. Statements and Payment Terms.

(a) Within ten (10) days following the end of each fiscal month of Distributor (each, a "Payment Date") during the Term, Distributor shall provide Publisher with a written statement specifying for each Product: (i) the total number of Products Distributed during such month; (ii) the Net Receipts collected during such month for the Distribution of the Products; (iii) the deductions pursuant to Sections 4.5, 5.1, 6.3 and 6.4 for such month; (iv) any required tax deductions; (v) any other deductions for money owed Distributor hereunder, including, without limitation, pursuant to Article VI hereof; and (vi) the balance of the Net Receipts due Publisher in respect of such month. With such statement and subject to the

provisions of this Agreement, including the foregoing deductions, Distributor shall pay Publisher the consideration due Publisher in respect of that month. Until the Loans (as defined in Section 6.1 hereof) shall be paid in full, the set-offs permitted by Sections 6.3(b) and 6.4(b) shall remain in effect. Distributor's payment terms with its customers shall not exceed 60 days from the date of shipment by Distributor without the prior written consent of Publisher.

Section 5.4. Books and Records. Distributor shall maintain, at its offices, books of account and records concerning the calculation of Net Receipts. An independent certified public accountant or representative of Publisher (who shall have signed a confidentiality agreement with Distributor in customary form) appointed by Publisher may examine Distributor's books and records solely for the purpose of verifying the accuracy thereof and of the invoice payment statements and royalties provided hereunder, only during Distributor's normal business hours and upon not less than fourteen (14) days prior written notice and not more than once in any calender year; provided however, that Distributor's books and records shall be deemed conclusive and no examination shall be permitted with respect to such books and records that Publisher has not examined pursuant to this Section 5.4 within two years after the date of such books and records. Any such audit shall be at Publisher's sole expense unless such inspection uncovers a shortfall of at least 10% of the amounts due to Publisher for such period, in which case Distributor shall reimburse Publisher for the reasonable cost of such audit. The rights hereinabove granted to Publisher party constitute Publisher's sole and exclusive rights to examine the Distributor's books and records.

Section 5.5. Minimum Biannual Payment Obligations. (a) Distributor and Publisher shall jointly determine and agree upon the expected minimum amounts payable pursuant to the terms of this Agreement (after giving effect to deductions for the Service Fee, satisfaction of principal on and interest on the Loans and other appropriate set-offs or deductions) during each six-month period commencing April 1, 1999 (the "Minimum Obligations") as determined in meetings to be held between Publisher and Distributor prior to the beginning of each Six-Month Period at which Publisher and Distributor shall use reasonable good faith efforts to determine such Minimum Obligations. As used herein, "Six-Month Period" means the six (6) month period following April 1, 1999, and each subsequent six-month period thereafter and continuing until the expiration of the Term. In the event that Distributor fails to pay the Publisher the Minimum Obligation for any Six-Month Period, Publisher, by providing written notice (setting forth payments received and any claimed shortfall) to Distributor within thirty (30) days of the last Payment Date of such Six-Month

Period, may terminate this Agreement upon the expiration of next Six-Month Period, which termination shall be Publisher's sole and exclusive remedy for Distributor's failure to meet the Minimum Obligation. If Publisher provides Distributor with such notice, Distributor shall have thirty (30) days in which to cure such breach by payment of the amount by which Distributor's payments to Publisher for such Six-Month Period fell below 75% of the Minimum Obligation for such period.

(b) In the event that Publisher and Distributor are unable to agree on the Minimum Obligations by the commencement of any Six-Month Period pursuant to the first sentence of Section 5.5(a), after using reasonable good faith efforts to do so, such disagreement shall be finally settled by arbitration conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") in effect as of the date of the arbitration, except as they may be modified herein or by mutual agreement of Parent and Publisher. The parties shall use reasonable best efforts to complete the arbitration within 90 days after such disagreement is submitted to arbitration. The arbitration shall be conducted by three arbitrators, each having substantial experience in, or knowledge of, the interactive computer software industry, selected within thirty days following the submission of a dispute to arbitration as follows: (i) one arbitrator shall be selected by Distributor; (ii) one arbitrator shall be selected by Publisher; and (iii) one arbitrator shall be selected from a list of five names submitted by the AAA as follows: starting with Distributor, Distributor and Publisher shall alternately have four days beginning with the transmittal date of the list in which to strike one name from the list until only one name, that of the third arbitrator, remains. If either Distributor or Publisher does not strike a name from the list within the four day period, the other shall have the right to select the third arbitrator from the names remaining on the list. Any arbitration conducted pursuant to this Section 5.5(b) shall be decided by the vote of at least two of the three arbitrators, and the final decision shall be in the form of a reasoned, written statement of the amount of the Minimum Obligation for the Six-Month Period for which the parties are unable to agree. Each of Distributor and Publisher stipulates that the provisions hereof, and the decision of the arbitrators with respect to disagreement with respect to the amount of the Minimum Obligation, shall be final and binding upon the parties and shall be the sole and exclusive remedy for such disagreement. Each Distributor and Publisher hereby acknowledges that since arbitration is the exclusive remedy, neither Distributor nor Publisher has the right to resort to any federal, state or local court or administrative agency concerning any dispute, controversy or claim with respect to the parties inability to agree on the amount of the Minimum Obligation and that the decision of the arbitrators shall be a complete defense to any suit, action or proceed-

ing instituted in any federal, state or local court or before any administrative agency with respect to the parties inability to agree on the amount of the Minimum Obligation; provided that the decision of the arbitrators is subject to vacation by a court of competent jurisdiction pursuant to the terms of the Federal Arbitration Act. It is the intention of the parties that the arbitration decision will be final and binding. The arbitration shall be held in the City, County and State of New York.

ARTICLE VI
LOANS BY DISTRIBUTOR

Section 6.1. Loans. (a) Subject to and upon the terms and conditions hereof, Distributor agrees at any time and from time to time after the date hereof and prior to October 15, 1998 (the "Borrowing Expiration Date") to make loans (collectively, the "Loans") to Publisher, in an amount not to exceed $5,500,000 in the aggregate (the "Maximum Loan Commitment") and, in any event, not to exceed, in the aggregate, the lesser of $1,500,000 or the Maximum Loan Commitment as reduced pursuant to clause (b) of this Section 6.1, as of August 21, 1998; the lesser of $3,500,000 or the Maximum Loan Commitment as reduced pursuant to clause (b) of this Section 6.1, as of September 4, 1998; the lesser of 5,000,000 or the Maximum Loan Commitment as reduced pursuant to clause (b) of this Section 6.1, as of September 18, 1998; and the lesser of $5,500,000 or the Maximum Loan Commitment as reduced pursuant to clause (b) of this Section 6.1, as of October 14, 1998; and at all times thereafter. Publisher agrees, covenants, represents and warrants that such Loans shall be used only for operating working capital needs of the Publisher consistent with past practice.

(b) Once prepaid or repaid, the Loans may not be reborrowed. Each prepayment of the Loans shall, to the extent of the principal amount so prepaid, permanently reduce the Maximum Loan Commitment by such amount. The Loans shall, to the extent not prepaid in full, mature and be due and payable on the six-month anniversary of the Effective Date (the "Maturity Date"), without further action on the part of Distributor.

Section 6.2. Notes; Recordation. (a) Publisher's obligation to pay the principal of and interest on the Loans shall be evidenced by a promissory note duly executed and delivered by Publisher, substantially in the form of Exhibit B hereto (the "Note"). Publisher shall be obligated from time to time to pay, on the terms set forth herein and in the Note, the lesser of the face amount of the Note and the actual aggregate principal amount outstanding.

(b) Distributor is hereby authorized to record the date and amount of each Loan and each principal and interest payment in respect thereof in its books and records or on the Note. Such books and records or Note shall constitute prima facie evidence of the accuracy of the information contained therein.

Section 6.3. Interest. (a) Publisher agrees to pay interest in respect of the unpaid principal amount of the Loans from the Drawdown Date (as defined in the relevant Notice of Borrowing) until the Loans shall be paid in full at a per annum rate of 12%, or such lesser amount as will not violate applicable law. Such interest shall be computed on the basis of a 365-day year, and paid for the number of days elapsed.

(b) Interest on the Loans shall accrue from and including the relevant Drawdown Date to but excluding the date of any repayment thereof and shall be payable in arrears on each Payment Date, the date of any principal repayment or prepayment (whether mandatory or voluntary), at maturity (whether by acceleration or on the Maturity Date) and, after such maturity, on demand. Each payment of interest required to be made in connection with a mandatory prepayment on each Payment Date shall be deducted, pursuant to Section 5.3(a)(v) hereof, from the amount otherwise payable to the Publisher pursuant to Section 5.3 and may, in the Distributor's sole discretion, be set off against amounts otherwise payable to Publisher under Section 5.3(a). Each such deduction and application shall be made second in order of priority, following deduction of the Service Fee then payable, provided, however, that nothing contained herein shall limit, extinguish or reduce the Publisher's unconditional, general obligation to repay all amounts owing from time to time hereunder or under the other Loan Documents, and provided further, that in the event that Net Receipts for the months of August and September, 1998 are insufficient to pay all interest then accrued and owing on the Loans, any such shortfall shall not be payable until the first Payment Date occurring after October 15, 1998.

(c) In the event that, and for so long as, an Event of Default under Section 6.7 shall have occurred and be continuing, the outstanding principal amount of the Loans and, to the extent permitted by law, overdue interest in respect of the Loans, shall bear interest at a rate per annum equal to 2% per annum in excess of the highest legal amount applicable under clause (a) above, such interest to be computed on the basis of a 365-day year, and paid for the number of days elapsed.

Section 6.4. Prepayments, Payments. (a) Publisher shall have the right voluntarily to prepay the Loans in whole or in part from time to time without premium or penalty, but together with all interest owing on the amount being prepaid, in principal amounts not less than $250,000, provided that Publisher shall give Distributor written notice (or telephonic notice promptly confirmed in writing), of its intent to prepay all or part of the Loans, at least one Business Day prior to such prepayment, which notice shall specify the amount of such prepayment.

(b) On each Payment Date, Publisher shall be required to make a principal prepayment on the Loans in an amount equal to 32.5% of Net Receipts for the previous fiscal month of Distributor. Each mandatory prepayment of principal required to be made on each Payment Date shall be deducted, pursuant to Section 5.3(a)(v) hereof, from the amount otherwise payable to the Publisher pursuant to Section 5.3, and may, in the Distributor's sole discretion, be set off against amounts otherwise payable to Publisher under Section 5.3(a). Each such deduction and application shall be made third in order of priority, following deduction of the Service Fee and accrued interest then payable; provided, however, that nothing contained herein shall limit, extinguish or reduce the Publisher's unconditional, general obligation to repay all amounts owing from time to time hereunder or under the other Loan Documents.

(c) All payments to be made to Distributor by Publisher under this Agreement (including, without limitation, under this Article VI), shall be made by Publisher without set-off, counterclaim or any other deduction by Publisher. Notwithstanding any other provision of this Agreement, all amounts payable by customers or any other Person in connection with Distribution of the Products shall be payable directly to Distributor for deposit to the Collateral Account (as defined in the Security Agreement of Publisher), for distribution in accordance with the terms hereof and thereof, and to the extent of any inconsistency between any Security Agreement and this Agreement, the terms of the relevant Security Agreement shall govern and control. All payments shall be made in lawful money of the United States of America in immediately available funds to such account as may be specified from time to time in writing to Publisher.

Section 6.5. Conditions Precedent to Loans. The obligation of Distributor to make each Loan is subject to the satisfaction of the following conditions precedent:

(a) Loan Documents.

(i) Note. Publisher shall have executed and delivered to Distributor the Note in the amount and as otherwise provided herein.

(ii) Collateral Security Agreements. Each of Publisher and each of its subsidiaries (other than non-U.S. subsidiaries) shall have executed and delivered to Distributor a security agreement substantially in the form set forth as Exhibit C-1 hereto (collectively, as amended, modified or supplemented from time to time, the "Security Agreement") and intellectual property security agreements substantially in the forms set forth as Exhibits C-2-A and C-2-B hereto (collectively, as amended, modified or supplemented from time to time, the "Intellectual Property Security Agreement").

(b) UCC-1 Financing Statements. Distributor shall have received UCC-1 financing statements signed by Publisher and each of its active subsidiaries (other than non-U.S. subsidiaries) as debtor, naming Distributor as secured party with respect to all assets and properties of Publisher and its subsidiaries (other than non-U.S. subsidiaries) and that are otherwise in appropriate form for filing in the filing offices set forth in Schedule I of the Security Agreement and Distributor shall have filed such UCC-1 financing statements in the applicable jurisdictions, which Distributor shall do promptly after receipt thereof.

(c) Trademark and Copyright Assignments. Each of Publisher and its subsidiaries requested by Distributor to do so shall file such trademark and copyright assignment agreements and such other documents as are reasonably requested by Distributor.

(d) Additional Matters. Distributor shall have received such other certificates, opinions, documents and instruments relating to the transactions contemplated hereby as may have been reasonably requested by Distributor, and all corporate and other proceedings and all other documents (including, without limitation, all documents referred to herein and not appearing as exhibits hereto) and all legal matters in connection with such transactions shall be satisfactory in form and substance to Distributor.

(e) Use of Proceeds. The proceeds of such Loans shall be used to fund Publisher's operating working capital needs consistent with past practice.

(f) Notice of Borrowing. Distributor shall have received a duly executed and completed a notice of borrowing in respect of such Loan, in substantially the form of Exhibit D (a "Notice of Borrowing"), at least three Business Days prior to the desired date for the making of such Loan.

(g) Representations and Warranties. The representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects on such date.

(h) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date.

(i) No Injunction. No law or regulation shall have been adopted, no order, judgment or decree of any governmental authority shall have been issued, and no litigation shall be pending or threatened, which in the judgment of Distributor would enjoin, prohibit or restrain, or impose or result in the imposition of any material adverse condition upon, the making or repayment of such Loan.

Section 6.6. Covenants. The Publisher covenants that from the date of this Agreement and thereafter so long as the Note is outstanding:

(a) Accounting; Financial Statements and Other Information. The Publisher will maintain a system of accounting established and administered in accordance with GAAP. The Publisher will deliver to Distributor: (i) within 45 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Publisher, consolidated and consolidating balance sheets of the Publisher and its subsidiaries as at the end of such period and the related consolidated and consolidating statements of income, stockholders' equity and changes in financial position of the Publisher and its subsidiaries for such period, certified by the principal financial officer of the Publisher as presenting fairly the information contained therein, subject to normal year-end audit adjustments; (ii) within 90 days after the end of each fiscal year of the Publisher, consolidated and consolidating balance sheets of the Publisher and its subsidiaries as at the end of such year and the related consolidated and consolidating statements of income, stockholders' equity and changes in financial position of the Publisher and its subsidiaries for such fiscal year,

setting forth in each case in comparative form the consolidated and consolidating figures for the previous fiscal year, certified by independent public accountants of recognized national standing selected by the Publisher, which shall state that such consolidated financial statements present fairly the financial position of the Publisher and its subsidiaries as at the dates indicated and the results of their operations and changes in their financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with GAAP; (3) together with each delivery of financial statements pursuant to clause (1) or (2) hereof, an officer's certificate as to no Event of Default or Default; and (4) immediately upon any officer of the Publisher obtaining knowledge of any condition or event which constitutes an Event of Default, an officer's certificate describing the same and the period of existence thereof and what action the Publisher has taken, is taking and proposes to take with respect thereto;

(b) Inspection. The Publisher will permit any authorized representatives of Distributor to visit and inspect any of the properties of the Publisher or any of its subsidiaries, including its and their books of account, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants (and by this provision the Publisher authorizes such accountants to discuss with such representatives the affairs, finances and accounts of the Publisher and its subsidiaries, provided, that the Publisher is present), all at such reasonable times and as often as may be reasonably requested, at Publisher's expense.

(c) Liens, etc. The Publisher will not, and will not permit any subsidiary of the Publisher to, directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Publisher or any subsidiary of the Publisher, whether now owned or held or hereafter acquired, or any income or profits therefrom (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the last sentence of this Section), except for the following (collectively, "Permitted Liens"):

(i) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required;

(ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or the payment of which is not at the time required;

(iii) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure (or to obtain letters of credit or surety, appeal or performance bonds which secure) the performance of bids, tenders, statutory obligations, leases, purchase, construction or sales contracts and other similar obligations, in each case not incurred in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of property;

(iv) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Publisher or any of its subsidiaries;

(v) Liens granted in connection with that certain facility agreement, dated as of July 28, 1998, between Barclays Bank PLC, as secured party and MicroProse Limited, as debtor;

(vi) a Lien in favor of Sony Signatures, as agent for Tristar Pictures, on the "Starship Troopers" trademark, copyrights and related assets;

(vii) Liens granted under that certain mortgage on certain German real property of the Company, dated March 19, 1994 in favor of WestLB Bank, as secured party;

(viii) Liens granted in connection with that certain factoring agreement, dated as of July 13, 1998, between Aerofund Financial Inc., as secured party and MicroProse, Inc., as debtor (the "Aerofund Agreement");

(ix) Liens in favor of Oracle Credit Corporation under an Agreement dated May 30, 1997, on certain accounting software equipment;

(x) equipment Liens on office equipment, arising in the ordinary course and consistent with past practices; and

(xi) those Liens existing on the Effective Date, as to which the representation and warranty set forth in Section 9.1(h) is true (collectively, the "Scheduled Liens"), provided that the Publisher covenants and agrees

within 45 days following the Effective Date, to use reasonable best efforts to obtain releases and UCC termination statements of all Scheduled Liens from the relevant secured parties, and to use reasonable best efforts to obtain releases and UCC termination statements in connection with Aerofund Agreement, and to deliver same to Distributor for filing or recordation wherever appropriate.

(d) Investments, Borrowings, Guaranties, etc. The Publisher will not, and will not permit any of its subsidiaries to, directly or indirectly (i) make or own any investment other than those existing on the date hereof, or (ii) to make any borrowings under the Aerofund Agreement, and will use its reasonable best efforts to terminate such factoring arrangement, or (iii) create or become or be liable with respect to any guaranty.

(e) Restricted Payments. The Publisher will not directly or indirectly declare, order, pay, make or set apart any sum for any payment of dividends.

(f) Transactions with Affiliates. The Publisher will not, and will not permit any of its subsidiaries to, directly or indirectly, engage in any transaction, including, without limitation, the purchase, sale or exchange of assets or the rendering of any service, with any affiliate of the Publisher, except in the ordinary course of and pursuant to the reasonable requirements of the Publisher's or such Subsidiary's business and upon fair and reasonable terms.

(g) Consolidation, Merger, Sale of Assets, etc. The Publisher will not, and will not permit any of its subsidiaries to, directly or indirectly, consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, or sell, lease, abandon or otherwise dispose of all or substantially all or any substantial part its assets in one or a series of transactions.

(h) Corporate Existence, etc. The Publisher will at all times preserve and keep in full force and effect its corporate existence, and rights and franchises deemed material to its business, and those of each of its subsidiaries.

(i) Payment of Taxes and Claims. The Publisher will, and will cause each of its subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or profits before any penalty or interest accrues

thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon any of its properties or assets.

(j) Insurance, etc. The Publisher will maintain or cause to be maintained in good repair, working order and condition all properties used or useful in the business of the Publisher and its subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof. The Publisher will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its and its subsidiaries' properties and businesses against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations.

(k) Conditions Subsequent to Initial Loan. Publisher covenants and agrees, forthwith upon demand by Distributor, (i) to cause each of its non-U.S. subsidiaries, to execute, deliver and perform a Security Agreement, and in the case of each such subsidiary owning or having any rights in or to any intellectual property, each relevant Intellectual Property Security Agreement (to the extent, in the case of non-U.S. subsidiaries, permitted by applicable foreign law), (ii) to execute and deliver stock pledge agreements covering the capital stock of each of its subsidiaries (to the extent, in the case of non-U.S. subsidiaries, permitted by applicable foreign law), and in connection therewith to deliver all certificates evidencing any capital stock of its subsidiaries, (iii) to remove the Scheduled Liens in accordance with Section 6.6(c)(xi) hereof, and (iv) to take all other reasonable actions requested by Distributor in connection with the foregoing to create, preserve and protect the security interest intended to be granted to Distributor hereunder.

Without prejudice to any other provision of any Loan Document, Publisher covenants and agrees that it will not permit any subsidiary to create or suffer to exist any Lien upon any of such Subsidiary's properties or assets, other than Permitted Liens and the Liens in favor of the Secured Parties under the Loan Documents.

Section 6.7. Events of Default. Each of the following events, acts, occurrences or conditions shall constitute an "Event of Default" under this Agreement, regardless of whether such event, act, occurrence or condition is voluntary or involuntary or results from the operation of law or pursuant to or as a result of

compliance by any Person with any judgment, decree, order, rule or regulation of any court or administrative or governmental body:

(a) Failure to Make Payments. Publisher shall default for 10 days in the payment when due of any principal of or interest on any Loan or any other Obligations.

(b) Breach of Representation or Warranty. Any representation or warranty made by Publisher herein or in any other Loan Document or any certificate or statement delivered pursuant hereto or thereto shall prove to be false or misleading in any material respect on the date as of which made or deemed made.

(c) Breach of Covenants. Publisher shall fail to perform or observe any agreement, covenant or obligation under this Agreement or any other Loan Document not otherwise specifically covered by this Section 6.7 and such failure shall continue unremedied for 30 or more days after Publisher has received notice thereof.

(d) Termination of Agreement. This Agreement shall have been terminated.

(e) Change of Control. There shall have occurred a Change in Control.

(f) Bankruptcy, etc. (i) Publisher or any subsidiary shall commence a voluntary case concerning itself under the Bankruptcy Code; or (ii) an involuntary case is commenced against Publisher or any subsidiary and the petition is not dismissed within sixty (60) days after commencement of the case; or (iii) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Publisher or any subsidiary or Publisher or any subsidiary commences any other proceedings under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Publisher or any subsidiary or there is commenced against Publisher or any subsidiary any such proceeding which remains undismissed for a period of sixty (60) days; or (iv) any order of relief or other order approving any such case or proceeding is entered; or (v) Publisher or any subsidiary is adjudicated insolvent or bankrupt; or (vi) Publisher or any subsidiary allows any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for

a period of sixty (60) days; or (vii) Publisher or any subsidiary makes a general assignment for the benefit of creditors; or (viii) Publisher or any subsidiary shall fail to pay, or shall state that it is unable to pay, its debts generally as they become due; or (ix) Publisher or any subsidiary shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or (x) Publisher or any subsidiary shall by any act or failure to act consent to, approve of or acquiesce in any of the foregoing; or (xi) any action is taken by Publisher or any subsidiary for the purpose of effecting any of the foregoing.

(g) Default Under Other Agreements. Publisher shall default in the payment when due (whether by scheduled maturity, required prepayment, acceleration, or otherwise) of any amount owing in respect of any Indebtedness (other than the Obligations) in excess of $50,000 in the aggregate; or Publisher shall default in the performance or observance of any obligation or condition with respect to any such Indebtedness or any other event shall occur or condition shall exist, if the effect of such default, event or condition is to accelerate the maturity of any such Indebtedness or to permit the holder or holders thereof, or any trustee or agent for such holders, to accelerate the maturity of any such Indebtedness, or any such Indebtedness shall become or be declared to be due and payable prior to its stated maturity other than as a result of a regularly scheduled payment.

Section 6.8. Rights and Remedies. Upon the occurrence of any Event of Default described in Section 6.7(f) hereof, the then unpaid principal amount of, and any and all accrued interest on, the Loans shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind (including, without limitation, valuation and appraisement, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by Publisher; and upon the occurrence and during the continuance of any other Event of Default, Distributor may in its sole discretion declare the unpaid principal amount of, and any and all accrued and unpaid interest on, the Loans to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind (including, without limitation, valuation and appraisement, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by Publisher.

Section 6.9. Set-off, etc. Distributor shall have the right, without prior notice to Publisher, any such notice being expressly waived by Publisher to the fullest extent permitted by applicable law, to set-off or recoup and apply against any Obligation hereunder any and all credits, obligations or claims, whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by Distributor to or for the credit or the account of Publisher, howsoever arising, in addition to all other rights and remedies of Distributor at law, in equity or under any Loan Document.

ARTICLE VII
TRADEMARKS

Section 7.1. Right to Use. During the term of this Agreement, the Distributor shall have the right and shall be required to indicate to the public within the Licensed Territory that it is an authorized Distributor of the Products and shall be required to market and advertise the Products under the Publisher Trademarks. Notwithstanding the foregoing, any use of Publisher's Trademarks on Web sites or other postings on the Internet or in other electronic transmissions via computer networks shall be subject to the prior written approval of Publisher (which shall not be unreasonably withheld). The Distributor shall not use Publisher's Trademarks, or any other copyright, trademark, logo or other right of Publisher in any manner contrary to public morals, in any manner which is deceptive or misleading, which is derogatory to Publisher's Trademarks, or which compromises or reflects unfavorably upon the goodwill, good name, reputation or image of Publisher or Publisher's Trademarks, or which might jeopardize or limit Publisher's proprietary interest in Publisher's Trademarks. Nothing herein shall grant to the Distributor any right, title or interest in Publisher's Trademarks. All uses of Publisher's Trademarks hereunder by the Distributor shall inure solely to the benefit of Publisher. At no time during or after the term of this Agreement shall the Distributor challenge or assist other to challenge Publisher's Trademarks or the registration thereof or attempt to register any trademarks, marks or trade names confusingly similar to those of Publisher.

Section 7.2. Approval of Representations. All representations of Publisher's Trademarks that the Distributor intends to use shall first be submitted to Publisher for approval in writing (which shall not be unreasonably withheld). The Distributor shall not use any of Publisher's Trademarks in conjunction with another trademark on or in relation to any other software without Publisher's prior written approval. All uses shall be subject to approval by Publisher to ensure that the Publisher's Trademarks are not used by the Distributor in a manner that is unautho-

rized by Publisher. In the event Publisher does not approve a use by Distributor, it shall promptly provide Distributor with a written report detailing the reasons for rejection of such use. In the event Publisher shall fail to object to a use provided for its review within fourteen (14) business days after delivery, Publisher shall be deemed to have approved such use.

ARTICLE VIII
CONFIDENTIALITY

Section 8.1. Proprietary Information. Each party acknowledges and agrees that certain information which it may receive from the other party will be Proprietary Information to the disclosing party. Proprietary Information shall mean: (i) the fact that the disclosing party intends to develop or have developed any particular software or other product; (ii) any confidential information concerning or related to the Products; (iii) any non-public information concerning the terms and conditions of this Agreement, except that Distributor may disclose such terms and conditions as it reasonably deems appropriate for the Distribution of the Products; (iv) nonpublic information concerning the business or finances of the disclosing party, including, but not limited to, trade secrets of the disclosing party; and (v) any other information which if disclosed to a third party could adversely affect a competitive advantage of the disclosing party.

Section 8.2. Protection. Each party agrees, both during and after the Term of this Agreement, to use the Proprietary Information of the other party only in connection with its rights and obligations under this Agreement, and not to, directly or indirectly, reproduce such Proprietary Information or distribute or disclose such Proprietary Information, except to employees who have a need to know such Proprietary Information in connection with the performance of the obligations and the exercise of the rights under this Agreement, and to hold in confidence all Proprietary Information of the other party and to use its best efforts to prevent the unauthorized copying, use and/or disclosure of the other party's Proprietary Information.

Section 8.3. No Nondisclosure Obligation. Each party's respective obligation to hold the other party's Proprietary Information in strict confidence shall not apply to any information that: (i) becomes known to the general public without a breach of the nondisclosure obligations of this Agreement; (ii) is disclosed by the owner of the Proprietary Information to others without restriction on disclosure; (iii) is obtained from a third party without breach of a non-disclosure obligation; (iv) was

in the possession of the nondisclosing party prior to disclosure by the disclosing party; or (v) was independently developed by the nondisclosing party without use of or reference to the other party's Proprietary Information. A party may disclose Proprietary Information if so required in connection with any suit, action or required to be disclosed by law, provided that such party provide the disclosing party with advance notice to allow the disclosing party to seek a protective order, and provided further that such party takes any available, reasonable steps to protect the Proprietary Information.

Section 8.4. Irreparable Harm. Each party agrees that the unauthorized use or disclosure of the disclosing party's Proprietary Information may cause irreparable injury to the disclosing party. Accordingly, both parties agree that the remedy at law for any breach of this Section may be inadequate and, in recognition thereof, agree that the party suffering from the unauthorized use or disclosure shall be entitled to seek injunctive relief to prevent any such breach or the threat of such a breach.

ARTICLE IX
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1. Publisher Representations, Warranties and Covenants. Publisher represents, warrants and covenants that:

(a) Publisher has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Publisher and the consummation by Publisher of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Publisher. This Agreement has been duly executed and delivered by Publisher and, assuming this Agreement constitutes the valid and binding obligation of the Distributor, constitutes a valid and binding obligation of each such party, enforceable against each such party in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) Exhibit A hereto sets forth a true, complete and accurate list of any and all agreements or arrangements that in any way would limit or restrict the ability of Distributor to exclusively Distribute the Products in the Territory.

(c) Publisher has and shall have all requisite ownership, licenses and consents to grant to Distributor all the rights with respect to the Products and Publisher Trademarks. The Publisher Trademarks and the grant of the right to Distribute the Products do not violate or infringe any rights (including without limitation intellectual property or other proprietary rights) of any third party.

(d) There are no restrictions which would or could prevent Distributor from Distributing the Products by any media or by means for which rights are granted to Distributor hereunder and there are not and will not be any payments (out of any part of any revenues from the Distribution or exploitation of the Products or otherwise) which must be made by Distributor to any actors, musicians, directors, writers or to other persons who participated in the Products, or to any union, guild or other labor organization, for any right to Distribute the Products or as compensation for any other use of the Products as contemplated hereunder.

(e) The Products manufactured by Publisher are and shall be of high quality customary in the industry, and the media upon which the Product is recorded shall be free from defects in materials and workmanship for a period of one hundred eighty (180) days from the date of sale to the End-User.

(f) Neither the execution, delivery or performance by Publisher of this Agreement, nor compliance by it with the terms and provisions hereof, nor the consummation of the transactions contemplated hereby, (i) will contravene any applicable provision of any law, statute, rule, regulation, order or injunction of any court or governmental instrumentality, or (ii) will conflict or be inconsistent with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Publisher pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which Publisher is a party or by which it or any of its property or assets is bound or to which it may be subject.

(g) Publisher shall use the proceeds of the Loans in accordance with Section 6.1(a). Neither the making of the Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Federal Reserve Board.

(h) There are no obligations outstanding to any Person in whose favor a Scheduled Lien exists, and there are no commitments to lend money or otherwise incur any obligation in favor of any such Person.

Section 9.2. Distributor Representations, Warranties and Covenants. Distributor represents, warrants and covenants that:

(a) Distributor has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Distributor and the consummation by Distributor of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Distributor. This Agreement has been duly executed and delivered by Distributor and, assuming this Agreement constitutes the valid and binding obligation of Publisher, constitutes a valid and binding obligation of each such party, enforceable against each such party in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) Standard of Business Practices. Distributor shall comply in all material respects with all laws and regulations relating or pertaining to the distribution, sale, advertising or use of the Products in the Licensed Territory, and shall comply in all material respects with the regulations and directives of any regulatory agencies which shall have jurisdiction over the Products.

Section 9.3. No Representation Regarding Revenues. Distributor neither makes nor has made any express or implied representation or warranty as to the amount of receipts which shall be derived from the Distribution of the Products, or that there will be any receipts or other sums payable to Publisher.

Section 9.4. Limitation of Liability. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE FOREGOING WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES AND CONDITIONS BY EITHER PARTY. ANY IMPLIED WARRANTIES BY EITHER PARTY, INCLUDING WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. EXCEPT WITH RESPECT TO THE INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE X OF

THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ANY OTHER ENTITY FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT OR RELIANCE DAMAGES, HOW EVER CAUSED, WHETHER FOR BREACH OF CONTRACT, NEGLIGENCE OR UNDER ANY OTHER LEGAL THEORY, WHETHER FORESEEABLE OR NOT AND WHETHER OR NOT PUBLISHER OR DISTRIBUTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

Section 9.5. Survival. The representations, warranties, limitations on liability and indemnification rights set forth in Articles IX and X of this Agreement shall survive the termination of this Agreement.

ARTICLE X
INDEMNIFICATION

Section 10.1. Indemnification of Distributor. Publisher agrees to indemnify and hold Distributor, its parent, affiliates, officers, directors, representatives, employees, contractors, agents, subcontractors, customers, licensees and assigns harmless against any and all actions, claims, losses, liabilities, costs, damages and expenses (including any legal costs or expenses incurred, expert witness' fees and any compensation, costs or disbursements paid to compromise or settle any action or claim) (collectively, "Claims") suffered or incurred by Distributor or such other persons or entities and arising from a breach of any representation, warranty, term or provision of this Agreement by Publisher and its consequences, including, without limitation, any claim that the exercise of any of Distributor's rights under this Agreement infringes the copyright, trademark or any other intellectual property or other rights of any third party, any negligence by Publisher or its agents or representatives, any claim of defect or error in the manufactured units of the Products, and any gross negligence or willful misconduct resulting in a virus, worm, time bomb, booby trap or other programming designed to interfere with the normal functioning of the Products or the End-User's equipment, programs or data (collectively, a "Virus").

Section 10.2. Indemnification by the Distributor. Except for Publisher's indemnification obligations set forth above, the Distributor will indemnify, defend and hold harmless Publisher, its parents, subsidiaries, affiliates, and each of their respective successors and permitted assigns, directors, officers, employees, represen-

tatives, agents, consultants, and contractors in respect of any and all losses, claims, suits, proceedings, liabilities, causes of action, damages, costs, expenses (including reason able attorneys' fees and expenses) arising out of or relating to the breach or inaccuracy of, or failure to comply with, any of the representations, warranties, covenants, agreements, terms or conditions made by the Distributor hereunder, the actions or omissions, including negligence, of the Distributor's employees or officers.

Section 10.3. Procedure. Any party entitled to indemnification hereunder (the "Indemnified Party") shall give prompt written notice of the assertion of any such Claim to the indemnifying party (the "Indemnifying Party") and the Indemnified Party shall have the right to select counsel (as reasonably approved by the Indemnifying Party) and control the defense and settlement thereof, subject to the right of the Indemnifying Party to participate in any such action or to proceed at its own expense with counsel of its own choosing. The Indemnified Party shall have the right to withhold payment of sums due to the Indemnifying Party pursuant to this Agreement if, and to the extent that, and for the period during which the Indemnified Party reasonably believes that such withholding is necessary to maintain a reasonable reserve against any Claims actually asserted, and also the right to offset against payments due to the Indemnifying Party for indemnification obligations due the Indemnified Party by the Indemnifying Party hereunder. If the Indemnifying Party shall fail to promptly act, the Indemnified Party shall have the right and is hereby authorized and empowered by the Indemnifying Party to appear by its attorneys in any such action, to adjust, settle, compromise, litigate, contest, satisfy judgments and take any other action necessary or desirable for the disposition of such claim, demand or action; in any such case the Indemnifying Party within fifteen (15) days after demand therefor by the Indemnified Party, shall fully reimburse the Indemnified Party for all such payments and expenses, including attorneys' fees; if the Indemnifying Party shall fail so to reimburse the Indemnified Party then, without waiving its right otherwise to enforce such reimbursement, the Indemnified Party shall have the right to deduct the said amount of such payments and expenses, or any part thereof, from any sums accruing, to or for the account of the Indemnifying Party under this or any agreement.

ARTICLE XI
TERMINATION AND REMEDIES

Section 11.1. Term and Termination. Unless sooner terminated in accordance with the procedures specified in this Article XI, this Agreement shall terminate according to the procedures set out in Article III of this Agreement.

Section 11.2. Termination Upon Event of Default. Distributor shall have the right, at its option, to terminate this Agreement by giving written notice to Publisher in the manner provided in Section 13.4 below, effective immediately upon the receipt of such notice, upon the occurrence of any Event of Default. Publisher shall have the right, at its option, to terminate this Agreement by giving written notice to Distributor in the manner provided in Section 12.4 below, effective immediately upon the receipt of such notice, upon the occurrence of any of the following events:

(a) In the event that Distributor shall be adjudicated bankrupt or shall petition for or consent to any relief under any bankruptcy, reorganization, receivership, liquidation, compromise, or any moratorium statute, whether now or hereafter in effect, or shall make an assignment for the benefit of its creditors, or shall petition for the appointment of a receiver, liquidator, trustee, or custodian of all or a substantial part of its assets, or if a receiver, liquidator, trustee or custodian is appointed for all or a substantial part of its assets and is not discharged within thirty (30) days after the date of such appointment.

(b) Upon any default in the performance of or breach of any material agreement, covenant, obligation or undertaking of Distributor made hereunder, if such default or breach shall not be remedied within thirty (30) days of delivery of notice of such default or breach. Any such notice shall state the grounds upon which such claim of default or breach is based, and the steps required to remedy such default or breach. Notwithstanding anything in this Agreement to the contrary, neither party shall be deemed to be in breach of this Agreement if a failure to comply with its terms is directly caused by Force Majeure or the action or inaction of the other party.

ARTICLE XII
EFFECT OF TERMINATION

Section 12.1. Outstanding Orders. Upon termination of this Agreement, Publisher shall remain obligated to deliver Products to Distributor or to Distributor's customers, to fill all outstanding orders placed by Distributor with Publisher and accepted by Publisher, unless expressly canceled by both parties, and both parties

shall remain obligated to perform any other acts which are necessary or appropriate to the orderly winding up of the dealings between the parties hereunder.

Section 12.2. No Sell-Off. (a) Upon termination of this Agreement, Distributor shall timely return to Publisher, pursuant to Section 4.6 above, all finished units of the Products in Distributor's possession or control which have not been Distributed.

(b) All trademarks, trade names, patents, copyrights, designs, drawings, or other data, photographs, samples, and literature relating to the Products shall be and remain the property of Publisher. Within thirty (30) days after the expiration or termination of this Agreement, Distributor shall prepare all such items in its possession for shipment, as Publisher may direct, at Publisher's expense. Distributor shall not make or retain any copies of any confidential items or information which may have been entrusted to it. Effective upon the termination of this Agreement, Distributor shall cease to use all trademarks, marks, and trade names of Publisher. Notwithstanding the foregoing, Distributor shall continue to have such rights in all trademarks, trade names, patents, copyrights, designs, drawings or other data, photographs, samples and literature relating to the Products as are necessary to fulfill its outstanding orders as of the date of the expiration or termination of this Agreement.

Section 12.3. Remaining Payments. Upon termination of this Agreement, Distributor shall, subject to the provisions of this Agreement, be liable to Publisher for any consideration due and unpaid, if any, up to the date of such termination and for any further consideration that may become due and payable to Publisher pursuant to Section 12.1.

Section 12.4. Remedies. Notwithstanding anything herein to the contrary, in addition to and not in lieu of its rights to terminate this Agreement upon a material breach by a party, the non-breaching party shall have the right to pursue any remedies available to it at law or in equity, including without limitation the repayment of such sums as have been previously provided by one party to the other.

Section 12.5. Survival. Any termination of this Agreement (however occasioned) shall not affect 4.6 and Articles V, VI, VII, VIII, IX, X, XI, XII and XIII, which shall continue in full force and effect.

Section 12.6. Limitation on Termination Liability. Neither party shall incur any liability whatsoever for any damage, loss or expenses of any kind suffered or incurred by the other, arising from or incident to any termination of this Agreement by such party which complies with the terms of this Agreement, whether or not the terminating party is aware of any such damage, loss or expense, provided, however, that Publisher shall be and remain liable for all principal of and interest on the Loans.

ARTICLE XIII
MISCELLANEOUS

Section 13.1. Entire Agreement. This Agreement, including the Exhibits hereto, (i) sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the parties hereto concerning the subject matter hereof, whether express or implied, written or oral and no addition to or modification of any provision of this Agreement shall be binding upon the parties unless made by written instrument signed by a duly authorized representative of each of Publisher and Distributor and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 13.2. No Assignment. No assignment or transfer of this Agreement or any right or privilege granted hereunder, including any assignment by operation of law pursuant to a merger, liquidation, foreclosure, or involuntary sale in bankruptcy, shall be permitted by either party without the other party's prior written consent; provided, however, that either party may transfer, assign or sublicense all or any part of this Agreement without the other party's consent provided such parties are contractually obligated to comply with this Agreement if the transferring, assigning or sublicensing party remains primarily liable and such transfer, assignment or sublicense is (i) to a direct or indirect parent or subsidiary of such party or a direct or indirect parent or subsidiary of such parent or subsidiary, or (ii) to a purchaser of all or substantially all of such party's assets or outstanding capital stock, whether by merger, consolidation or otherwise. Any attempted assignment or transfer contrary to the terms of this Section 13.2 shall be null and void. The appointment by Distributor of any nonexclusive sub-representative, agent, sub-distributor, reseller or dealer shall not constitute an assignment or transfer of any part of, or any right or privilege under, this Agreement. Subject to the foregoing limitations, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors, and assigns.

Section 13.3. Execution of Documents. Each party shall cooperate with the other party to execute all such documents and do all such acts as may be reasonably required to enable each party to effectively exercise the rights granted to it under this Agreement.

Section 13.4. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon receipt, and shall be given to the parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(a) if to Distributor, to:

Hasbro Interactive, Inc.
50 Dunham Road
Beverly, MA 01915
Attention: Thomas Dusenberry, President
Telecopy: (978) 921-3710

with a copy to:

Hasbro, Inc.
32 W. 23rd Street
New York, New York 10010
Attention: Phillip H. Waldoks
Senior Vice President-Corporate
Legal Affairs and Secretary
Telecopy: (212) 741-0663

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022-3897
Attention: Howard L. Ellin, Esq.
Telecopy: 212-735-2000

(b) if to Publisher, to:

MicroProse, Inc.
2490 Mariner Loop
Suite 100
Alameda, California 94501
Attention: Stephen M. Race
Chief Executive Officer
Telecopy: (510) 864-4607

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: David Drummond, Esq.
Telecopy: (650) 493-6811

Section 13.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Any action or proceeding brought to enforce the terms of this Agreement shall be brought in the State of New York and each agrees to waive any objections to personal jurisdiction, service of process and venue in any court of the United States located in the State of New York or in New York state court.

Section 13.6. Independent Contractors. The relationship of Publisher and the Distributor established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be construed to (i) give either party the power to direct and control the day-to-day activities of the other, (ii) constitute the parties as partners, co-owners or otherwise as participants in a joint or common undertaking, or (iii) allow the Distributor to create or assume any obligation on behalf of Publisher for any purpose whatsoever. All financial obligations associated with the Distributor's business are the sole responsibility of the Distributor. Distributor shall have no responsibility or liability of any kind to any subcontractors or third parties providing services to or for the benefit of Publisher. Distributor shall be free to manage and control its business as it sees fit, without the management, control or assistance of Publisher, except as otherwise prescribed herein.

Section 13.7. Severability; Headings. Should any provision of this Agreement be held to be void, invalid, or inoperative, the remaining provisions shall not be affected and shall continue in effect as though such unenforceable provision had been deleted herefrom. The name of this Agreement and the headings of the Articles and Sections of this Agreement are inserted merely for convenience of reference and shall not be used or relied upon in connection with the construction or interpretation of this Agreement.

Section 13.8. No Waiver. No failure or delay by either party in exercising any right, power, or remedy hereunder shall operate as a waiver of any subsequent exercise of such right, power, or remedy. It is agreed that any remedies provided in this Agreement shall be cumulative and shall not be exclusive of any other remedies available hereunder, or at law or in equity. No amendment, waiver or modification of any provision of this Agreement shall be effective unless in writing and signed by the party against whom such amendment, waiver or modification is sought to been forced.

Section 13.9. Force Majeure. If the performance of this Agreement or any obligations hereunder is prevented, restricted or interfered with by reason of fire or other casualty or accident, strike or labor dispute, war or other violence, any law, order, proclamation, regulation, ordinance, demand or requirement of any government agency, or any other act or condition beyond the reasonable control of the parties hereto ("Force Majeure"), the party so affected upon giving prompt notice to the other parties will be excused from such performance during such prevention, restriction or interference.

Section 13.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument, but this Agreement shall not be binding upon the parties until it has been signed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

HASBRO INTERACTIVE, INC.	MICROPROSE, INC.
/s/ Thomas R. Dusenberry	/s/ Stephen M. Race
Authorized signature	Authorized signature
Thomas R. Dusenberry	Stephen M. Race
Printed name	Printed name
President	Chief Executive Officer
Title	Title

Exhibit A

EXCLUDED PRODUCTS

EXHIBIT A

EXISTING PRODUCT RESTRICTIONS

1. Restrictions under Agreement with Activision for North American distribution of Sony PSX version of CIVILIZATION II.

2. Restrictions under Agreement with GT Interactive for budget deal on back-catalog products.

3. Restrictions under Agreement with GT Interactive (WizardWorks) for publishing of Macintosh versions of products.

4. Restrictions under Agreements with Imagineer for worldwide distribution of Sega Saturn versions of TRANSPORT TYCOON and CIVILIZATION II.

5. Restrictions under Agreement with Majesco for budget deal on back-catalog products to Kaybee Toys channel only.

6. Restrictions under License-In Agreements (see list previously provided) relating to terms of licenses governing individual products or intellectual properties licensed from third parties. Distributor will be required to familiarize itself with such requirements and abide by approval procedures, etc.

7. The parties should consult regarding expeditious transfer of existing distribution account to Distributor, in light of Publisher's current accounts receivable and field inventory.

Exhibit B

NOTE

$5,500,000 New York, New York
August 11, 1998

FOR VALUE RECEIVED, the undersigned, MICROPROSE, INC., a Delaware corporation (the "Borrower"), hereby promises to pay on the Maturity Date (as defined in the hereinafter described Software Distribution and Loan Agreement) to the order of Hasbro Interactive, Inc., a Delaware corporation (the "Lender"), in lawful money of the United States of America in immediately available funds, to such account as may be specified from time to time in writing to the Borrower by the Lender, the principal amount of FIVE MILLION FIVE HUNDRED THOUSAND UNITED STATES DOLLARS ($5,500,000) or, if less, the then aggregate unpaid principal amount of Loans (as defined in the hereinafter described Software Distribution and Loan Agreement) made by the Lender under such Software Distribution and Loan Agreement.

The Borrower also promises to pay interest on the unpaid principal amount of each Loan in like money to said account from the date of the making of such Loan until the principal amount thereof is paid in full, at the rates and times, and computed in the manner, provided in the Agreement.

This Note (as amended, supplemented or otherwise modified from time to time, this "Note") is the Note referred to in the Software Distribution and Loan Agreement dated as of August 11, 1998 (as amended, supplemented or otherwise modified from time to time, the "Agreement") between the Borrower and the Lender, and is entitled to the benefits thereof and shall be subject to the provisions thereof. This Note is secured pursuant to various agreements (as described in the Agreement).

As provided in the Agreement, this Note is subject to mandatory and voluntary prepayments, in whole or in part.

In case an Event of Default (as defined in the Agreement) shall occur and be continuing, the then unpaid principal amount of, and accrued interest on, this

Note shall become, or may be declared to be, as applicable, immediately due and payable in the manner and with the effect provided in the Agreement.

The Borrower hereby waives to the extent permitted by applicable law presentment, demand, protest or notice of any kind in connection with this Note. No failure or delay on the part of the Lender in exercising any right, power or privilege hereunder or under the other Loan Documents (as defined in the Agreement) and no course of dealing between the Borrower and the Lender shall operate as a waiver of any such right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies provided herein and in the other Loan Documents are cumulative and not exclusive of any rights or remedies which the Lender would otherwise have.

This Note may not be assigned or otherwise transferred by the Lender without the prior written consent of the Borrower. The Borrower may not assign or otherwise transfer any of its rights or obligations under this Note without the prior written consent of the Lender.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE BORROWER AND THE LENDER HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

MICROPROSE, INC.

By:_____________________
Name:
Title:

Exhibit C-1

SECURITY AGREEMENT

Exhibit C-1

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of August 11, 1998 (as the same may from time to time be amended, supplemented or otherwise modified, this "Security Agreement"), among Hasbro, Inc., a Rhode Island corporation ("Parent"), Hasbro Interactive, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Distributor" and, together with Parent, the "Secured Parties" and as agent under certain provisions of this Agreement for the ratable benefit of itself and Parent, the "Agent"), a Delaware corporation, and [Company], a __________ corporation (the "Debtor").

W I T N E S S E T H:

WHEREAS, the Borrower and Distributor have entered into the Software Distribution and Loan Agreement dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Distributor has agreed (i) to distribute software products of Borrower and (ii) to make certain loans to the Borrower, in each case subject to and upon the terms and conditions set forth therein;

WHEREAS, the Borrower, Parent and New HIAC Corp., a Delaware corporation and a wholly-owned subsidiary of Parent, have entered into an Agreement and Plan of Merger (the "Merger Agreement") and the Borrower and Parent have entered into a Stock Option Agreement (the "Option Agreement," and together with the Merger Agreement, the "Merger Documents"), each dated as of the date hereof; and

WHEREAS, it is required by the Merger Documents and it is a condition precedent to the obligation of the Secured Party to make the loans contemplated by the Loan Agreement, that the Debtor enter into this Security Agreement and grant the Secured Parties the security interests set forth herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms. As used herein, the following terms shall have the meanings set forth below:

"Account Debtor" shall mean the person who is obligated on a Receivable.

"Accounts" shall mean "accounts" as such term is defined in Section 9-106 of the UCC.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Borrower" means MicroProse, Inc., a Delaware corporation.

"Business Day" shall mean any day excluding Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government actions to close.

"Chattel Paper" shall mean "chattel paper" as such term is defined in Section 9-105(b) of the UCC.

"Collateral" shall have the meaning assigned to it in Section 2 hereof.

"Collateral Account" shall mean the account (which may be a securities account) maintained pursuant to this Security Agreement by the Secured Parties, entitled "MicroProse, Inc. Collateral Account, Hasbro Interactive, Inc. and Hasbro, Inc., secured parties", and all funds and instruments or other items from time to time credited to such account and all interest thereon.

"Collateral Records" shall mean books, records, computer software, computer printouts, customer lists, blueprints, technical specifications, manuals, and similar items which relate to any Collateral.

"Contracts" shall mean all contracts, agreements, licenses, and other writings to which the Debtor is a party as any of the same may from time to time be amended, supplemented or otherwise modified.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Deposit Accounts" shall mean the Collateral Account and any deposit account, including without limitation, "deposit accounts" as such term is defined in Section 9-105(e) of the UCC and any other deposit or securities account (general or special), together with any funds, instruments or other items credited to any such account from time to time, and all interest thereon.

"Documents" shall mean "documents" as such term is defined in Section 9-105(f) of the UCC.

"Equipment" shall mean "equipment" as such term is defined in Section 9-109(2) of the UCC, including, without limitation, machinery, manufacturing equipment, data processing equipment, computers, office equipment, furniture, appliances and tools.

"Event of Acceleration" shall mean an Event of Default or any failure by the Borrower to pay any amount then due and owing under the Merger Documents.

"Event of Default" shall have the meaning set forth in the Loan Agreement.

"Fixtures" shall mean "fixtures" as such term is defined in Section 9-313 of the UCC.

"General Intangibles" shall mean "general intangibles" as such term is defined in Section 9-106 of the UCC, including, without limitation, rights to the payment of money (other than Receivables), trademarks, copyrights, patents, and contracts, licenses and franchises, limited and general partnership interests and joint venture interests, federal income tax refunds, trade names, to the extent classified as a "general intangible" under the UCC under any applicable law, distributions on certificated securities (as defined in ss. 8-102(1)(a) of the UCC and uncertificated securities (as defined in ss. 8-102(1)(b) of the UCC, computer programs and other

computer software, inventions, designs, trade secrets, goodwill, proprietary rights, customer lists, supplier contracts, sale orders, correspondence, advertising materials, payments due in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any property, reversionary interests in pension and profit-sharing plans and reversionary, beneficial and residual interests in trusts, credits with and other claims against any Person, together with any collateral for any of the foregoing and the rights under any security agreement granting a security interest in such collateral.

"Hedging Agreements" shall mean interest rate or currency protection or hedging arrangements, including without limitation, caps, collars, floors, forwards and any other similar or dissimilar interest rate or currency exchange agreements or other interest rate or currency hedging arrangements.

"Instruments" shall mean "instruments" as such term is defined in Section 9-105(1)(i) of the UCC.

"Insurance Policies" shall mean all insurance policies as in effect from time to time covering the Debtor or any Collateral.

"Inventory" shall mean "inventory" as such term is defined in ss. 9-109(4) of the UCC, including without limitation, all goods (whether such goods are in the possession of the Debtor or of a bailee or other Person for sale, lease, storage, transit, processing, use or otherwise and whether consisting of whole goods, spare parts, components, supplies, materials or consigned or returned or repossessed goods), including without limitation, all such goods which are held for sale or lease or are to be furnished (or which have been furnished) under any contract of service or which are raw materials or work in progress or materials used or consumed in the Debtor's business.

"Lien" shall mean with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Loan Agreement" shall mean that certain Software Distribution and Loan Agreement, dated as of the date hereof, between Interactive and the Borrower, as amended or modified from time to time in accordance with its terms.

Money" shall mean "money" as such term is defined in Section 1-201(24) of the UCC.

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, if title thereto is governed by a certificate of title ownership.

"Permitted Liens" shall have the meaning set forth in the Loan Agree ment.

"Person" shall mean and include any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or agency, department or instrumentality thereof.

"Proceeds" shall mean "proceeds" as such term is defined in Section 9-306(1) of the UCC.

"Receivables" shall mean all rights to payment for goods sold or leased or services rendered, whether or not earned by performance and all rights in respect of an Account Debtor, including without limitation, all such rights in which the Debtor has any right, title or interest by reason of the purchase thereof by the Debtor, and including without limitation all such rights constituting or evidenced by any Account, Chattel Paper, Instrument, General Intangible, note, contract, invoice, purchase order, draft, acceptance, intercompany account, security agreement, or other evidence of indebtedness or security, together with (a) any collateral assigned, hypothecated or held to secure any of the foregoing and the rights under any security agreement granting a security interest in such collateral, (b) all goods, the sale of which gave rise to any of the foregoing, including, without limitation, all rights in any returned or repossessed goods and unpaid seller's rights, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, and (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith.

"Receivables Records" shall mean (a) all original copies of all documents, instruments or other writings evidencing the Receivables, (b) all books, correspondence, credit or other files, records, ledger sheets or cards, invoices, and other papers relating to Receivables, including without limitation all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to the Receivables, whether in the possession or under the control of the Debtor or any computer bureau or agent from time to time acting for the Debtor or otherwise, (c) all evidences of the filing of financing statements and the registration of other instruments in connection therewith and amendments, supplements or other modifications thereto, notices to other creditors or secured

parties, and certificates, acknowledgments, or other writings, including without limitation lien search reports, from filing or other registration officers, (d) all credit information, reports and memoranda relating thereto, and (e) all other written or non-written forms of information related in any way to the foregoing or any Receivable.

"Security Agreement" shall mean this Security Agreement, as the same may from time to time be amended, supplemented or otherwise modified.

"Secured Obligations" shall mean all "Obligations" as such term is defined in Article I of the Loan Agreement, together with all other obligations from time to time owing by the Borrower, the Debtor or any affiliate of either of them under or in connection with the Loan Documents and the Immediately Payable Termination Fee and the Immediately Payable Cash-Out Right (each as defined in the applicable Merger Document) payable under the Merger Documents.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York or in any other applicable jurisdiction.

ARTICLE II

GRANT OF SECURITY INTERESTS

As security for the prompt and complete payment and performance in full of all of the Secured Obligations, the Debtor hereby assigns, pledges and transfers to the Secured Parties and grants to the Secured Parties a security interest in and continuing Lien on all of the Debtor's right, title and interest in, to and under the following, in each case, whether now owned or existing or hereafter acquired or arising, and wherever located (all of which being hereinafter collectively called the "Collateral"):

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Contracts;

(iv) the Collateral Account;

(v) all Collateral Records;

(vi) all Deposit Accounts;

(vii) all Documents;

(viii) all Equipment;

(ix) all Fixtures;

(x) all General Intangibles;

(xi) all Hedging Agreements;

(xii) all Instruments;

(xiii) all Insurance Policies;

(xiv) all Inventory;

(xv) all Money;

(xvi) all Motor Vehicles;

(xvii) all Receivables;

(xviii) all Receivables Records;

(xix) all other tangible and intangible personal property;

(xx) all accessions and additions to any or all of the foregoing, all substitutions and replacements for any or all of the foregoing and all Proceeds or products of any or all of the foregoing;

provided, however, that there is expressly excluded from the grant of a security interest contained in this Article II each and every property or asset which,

by its terms may not be assigned or encumbered, or as to which disclosure of same is not permitted.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Debtor hereby represents and warrants to the Secured Parties, which representations and warranties shall survive execution and delivery of this Security Agreement, as follows:

3.1 Validity, Perfection and Priority. (a) The security interests in the Collateral granted to the Secured Parties hereunder constitute valid and continuing security interests in the Collateral; and

(b) (i) upon filing of financing statements naming the Debtor as "debtor" and each Secured Party as "secured party" in the filing offices set forth on Schedule I hereto, the security interests in the Collateral (other than Instruments and Chattel Paper) granted to the Secured Parties hereunder will constitute perfected security interests therein superior and prior to all Liens, rights or claims of all other Persons (other than Permitted Liens); and (ii) upon the delivery to the Agent of such items of the Collateral that constitute Instruments or Chattel Paper, the security interests in such items of collateral granted to the Secured Parties hereunder will constitute perfected security interests therein superior and prior to all Liens, rights or claims of all other Persons (other than Permitted Liens).

3.2 No Liens; Other Financing Statements. (a) Except for the Lien granted to the Secured Parties hereunder, the Debtor owns and, as to all Collateral whether now existing or hereafter acquired, will continue to own, each item of the Collateral free and clear of any and all Liens, rights or claims of all other Persons other than Permitted Liens, and the Debtor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Secured Parties.

(b) No financing statement or other evidence of any Lien covering or purporting to cover any of the Collateral is on file in any public office other than (i) financing statements filed or to be filed in connection with the security interests granted to the Secured Parties hereunder, and (ii) financing statements filed in connection with Permitted Liens.

3.3 Chief Executive Office. The chief executive office of the Debtor is located at ____.

3.4 Location of Inventory and Equipment. All inventory and equipment now or from time to time included in the Collateral will be located at the respective addresses set forth in Schedule II hereto.

ARTICLE IV

COVENANTS

The Debtor covenants and agrees with the Secured Parties that from and after the date of this Security Agreement:

4.1 Further Assurances.

(a) The Debtor will from time to time at the expense of the Debtor, promptly execute, deliver, file and record all further instruments, indorsements and other documents, and take such further action as either Secured Party may deem reasonably necessary or desirable in obtaining the full benefits of this Security Agreement and of the rights, remedies and powers herein granted, including, without limitation, the following:

(i) the filing of any financing statements, in form acceptable to the Secured Parties under the UCC in effect in any jurisdiction with respect to the liens and security interests granted hereby;

(ii) the delivery to the Agent of all items of Collateral constituting Instruments (including, without limitation, certificated securities) or Chattel Paper, together with undated instruments of transfer executed by the Debtor in blank that are in form and substance acceptable to the Agent and such certificates and other documents as the Agent may reasonably request with respect thereto; and

(iii) furnish to the Secured Parties from time to time statements and schedules further identifying and describing

the Collateral and such other reports in connection with the Collateral as either Secured Party may reasonably request, all in reasonable detail and in form satisfactory to such Secured Party.

(b) The Debtor hereby authorizes each Secured Party to file any financing statement without the signature of the Debtor to the extent permitted by applicable law. A photocopy or other reproduction of this Security Agreement shall be sufficient as a financing statement and may be filed in lieu of the original to the extent permitted by applicable law. The Debtor will pay or reimburse the Secured Parties for all filing fees and related expenses incurred by either Secured Party in connection therewith.

4.2 Change of Name; Identity; Corporate Structure; or Chief Executive Office Location of Inventory and Equipment. The Debtor will not change its name, identity, corporate structure or the location of its chief executive office or locations of its inventory or equipment specified in Schedule II without (i) giving the Secured Parties at least ten (10) days' prior written notice clearly describing such new name, identity, corporate structure or new location and providing such other information in connection therewith as the Secured Parties may reasonably request, and (ii) taking all action satisfactory to the Secured Parties as either Secured Party may reasonably request to maintain the security interest of the Secured Parties in the Collateral intended to be granted hereby at all times fully perfected with the same or better priority and in full force and effect.

4.3 Maintain Records. The Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral.

4.4 Right of Inspection. Upon reasonable prior notice, the Secured Parties shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Debtor, and the Secured Parties and their representatives may examine the same, take extracts therefrom and make photo copies thereof, and the Debtor agrees to render the Secured Parties at the Debtor's cost and expense, such clerical and other assistance as may be reasonable requested with regard thereto. Upon reasonable prior notice, the Secured Parties and their representatives shall at all times also have the right to enter into and upon any premises where any of the inventory or equipment is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

4.5 Insurance. The Debtor will maintain, with financially sound and reputable insurers acceptable to the Secured Parties and licensed to do business in each state in which any of the Collateral covered by any policy is located, insurance with respect to the Collateral and its use, against loss or damage of the kinds customarily insured against by reputable companies in the same or similar businesses, similarly situated, such insurance to be of such types and in such amounts (with such deductible amounts) as is customary for such companies under the same or similar circumstances, similarly situated.

4.6 Payment of Obligations. The Debtor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral, as well as all claims of any kind (including, without limitation, claims for labor, materials, supplies and services) against or with respect to the Collateral.

4.7 Negative Pledge. The Debtor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Liens created hereby and Permitted Liens.

4.8 Limitations on Dispositions of Collateral. The Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except in the ordinary course of its business.

4.9 Performance by the Secured Parties of the Debtor's Obligations; Reimbursement. If the Debtor fails to perform or comply with any of its agreements contained herein, either Secured Party may, without notice to or consent by the Debtor, perform or comply or cause performance or compliance therewith and the expenses of such Secured Party incurred in connection with such performance or compliance, together with interest thereon at the rate of interest then applicable to the Loans, shall be payable by the Debtor to such Secured Party on demand and such reimbursement obligation shall be secured hereby.

4.10 Maintaining the Collateral Account. So long as any of the Secured Obligations shall remain unpaid: it shall be a term and condition of the Collateral Account that the Secured Parties, and each of them acting alone, shall have the sole right to withdraw funds or hold any funds in the Collateral Account, and the Debtor hereby agrees and acknowledges that the Secured Parties and each of them shall have exclusive dominion and control of the Collateral Account, and that the Secured Parties, or either of them shall be the sole Person entitled to give

instructions to release, withdraw or transfer funds in the Collateral Account. Neither Secured Party shall have any obligation to invest any funds from time to time in the Collateral Account in any interest-bearing investment.

ARTICLE V

POWER OF ATTORNEY

The Debtor hereby irrevocably constitutes and appoints each Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Debtor and in the name of the Debtor or in its own name, from time to time in each Secured Party's discretion, for the purpose of carrying out the terms of this Security Agreement, to, at any time that an Event of Acceleration has occurred and is continuing, take any and all appropriate action and execute any and all documents and instruments which in any such case may be necessary or desirable in the reasonable judgment of either Secured Party to accomplish the purposes of this Security Agreement.

The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

ARTICLE VI

REMEDIES; RIGHTS UPON DEFAULT

6.1 Rights and Remedies Generally. If an Event of Acceleration shall occur and be continuing, then and in every such case, the Secured Parties shall have all the rights of a secured party under the UCC, shall have all rights now or hereafter existing under all other applicable laws, and, subject to any mandatory requirements of applicable law then in effect, shall have all the rights set forth in this Security Agreement and all the rights set forth with respect to the Collateral or this Security Agreement in any other security agreement between the parties.

6.2 Assembly of Collateral. If an Event of Acceleration shall occur and be continuing, upon five days notice to the Debtor, the Debtor shall, at its own expense, assemble the Collateral (or from time to time any portion thereof) and

make it available to the Secured Parties at any place or places designated by the Secured Parties which is reasonably convenient to the parties.

6.3 Disposition of Collateral. The Secured Parties will give the Debtor reasonable notice of the time and place of any public sale of the Collateral or any part thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The Debtor agrees that the requirements of reasonable notice to it shall be met if such notice is mailed, postage prepaid to its address specified in Section 3.3 of this Security Agreement (or such other address that the Debtor may provide to the Secured Parties in writing) at least five (5) days before the time of any public sale or after which any private sale may be made.

6.4 Recourse. The Debtor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to satisfy the Secured Obligations. The Debtor shall also be liable for all expenses of the Secured Parties incurred in connection with collecting such deficiency, including, without limitation, the reasonable fees and disbursements of any attorneys employed by the Secured Parties to collect such deficiency.

6.5 Expenses; Attorneys Fees. The Debtor shall reimburse the Secured Parties for all of their expenses in connection with the exercise of their rights hereunder, including, without limitation, all reasonable attorneys' fees and legal expenses incurred by either Secured Party. Expenses of retaking, holding, preparing for sale, selling or the like shall include the reasonable attorneys' fees and legal expenses of the Secured Parties. All such expenses shall be secured hereby.

6.6 Limitation on Duties Regarding Preservation of Collateral. Each Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as such Secured Party deals with similar property for its own account.

(a) The Secured Parties shall have no obligation to take any steps to preserve rights against prior parties to any Collateral.

(b) Neither the Secured Parties nor any of their directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under

any obligation to sell or otherwise dispose of any Collateral upon the request of the Debtor or otherwise.

6.7 Application of Proceeds. The Secured Parties hereby agree that all proceeds received on account of any sale or other disposition of any Collateral, and all Collateral applied directly in satisfaction of any Secured Obligations, shall be applied as follows: first, to the payment of all expenses incurred under section 6.5 hereof, second, to the payment of all interest accrued and owing on the Loans under the Loan Agreement until paid in full, third, to the payment of all principal due and owing on the Loans under the Loan Agreement, until paid in full, fourth, to the payment of any expenses relating to or other amounts arising under the Loan Agreement not covered by clause the "first" hereof, and fifth, to the payment of Secured Obligations due and owing under the Merger Documents until paid in full.

ARTICLE VII

MISCELLANEOUS

7.1 Indemnity. The Debtor agrees to indemnify, reimburse and hold the Secured Parties and their officers, directors, employees, representatives and agents ("Indemnitees") harmless from any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs or expenses or disbursements (including reasonable attorneys' fees and expenses) for whatsoever kind or nature which may be imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Security Agreement or the transactions contemplated hereby. The obligations of the Debtor under this Section shall be secured hereby and shall survive payment and performance or discharge of the Obligations and the termination of this Security Agreement.

7.2 Governing Law. THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

7.3 Notices. Except as otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy, telex, or cable communication), and shall be deemed to have been duly given or made when delivered by hand, or five days after being deposited in the United States mail, postage prepaid, or, in the case of

telex notice, when sent, answer-back received, or in the case of telecopy notice, when sent, or in the case of a nationally recognized overnight courier service, one Business Day after delivery to such courier service, addressed, in the case of each party hereto, at its address specified on the signature pages hereof or to such other address as may be designated by any party in a written notice to the other party hereto.

7.4 Successors and Assigns. This Security Agreement shall be binding upon and inure to the benefit of the Debtor, the Secured Parties, all future holders of the Secured Obligations and their respective successors and assigns, except that neither party may assign or transfer any of its rights or obligations under this Security Agreement without the prior written consent of the other party.

7.5 Waivers and Amendments. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the party against whom enforcement is sought. In the case of any waiver, the Debtor and the Secured Parties shall be restored to their former position and rights hereunder and under the outstanding Secured Obligations, and any Event of Acceleration waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Event of Acceleration, or impair any right consequent thereon.

7.6 No Waiver; Remedies Cumulative. No failure or delay on the part of either Secured Party in exercising any right, power or privilege hereunder and no course of dealing between the Debtor and the Secured Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by a Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Secured Party would otherwise have on any future occasion. The rights and remedies expressly provided herein and in the other Loan Documents and Merger Documents are cumulative and may be exercised singly or concurrently and as often and in such order as the Secured Parties deem expedient and are not exclusive of any rights or remedies which the Secured Parties would otherwise have whether by security agreement or now or hereafter existing under applicable law. No notice to or demand on the Debtor in any case shall entitle the Debtor to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Secured Parties to any other or future action in any circumstances without notice or demand.

7.7 Termination; Release. When the Secured Obligations have been paid in full this Security Agreement shall terminate, and the Secured Parties, at the request and sole expense of the Debtor, will execute and deliver to the Debtor the proper instruments (including UCC termination statements) acknowledging the termination of this Security Agreement, and will duly assign, transfer and deliver to the Debtor, without recourse, representation or warranty of any kind whatsoever, such of the Collateral as may be in possession of the Secured Parties and has not theretofore been disposed of, applied or released.

7.8 Headings Descriptive. The headings of the several Sections and subsections of this Security Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Security Agreement.

7.9 Severability. In case any provision in or obligation under this Security Agreement or the Secured Obligations shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Debtor and the Secured Parties have caused this Security Agreement to be duly executed and delivered as of the date first above written.

HASBRO, INC.

By:

Name:
Title:

HASBRO INTERACTIVE, INC.

By:

Name:
Title:

[DEBTOR]

By:

Name:
Title:

Schedule I

Filing Offices

Schedule II

Location of Inventory and Equipment

Exhibit C-2-A

INTELLECTUAL PROPERTY SECURITY AGREEMENT

TRADEMARK SECURITY AGREEMENT

TRADEMARK SECURITY AGREEMENT (the "Trademark Agreement") dated as of August __, 1998, between ____________, a ___________ corporation (the "Debtor"), Hasbro, Inc., a Rhode Island corporation ("Hasbro"), and Hasbro Interactive, Inc., a Delaware corporation (together with Hasbro, the "Secured Parties")

WHEREAS, the Debtor and Hasbro are parties to a Loan and Distribution Agreement, dated as of August __, 1998, (as amended and in effect from time to time, the "Agreement"), between the Debtor and Hasbro,

WHEREAS, the Debtor has executed and delivered to the Secured Parties a Security Agreement, dated August __, 1998 (the "Security Agreement"), pursuant to which the Debtor has granted to the Secured Parties a security interest in certain of the Debtor's property, including without limitation all trademarks, service marks, trademark and service mark registrations, and trademark and service mark registration applications listed on Schedule A attached hereto, all to secure the payment and performance of the Secured Obligations (as defined in the Security Agreement);

WHEREAS, this Trademark Agreement is supplemental to the provisions contained in the Security Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ss.1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefor in the Security Agreement.

ss.2. Grant of Security Interest.

(1) As security for the prompt and complete payment and performance in full of all of the Secured Obligations, the Debtor hereby assigns, pledges and transfers to the Secured Parties and grants to the Secured Parties a security interest in and continuing lien on all of the Debtor's right, title and interest in, to and under the following, in each case, whether now owned or existing or hereafter acquired or arising, and wherever located: (a) any and all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, designs and general intangibles of like nature, and all registrations, applications, and recordings thereof, including, without limitation, registrations, recordings, and applications in the United States Patent and Trademark Office (the "PTO") or any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof including, but not limited to those U.S. and foreign registered trademarks and applications on Schedule A hereto (the "Trademarks") and (b) any reissues, extensions or renewals thereof and (c) all goodwill of the Debtor and its business, products and services appurtenant to, associated with or symbolized by the Trademarks and (d) the proceeds thereof including (i) any and all accounts, chattel paper, instruments, other forms of money or currency or other proceeds payable to Debtor from time to time in

respect of the Trademarks, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Debtor from time to time with respect to any of the Trademarks, (iii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Trademarks any governmental authority (or any person or entity acting under color of governmental authority), (iv) any claim of Debtor against third parties for past, present, or future infringement or dilution of any Trademark or any injury to the goodwill associated with any Trademark, and (v) any and all other amounts from time to time paid or payable under or in connection with any of the Trademarks

(2) The Debtor has executed in blank and delivered to the Secured Parties an assignment of registered trademarks in substantially the form of Exhibit 1 hereto (the "Assignment of Marks"). The Debtor hereby authorizes each Secured Party to complete as Secured Party and record with the PTO the Assignment of Marks attached hereto as Exhibit 1 solely upon the occurrence and during the continuance of an Event of Default and the exercise of the Secured Parties' remedies under this Trademark Agreement and the Security Agreement.

(3) Pursuant to the Security Agreement, the Debtor has granted to the Secured Parties a security interest in the Collateral (including the Trademarks). The Security Agreement, and all rights and interests of the Secured Parties in and to the Collateral (including the Trademarks) thereunder are hereby ratified and confirmed in all respects. In no event shall this Trademark Agreement, the grant, assignment, conveyance, mortgage, pledge, hypothecation, and transfer of a security interest in the Trademarks hereunder, or the recordation of this Trademark Agreement (or any document hereunder) with the PTO or any state or foreign trademark registry adversely affect or impair the Security Agreement, the security interest of the Secured Parties in the Collateral (including the Trademarks) pursuant to the Security Agreement, the attachment and perfection of such security interest in the Collateral (including the security interest in the Trademarks), under the Uniform Commercial Code, or any present or future rights and interests of the Secured Parties in and to the Collateral under or in connection with the Security Agreement, this Trademark Agreement, or the Uniform Commercial Code. Any and all rights and interests of the Secured Parties in and to the Trademarks (and any and all obligations of the Debtor with respect to the Trademarks) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Secured Parties (and the obligations of the Debtor) in, to or with respect to the Collateral (including the Trademarks) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof. In the event of any irreconcilable conflict between the provisions of this Trademark Agreement and the Agreement, or between this Trademark Agreement and the Security Agreement, the provisions of the Agreement or the Security Agreement, as the case may be, shall control.

ss.3. Representations, Warranties and Covenants. The Debtor represents, warrants and covenants that, except as previously or concurrently disclosed in writing by Debtor to Secured Parties:

(a) Schedule A hereto sets forth a true and complete list of all registered Trademarks and Trademark applications owned by Debtor;

(b) The Trademarks are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Trademarks;

(c) To the best of the Debtor's knowledge, each of the Trademarks is valid and enforceable;

(d) To the best of the Debtor's knowledge, there is no infringement by others of the Trademarks;

(e) No claim has been made that the use of any of the Trademarks violates the rights of any third person and, to the best of the Debtor's knowledge, there is no infringement by the Debtor of the trademark rights of others;

(f) The Debtor is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to each of the Trademarks, free and clear of any liens, charges, encumbrances, and adverse claims, and other than the security interest and assignment created by the Security Agreement and this Trademark Agreement, and free and clear of all licenses and registered user agreements and covenants by Debtor not to sue third persons, except as previously disclosed to the Secured Parties in writing by the Debtor;

(g) The Debtor has the unqualified right to enter into this Trademark Agreement and to perform its terms and has entered and will enter into written agreements with each of its present and future employees, agents, consultants, licensors and licensees that will enable them to comply with the covenants herein contained;

(h) The Debtor has used, and will continue to use, proper statutory and other appropriate proprietary notices in connection with its use of the Trademarks;

(i) The Debtor has used, and will continue to use, consistent standards of quality in its manufacture and provision of products and services sold or provided under the Trademarks;

(j) This Trademark Agreement, together with the Security Agreement, will create in favor of the Secured Parties perfected security interests in the Trademarks protected under the laws of the United States or any State thereof superior and prior to all liens, rights or claims of all other persons, (other than Permitted Liens, as described in the Security Agreement), upon making the filings and recordations referred to in clause (k) of this ss.3; and

(k) Except for the filing of financing statements with the Secretary of State of the State of California under the Uniform Commercial Code and the recording of this Trademark Agreement with the PTO, no authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory authority, agency or office is required either (i) for the grant by the Debtor or the effectiveness of the security interest and assignment granted hereby or for the execution, delivery and performance of this Trademark Agreement by the Debtor, or (ii) for the perfection of or the exercise by the Secured Parties of any of their rights and remedies hereunder.

ss.4. Inspection Rights. The Debtor hereby grants to the Secured Parties and their employees and agents the right to visit the Debtor's plants and facilities that manufacture, inspect, or store

products sold under any of the Trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours and upon reasonable notice.

ss.5. No Transfer or Inconsistent Agreements. Without the Secured Parties' prior written consent and except for licenses of the Trademarks in the ordinary course of the Debtor's business consistent with its past practices, the Debtor will not (a) transfer, license, or otherwise dispose or alienate any of its rights in the Trademarks, or (b) enter into any agreement that is inconsistent with the Debtor's obligations under this Trademark Agreement or the Security Agreement.

ss.6. After-acquired Trademarks.

(a) If, before the Secured Obligations shall have been finally paid and satisfied in full, the Debtor shall obtain any right, title or interest in or to any other or new Trademarks, then the provisions of this Trademark Agreement shall automatically apply thereto and, upon the acquisition of any rights in any Trademark registration or application not identified on Schedule A hereto, Debtor shall promptly (and in no event longer than 30 days following the acquisition of rights in such Trademark registration or application) provide to the Secured Parties notice thereof in writing and execute and deliver to the Secured Parties such documents or instruments as the Secured Parties may reasonably request further to implement, preserve or evidence the Secured Parties' interest therein.

(b) The Debtor authorizes the Secured Parties to modify this Trademark Agreement and the Assignment of Marks, without the necessity of the Debtor's further approval or signature, by amending Schedule A hereto and the Annex to the Assignment of Marks to include any other or new Trademarks.

ss.7. Trademark Prosecution.

(a) The Debtor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with the Trademarks and shall hold the Secured Parties harmless from any and all costs, damages, liabilities and expenses that may be incurred by the Secured Parties in connection with the Secured Parties' interest in the Trademarks or any action or failure to act by Debtor in connection with this Trademark Agreement or the transactions contemplated hereby.

(b) With respect to all Trademarks which are material to the Debtor's business, the Debtor shall have the right and the duty, through trademark counsel acceptable to the Secured Parties, to (i) prosecute diligently any applications to register such Trademarks pending as of the date of this Trademark Agreement or thereafter, (ii) to preserve and maintain all rights in such Trademarks including the filing of appropriate renewal applications and other instruments to maintain in effect such Trademarks and (iii) pay when due all registration renewal fees and other fees, taxes and other expenses that shall be incurred or that shall accrue. Any expenses incurred in connection with such actions shall be borne by the Debtor. Further, the Debtor shall not abandon any Trademark (or registration or application therefore) which is material to the Debtor's business, without the consent of the Secured Parties.

(c) The Debtor shall have the right and the duty to bring suit or other action in the Debtor's own name to maintain and enforce the Trademarks which are material to its business. The Debtor may require the Secured Parties to join in such suit or action as necessary to assure the Debtor's ability to bring and maintain any such suit or action in any proper forum if (but only if) the Debtor is completely satisfied that such joinder will not subject the Secured Parties to any risk of liability. The Debtor shall promptly, upon demand, reimburse and indemnify the Secured Parties for all damages, costs and expenses, including legal fees, incurred by the Secured Parties pursuant to this ss.7(c).

(d) In general, the Debtor shall take any and all such actions (including institution and maintenance of suits, proceedings, or actions) as may be necessary or appropriate to properly maintain, protect, preserve, and enforce the Trademarks which are material to Debtor's business. The Debtor shall not take or fail to take any action, nor permit any action to be taken or not taken by others under its control, that would adversely affect the validity, grant or enforcement of such Trademarks.

(e) Promptly upon obtaining knowledge thereof, the Debtor will notify the Secured Parties in writing of the institution of, or any final adverse determination in, any proceeding in the PTO or any similar office or agency of the United States or any foreign country, or any court, regarding the validity of any of the Trademarks or the Debtor's rights, title, or interests in and to the Trademarks, and of any event that does or reasonably could materially adversely affect the value of any of the Trademarks, the ability of the Debtor or the Secured Parties to dispose of any of the Trademarks, or the rights and remedies of the Secured Parties in relation thereto.

ss.8. Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, the Secured Parties shall have, in addition to all other rights and remedies given it by this Trademark Agreement, the Security Agreement, those allowed by law and the rights and remedies of a secured party under the UCC, the right to, immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Debtor, all of which are hereby expressly waived, sell or license at public or private sale or otherwise realize upon the whole or from time to time any part of the Trademarks, or any interest that the Debtor may have therein, and, after deducting from the proceeds of sale or other disposition of the Trademarks all expenses incurred by the Secured Parties in attempting to enforce this Trademark Agreement (including all reasonable expenses for broker's fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations as set forth in or by reference in the Security Agreement. Notice of any sale, license, or other disposition of the Trademarks shall be given to the Debtor at least five (5) days before the time that any intended public sale or other public disposition of the Trademarks is to be made or after which any private sale or other private disposition of the Trademarks may be made, which the Debtor hereby agrees shall be reasonable notice of such public or private sale or other disposition. At any such sale or other disposition, the Secured Parties may, to the extent permitted under applicable law, purchase or license the whole or any part of the Trademarks or interests therein sold, licensed or otherwise disposed of.

(b) The Debtor hereby grants to the Secured Parties, effective upon the occurrence and during the continuance of an Event of Default, in order to exercise its rights and remedies as

contemplated in Section 8(a) herein with respect to the Trademarks or any other Collateral, a non-exclusive right and license to use the Trademarks, provided that: (i) the goods sold or services offered under the Trademarks shall be of a quality substantially consistent with those heretofore offered under such Trademarks by the Debtor; (ii) the Debtor shall have the right to inspect, at reasonable intervals and upon reasonable notice, representative samples of goods sold under the Trademarks and the premises where such goods are manufactured; and (iii) the Trademark shall be used only in conjunction with goods and services of the nature previously offered by the Debtor under such Trademarks.

ss.9. Collateral Protection. If the Debtor shall fail to do any act that it has covenanted to do hereunder, or if any representation or warranty of the Debtor shall be breached, the Secured Parties, in their own names or that of the Debtor (in the sole discretion of the Secured Parties), may (but shall not be obligated to) do such act or remedy such breach (or cause such act to be done or such breach to be remedied), and the Debtor agrees promptly to reimburse the Secured Parties for any reasonable cost or expense incurred by the Secured Parties in so doing.

ss.10. Power of Attorney. If any Event of Default shall have occurred and be continuing, the Debtor does hereby make, constitute and appoint the Secured Parties (and any officer or agent of the Secured Parties as the Secured Parties may select in their exclusive discretion) as the Debtor's true and lawful attorney-in-fact, with full power of substitution and with the power to endorse the Debtor's name on all applications, documents, papers, and instruments necessary for the Secured Parties to use the Trademarks, or to grant or issue any exclusive or nonexclusive license of any of the Trademarks to any third person, or to take any and all actions necessary for the Secured Parties to assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks or any interest of the Debtor therein to any third person, and, in general, to execute and deliver any instruments or documents and do all other acts that the Debtor is obligated to execute and do hereunder. The Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof, and releases the Secured Parties from any claims, liabilities, causes of action or demands arising out of or in connection with any action taken or omitted to be taken by the Secured Parties under this power of attorney (except for the Secured Parties' gross negligence or willful misconduct). This power of attorney is coupled with an interest and shall be irrevocable for the duration of this Trademark Agreement.

ss.11. Further Assurances. The Debtor shall, at any time and from time to time, and at its expense, make, execute, acknowledge and deliver, and file and record as necessary or appropriate with governmental or regulatory authorities, agencies or offices, such agreements, assignments, documents and instruments, and do such other and further acts and things (including, without limitation, obtaining consents of third parties), as the Secured Parties may request or as may be necessary or appropriate in order to implement and effect fully the intentions, purposes and provisions of this Trademark Agreement, or to assure and confirm to the Secured Parties the grant, perfection, and priority of the Secured Parties' security interest in any of the Trademarks.

ss.12. Termination. At such time as all of the Secured Obligations have been indefeasibly paid and satisfied in full, this Trademark Agreement shall terminate and the Secured Parties shall, upon the written request and at the expense of the Debtor, execute and deliver to the Debtor all deeds, assignments and other instruments as may be necessary or proper to reassign, reconvey, and re-vest in and to the Debtor the entire right, title and interest to the Trademarks previously granted,

assigned, transferred and conveyed to the Secured Parties by the Debtor pursuant to this Trademark Agreement, as fully as if this Trademark Agreement had not been made, subject to any disposition of all or any part thereof that may have been made by the Secured Parties pursuant hereto or the Security Agreement.

ss.13. Course of Dealing. No course of dealing between the Debtor and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder or under the Security Agreement or any other agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

ss.14. Expenses. Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by the Secured Parties in connection with the preparation of this Trademark Agreement and all other documents relating hereto, the consummation of the transactions contemplated hereby or the enforcement hereof, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance or renewal fees, encumbrances or otherwise protecting, maintaining or preserving the Trademarks, or in defending or prosecuting any actions or proceedings arising out of or related to the Trademarks, shall be borne and paid by the Debtor.

ss.15. No Assumption of Liability; Indemnification. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE SECURED PARTIES ASSUME NO LIABILITIES OF THE DEBTOR WITH RESPECT TO ANY CLAIM OR CLAIMS REGARDING THE DEBTOR'S OWNERSHIP OR PURPORTED OWNERSHIP OF, OR RIGHTS OR PURPORTED RIGHTS ARISING FROM, ANY OF THE TRADEMARKS OR ANY USE, LICENSE, OR SUBLICENSE THEREOF, WHETHER ARISING OUT OF ANY PAST, CURRENT OR FUTURE EVENT, CIRCUMSTANCE, ACT OR OMISSION OR OTHERWISE. ALL OF SUCH LIABILITIES SHALL BE EXCLUSIVELY THE RESPONSIBILITY OF THE DEBTOR, AND THE DEBTOR SHALL INDEMNIFY THE SECURED PARTIES FOR ANY AND ALL COSTS, EXPENSES, DAMAGES AND CLAIMS, INCLUDING LEGAL FEES, INCURRED BY THE SECURED PARTIES WITH RESPECT TO SUCH LIABILITIES.

ss.16. Notices. All notices and other communications made or required to be given pursuant to this Trademark Agreement shall be in writing and shall be delivered in hand, mailed by United States registered or certified first-class mail, postage prepaid, or sent by telecopy and confirmed by delivery via courier or postal service, to the addresses provided in the Agreement.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, three (3) business days after the posting thereof, and (iii) if sent by telecopy or telex, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following business day.

ss.17. Amendment and Waiver. This Trademark Agreement is subject to modification only by a writing signed by the Secured Parties and the Debtor, except as provided in Section 6(b). The Secured Parties shall not be deemed to have waived any right hereunder unless such waiver shall be in writing and signed by the Secured Parties. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion.

ss.18. Governing Law; Consent to Jurisdiction. THIS TRADEMARK AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE. The Debtor agrees that any suit for the enforcement of this Trademark Agreement may be brought in the courts of the State of Delaware or any federal court sitting therein and consents to the exclusive jurisdiction of such court and to service of process in any such suit being made upon the Debtor by mail at the address specified in Section 16. The Debtor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

ss.19. Waiver of Jury Trial. THE DEBTOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS TRADEMARK AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR SECURED OBLIGATIONS. Except as prohibited by law, the Debtor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Debtor (a) certifies that neither the Secured Parties nor any representatives, agents or attorneys of the Secured Parties have represented, expressly or otherwise, that the Secured Parties would not, in the event of litigation, seek to enforce the foregoing waivers, and (b) acknowledges that, in entering into the Agreement, the Secured Parties are relying upon, among other things, the waivers and certifications contained in this Section 19.

ss.20. Miscellaneous.

(a) The headings of each section of this Trademark Agreement are for convenience only and shall not define or limit the provisions thereof.

(b) This Trademark Agreement and all rights and obligations hereunder shall be binding upon the Debtor and its respective successors and assigns, and shall inure to the benefit of the Secured Parties and its successors and assigns.

(c) If any term of this Trademark Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Trademark Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein.

IN WITNESS WHEREOF, this Trademark Agreement has been executed as of the day and year first above written.

[DEBTOR]

By:

Name:
Title:

Agreed and Acknowledged:

HASBRO INTERACTIVE, INC.

By:

Name:

Title:

HASBRO, INC.

By:

Name:

Title:

COMMONWEALTH OR STATE OF _______________)
) ss.
COUNTY OF ______________________________)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this ___ day of _____, 19__, personally appeared __________ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of __________, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said __________ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

Schedule A

Trademarks

Exhibit 1

ASSIGNMENT OF TRADEMARKS

WHEREAS, _____________, a _____________ corporation (the "Debtor"), has adopted and used and is using the trademarks and service marks (the "Marks") identified on the Annex hereto, and is the owner of the registrations of and pending registration applications for such Marks in the Patent and Trademark Office identified on such Annex; and

WHEREAS, ______________, a corporation organized and existing under the laws of the State of ________ (the "Secured Party"), is desirous of acquiring the Marks and the registrations and applications therefor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Debtor does hereby assign, sell and transfer unto the Secured Party all right, title and interest in and to the Marks, together with (a) the registrations applications for the Marks, including, but not limited to those registrations and applications on the Annex hereto and all reissues, extensions, and renewals thereof, (b) the goodwill of the business, products, and services appurtenant to, associated with, and symbolized by the Marks and (c) the proceeds thereof including (i) any and all accounts, chattel paper, instruments, other forms of money or currency or other proceeds payable to Debtor from time to time in respect of the Marks, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Debtor from time to time with respect to any of the Marks, (iii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Marks any governmental authority (or any Person acting under color of governmental authority), (iv) any claim of Debtor against third parties for past, present, or future infringement or dilution of any Mark or any injury to the goodwill associated with any Mark, and (v) any and all other amounts from time to time paid or payable under or in connection with any of the Marks.

This Assignment of Trademarks is intended to and shall take effect at such time as the Secured Party shall complete this instrument by inserting its name in the second paragraph above and signing its acceptance of this Assignment of Trademarks below.

IN WITNESS WHEREOF, the Debtor, by its duly authorized officer, has executed this assignment, as an instrument under seal, on this _____ day of _________, 199_.

[DEBTOR]

By:

Title:

The foregoing Assignment of Trademarks by the Debtor to the Secured Parties is hereby accepted as of the _____ day of __________, __.

By:

Title:

COMMONWEALTH OR STATE OF _______________)
) ss.
COUNTY OF ______________________________)

On this the ___ day of _____, 199_, before me appeared __________, the person who signed this instrument, who acknowledged that (s)he is the _____ of __________ and that being duly authorized (s)he signed such instrument as a free act on behalf of __________.

Notary Public

My commission expires:

COMMONWEALTH OR STATE OF _______________)
) ss.
COUNTY OF ______________________________)

On this the ___ day of _____, 199_, before me appeared __________, the person who signed this instrument, who acknowledged that (s)he is the _____ of __________ and that being duly authorized (s)he signed such instrument as a free act on behalf of __________.

Notary Public

My commission expires:

Schedule of Trademarks

Exhibit C-2-B

INTELLECTUAL PROPERTY SECURITY AGREEMENT

COPYRIGHT SECURITY AGREEMENT

COPYRIGHT SECURITY AGREEMENT (the" Copyright Agreement") dated as of August __, 1998, between ______________, a __________ corporation (the "Debtor"), Hasbro, Inc., a Rhode Island corporation ("Hasbro"), and Hasbro Interactive, Inc., a Delaware corporation (together with Hasbro, the "Secured Parties")

WHEREAS, the Debtor and Hasbro are parties to a Loan and Distribution Agreement, dated as of August __, 1998, (as amended and in effect from time to time, the "Agreement"), between the Debtor and Hasbro,

WHEREAS, the Debtor has executed and delivered to the Secured Parties a Security Agreement, dated August __, 1998 (the "Security Agreement"), pursuant to which the Debtor has granted to the Secured Parties a security interest in certain of the Debtor's property, including without limitation all copyrights, copyright registrations, and copyright applications listed on Schedules A and B attached hereto, all to secure the payment and performance of the Secured Obligations (as defined in the Security Agreement);

WHEREAS, this Copyright Agreement is supplemental to the provisions contained in the Security Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ss.1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefor in the Security Agreement.

ss.2. Grant of Security Interest.

(a) As security for the prompt and complete payment and performance in full of all of the Secured Obligations, the Debtor hereby assigns, pledges and transfers to the Secured Parties and grants to the Secured Parties a security interest in and continuing lien on all of the Debtor's right, title and interest in, to and under the following, in each case, whether now owned or existing or hereafter acquired or arising, and wherever located: (a) any and all copyrights and all registrations, applications, and recordings, thereof, including, without limitation, registrations, recordings, and applications in the United States Copyright Office (the "Copyright Office") or any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof including, but not limited to those U.S. and foreign registered Copyrights and applications on Schedules A and B hereto and (b) derivative works thereof (together with subsection (a), the "Copyrights") and (c) any reissues, extensions or renewals thereof and (d) the proceeds thereof including (i) any and all accounts, chattel paper, instruments, other forms of money or currency or other proceeds payable to Debtor from time to time in respect of the Copyrights, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Debtor from time to time with respect to any of the Copyrights, (iii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Copyrights any governmental authority (or any person or entity acting under color of governmental authority), (iv) any claim of Debtor against third parties for past, present, or future infringement of any Copyright, and (v) any and all other amounts from time to time paid or payable under or in connection with any of the Copyrights

(b) The Debtor has executed in blank and delivered to the Secured Parties an assignment of registered Copyrights in substantially the form of Exhibit 1 hereto (the "Assignment of Copyrights"). The Debtor hereby authorizes each Secured Party to complete as Secured Party and record with the Copyright Office the Assignment of Copyrights attached hereto as Exhibit 1 solely upon the occurrence and during the continuance of an Event of Default and the exercise of the Secured Parties' remedies under this Copyright Agreement and the Security Agreement.

(c) Pursuant to the Security Agreement, the Debtor has granted to the Secured Parties a security interest in the Collateral (including the Copyrights). The Security Agreement, and all rights and interests of the Secured Parties in and to the Collateral (including the Copyrights) thereunder are hereby ratified and confirmed in all respects. In no event shall this Copyright Agreement, the grant, assignment, conveyance, mortgage, pledge, hypothecation, and transfer of a security interest in the Copyrights hereunder, or the recordation of this Copyright Agreement (or any document hereunder) with the Copyright Office or any state or foreign copyright registry adversely affect or impair the Security Agreement, the security interest of the Secured Parties in the Collateral (including the Copyrights) pursuant to the Security Agreement, the attachment and perfection of such security interest in the Collateral (including the security interest in the Copyrights), under the Uniform Commercial Code, or any present or future rights and interests of the Secured Parties in and to the Collateral under or in connection with the Security Agreement, this Copyright Agreement, or the Uniform Commercial Code. Any and all rights and interests of the Secured Parties in and to the Copyrights (and any and all obligations of the Debtor with respect to the Copyrights) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Secured Parties (and the obligations of the Debtor) in, to or with respect to the Collateral (including the Copyrights) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof. In the event of any irreconcilable conflict between the provisions of this Copyright Agreement and the Agreement, or between this Copyright Agreement and the Security Agreement, the provisions of the Agreement or the Security Agreement, as the case may be, shall control.

ss.3. Representations, Warranties and Covenants. The Debtor represents, warrants and covenants that, except as previously or concurrently disclosed in writing by Debtor to the Secured Parties:

(a) Schedules A and B hereto set forth a true and complete list of all registered Copyrights and Copyright applications owned by Debtor;

(b) With respect to the copyright registrations and applications set forth in Schedule A:

(i) The Copyrights are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Copyrights;

(ii) To the best of the Debtor's knowledge, each of the Copyrights is valid and enforceable;

(iii) To the best of the Debtor's knowledge, there is no infringement by others of the Copyrights;

(iv) No claim has been made that the use of any of the Copyrights violates the rights of any third person and, to the best of the Debtor's knowledge, there is no infringement by the Debtor of the Copyright rights of others;

(v) The Debtor is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to each of the Copyrights, free and clear of any liens, charges, encumbrances, and adverse claims, and other than the security interest and assignment created by the Security Agreement and this Copyright Agreement, and free and clear of all licenses and registered user agreements and covenants by Debtor not to sue third persons, except as previously disclosed to the Secured Parties in writing by the Debtor;

(vi) The Debtor has the unqualified right to enter into this Copyright Agreement and to perform its terms and has entered and will enter into written agreements with each of its present and future employees, agents, consultants, licensors and licensees that will enable them to comply with the covenants herein contained;

(vii) The Debtor has used, and will continue to use, proper statutory and other appropriate proprietary notices in connection with its use of the Copyrights;

(viii) This Copyright Agreement, together with the Security Agreement, will create in favor of the Secured Parties perfected security interests in the Copyrights protected under the laws of the United States or any State thereof superior and prior to all liens, rights or claims of all other persons, (other than Permitted Liens, as described in the Security Agreement), upon making the filings and recordations referred to in Section 3(b)(ix); and

(ix) Except for the filing of financing statements with the Secretary of State of the State of California under the Uniform Commercial Code and the recording of this Copyright Agreement with the Copyright Office, no authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory authority, agency or office is required either (i) for the grant by the Debtor or the effectiveness of the security interest and assignment granted hereby or for the execution, delivery and performance of this Copyright Agreement by the Debtor, or (ii) for the perfection of or the exercise by the Secured Parties of any of their rights and remedies hereunder.

(c) With respect to the copyright registrations and applications set forth in Schedule B:

(i) The Copyrights have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Copyrights; and

(ii) The Copyrights have not been cancelled.

ss.4. No Transfer or Inconsistent Agreements. Without the Secured Parties' prior written consent and except for licenses of the Copyrights in the ordinary course of the Debtor's business consistent with its past practices, the Debtor will not (a) transfer, license, or otherwise dispose or alienate any of its rights in the Copyrights, or (b) enter into any agreement that is inconsistent with the Debtor's obligations under this Copyright Agreement or the Security Agreement.

ss.5. After-acquired Copyrights.

(a) If, before the Secured Obligations shall have been finally paid and satisfied in full, the Debtor shall obtain any right, title or interest in or to any other or new copyrights, then the provisions of this Copyright Agreement shall automatically apply thereto and, upon the acquisition of any rights in any Copyright registration or application not identified on Schedules A or B hereto, Debtor shall promptly (and in no event longer than 30 days following the acquisition of rights in such copyright registration or application) provide to the Secured

Parties notice thereof in writing and execute and deliver to the Secured Parties such documents or instruments as the Secured Parties may reasonably request further to implement, preserve or evidence the Secured Parties' interest therein.

(b) The Debtor authorizes the Secured Parties to modify this Copyright Agreement and the Assignment of Copyrights, without the necessity of the Debtor's further approval or signature, by amending Exhibit A hereto and the Annex to the Assignment of Copyrights to include any other or new Copyrights.

ss.6. Copyright Prosecution.

(a) The Debtor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with the Copyrights and shall hold the Secured Parties harmless from any and all costs, damages, liabilities and expenses that may be incurred by the Secured Parties in connection with the Secured Parties' interest in the Copyrights or any action or failure to act by Debtor in connection with this Copyright Agreement or the transactions contemplated hereby.

(b) With respect to all Copyrights which are material to the Debtor's business, the Debtor shall have the right and the duty, through copyright counsel acceptable to the Secured Parties, to (i) prosecute diligently any applications to register such Copyrights pending as of the date of this Copyright Agreement or thereafter, (ii) to preserve and maintain all rights in such Copyrights including the filing of appropriate renewal applications and other instruments to maintain in effect such Copyrights and (iii) pay when due all registration renewal fees and other fees, taxes and other expenses that shall be incurred or that shall accrue. Any expenses incurred in connection with such actions shall be borne by the Debtor. Further, the Debtor shall not abandon any Copyright (or registration or application therefore) which is material to the Debtor's business, without the consent of the Secured Parties.

(c) The Debtor shall have the right and the duty to bring suit or other action in the Debtor's own name to maintain and enforce the Copyrights which are material to its business. The Debtor may require the Secured Parties to join in such suit or action as necessary to assure the Debtor's ability to bring and maintain any such suit or action in any proper forum if (but only if) the Debtor is completely satisfied that such joinder will not subject the Secured Parties to any risk of liability. The Debtor shall promptly, upon demand, reimburse and indemnify the Secured Parties for all damages, costs and expenses, including legal fees, incurred by the Secured Parties pursuant to this Section 6(c).

(d) In general, the Debtor shall take any and all such actions (including institution and maintenance of suits, proceedings, or actions) as may be necessary or appropriate to properly maintain, protect, preserve, and enforce the Copyrights which are material to Debtor's business. The Debtor shall not take or fail to take any action, nor permit any action to be taken or not taken by others under its control, that would adversely affect the validity, grant or enforcement of such Copyrights.

(e) Promptly upon obtaining knowledge thereof, the Debtor will notify the Secured Parties in writing of the institution of, or any final adverse determination in, any proceeding in the Copyright Office or any similar office or agency of the United States or any foreign country, or any court, regarding the validity of any of the Copyrights or the Debtor's rights, title, or interests in and to the Copyrights, and of any event that does or reasonably could materially adversely affect the value of any of the Copyrights, the ability of the Debtor or the Secured Parties to dispose of any of the Copyrights, or the rights and remedies of the Secured Parties in relation thereto.

ss.7. Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, the Secured Parties shall have, in addition to all other rights and remedies given it by this Copyright Agreement, the Security Agreement, those allowed by law and the rights and remedies of a secured party under the UCC, the right to, immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Debtor, all of which are hereby expressly waived, sell or license at public or private sale or otherwise realize upon the whole or from time to time any part of the Copyrights, or any interest that the Debtor may have therein, and, after deducting from the proceeds of sale or other disposition of the Copyrights all expenses incurred by the Secured Parties in attempting to enforce this Copyright Agreement (including all reasonable expenses for broker's fees and legal services), shall apply the residue of such proceeds toward the payment of the Secured Obligations as set forth in or by reference in the Security Agreement. Notice of any sale, license, or other disposition of the Copyrights shall be given to the Debtor at least five (5) days before the time that any intended public sale or other public disposition of the Copyrights is to be made or after which any private sale or other private disposition of the Copyrights may be made, which the Debtor hereby agrees shall be reasonable notice of such public or private sale or other disposition. At any such sale or other disposition, the Secured Parties may, to the extent permitted under applicable law, purchase or license the whole or any part of the Copyrights or interests therein sold, licensed or otherwise disposed of.

(b) The Debtor hereby grants to the Secured Parties, effective upon the occurrence and during the continuance of an Event of Default, in order to exercise its rights and remedies as contemplated in Section 7(a) herein with respect to the Copyrights or any other Collateral, a non-exclusive right and license to use the Copyrights.

ss.8. Collateral Protection. If the Debtor shall fail to do any act that it has covenanted to do hereunder, or if any representation or warranty of the Debtor shall be breached, the Secured Parties, in their own names or that of the Debtor (in the sole discretion of the Secured Parties), may (but shall not be obligated to) do such act or remedy such breach (or cause such act to be done or such breach to be remedied), and the Debtor agrees promptly to reimburse the Secured Parties for any reasonable cost or expense incurred by the Secured Parties in so doing.

ss.9. Power of Attorney. If any Event of Default shall have occurred and be continuing, the Debtor does hereby make, constitute and appoint the Secured Parties (and any officer or agent of the Secured Parties as the Secured Parties may select in their exclusive discretion) as the Debtor's true and lawful attorney-in-fact, with full power of substitution and with the power to endorse the Debtor's name on all applications, documents, papers, and instruments necessary for the Secured Parties to use the Copyrights, or to grant or issue any exclusive or nonexclusive license of any of the Copyrights to any third person, or to take any and all actions necessary for the Secured Parties to assign, pledge, convey or otherwise transfer title in or dispose of the Copyrights or any interest of the Debtor therein to any third person, and, in general, to execute and deliver any instruments or documents and do all other acts that the Debtor is obligated to execute and do hereunder. The Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof, and releases the Secured Parties from any claims, liabilities, causes of action or demands arising out of or in connection with any action taken or omitted to be taken by the Secured Parties under this power of attorney (except for the Secured Parties' gross negligence or willful misconduct). This power of attorney is coupled with an interest and shall be irrevocable for the duration of this Copyright Agreement.

ss.10. Further Assurances. The Debtor shall, at any time and from time to time, and at its expense, make, execute, acknowledge and deliver, and file and record as necessary or appropriate with governmental or regulatory authorities, agencies or offices, such agreements, assignments, documents and instruments, and do

such other and further acts and things (including, without limitation, obtaining consents of third parties), as the Secured Parties may request or as may be necessary or appropriate in order to implement and effect fully the intentions, purposes and provisions of this Copyright Agreement, or to assure and confirm to the Secured Parties the grant, perfection, and priority of the Secured Parties' security interest in any of the Copyrights.

ss.11. Termination. At such time as all of the Secured Obligations have been indefeasibly paid and satisfied in full, this Copyright Agreement shall terminate and the Secured Parties shall, upon the written request and at the expense of the Debtor, execute and deliver to the Debtor all deeds, assignments and other instruments as may be necessary or proper to reassign, reconvey, and re-vest in and to the Debtor the entire right, title and interest to the Copyrights previously granted, assigned, transferred and conveyed to the Secured Parties by the Debtor pursuant to this Copyright Agreement, as fully as if this Copyright Agreement had not been made, subject to any disposition of all or any part thereof that may have been made by the Secured Parties pursuant hereto or the Security Agreement.

ss.12. Course of Dealing. No course of dealing between the Debtor and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder or under the Security Agreement or any other agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

ss.13. Expenses. Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by the Secured Parties in connection with the preparation of this Copyright Agreement and all other documents relating hereto, the consummation of the transactions contemplated hereby or the enforcement hereof, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance or renewal fees, encumbrances or otherwise protecting, maintaining or preserving the Copyrights, or in defending or prosecuting any actions or proceedings arising out of or related to the Copyrights, shall be borne and paid by the Debtor.

ss.14. No Assumption of Liability; Indemnification. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE SECURED PARTIES ASSUME NO LIABILITIES OF THE DEBTOR WITH RESPECT TO ANY CLAIM OR CLAIMS REGARDING THE DEBTOR'S OWNERSHIP OR PURPORTED OWNERSHIP OF, OR RIGHTS OR PURPORTED RIGHTS ARISING FROM, ANY OF THE COPYRIGHTS OR ANY USE, LICENSE, OR SUBLICENSE THEREOF, WHETHER ARISING OUT OF ANY PAST, CURRENT OR FUTURE EVENT, CIRCUMSTANCE, ACT OR OMISSION OR OTHERWISE. ALL OF SUCH LIABILITIES SHALL BE EXCLUSIVELY THE RESPONSIBILITY OF THE DEBTOR, AND THE DEBTOR SHALL INDEMNIFY THE SECURED PARTIES FOR ANY AND ALL COSTS, EXPENSES, DAMAGES AND CLAIMS, INCLUDING LEGAL FEES, INCURRED BY THE SECURED PARTIES WITH RESPECT TO SUCH LIABILITIES.

ss.15. Notices. All notices and other communications made or required to be given pursuant to this Copyright Agreement shall be in writing and shall be delivered in hand, mailed by United States registered or certified first-class mail, postage prepaid, or sent by telecopy and confirmed by delivery via courier or postal service, to the addresses provided in the Agreement.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, three (3)

business days after the posting thereof, and (iii) if sent by telecopy or telex, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following business day.

ss.16. Amendment and Waiver. This Copyright Agreement is subject to modification only by a writing signed by the Secured Parties and the Debtor, except as provided in Section 5(b). The Secured Parties shall not be deemed to have waived any right hereunder unless such waiver shall be in writing and signed by the Secured Parties. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion.

ss.17. Governing Law; Consent to Jurisdiction. THIS COPYRIGHT AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE. The Debtor agrees that any suit for the enforcement of this Copyright Agreement may be brought in the courts of the State of Delaware or any federal court sitting therein and consents to the exclusive jurisdiction of such court and to service of process in any such suit being made upon the Debtor by mail at the address specified in Section 15. The Debtor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

ss.18. Waiver of Jury Trial. THE DEBTOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS COPYRIGHT AGREEMENT, ANY RIGHTS OR SECURED OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR SECURED OBLIGATIONS. Except as prohibited by law, the Debtor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Debtor (a) certifies that neither the Secured Parties nor any representatives, agents or attorneys of the Secured Parties have represented, expressly or otherwise, that the Secured Parties would not, in the event of litigation, seek to enforce the foregoing waivers, and (b) acknowledges that, in entering into the Agreement, the Secured Parties are relying upon, among other things, the waivers and certifications contained in this Section 18.

ss.19. Miscellaneous.

(a) The headings of each section of this Copyright Agreement are for convenience only and shall not define or limit the provisions thereof.

(b) This Copyright Agreement and all rights and obligations hereunder shall be binding upon the Debtor and its respective successors and assigns, and shall inure to the benefit of the Secured Parties and its successors and assigns.

(c) If any term of this Copyright Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Copyright Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein.

IN WITNESS WHEREOF, this Copyright Agreement has been executed as of the day and year first above written.

[DEBTOR]

By:

Name:
Title:

Agreed and Acknowledged:

HASBRO INTERACTIVE, INC.

By:

Name:

Title:

HASBRO, INC.

By:

Name:

Title:

COMMONWEALTH OR STATE OF ______________)
) ss.
COUNTY OF ______________________________)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this ___ day of _____, 19__, personally appeared to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of __________, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said __________ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public
My commission expires:

Schedule A

C-2-B-10

Schedule B

C-2-B-11

Exhibit 1

ASSIGNMENT OF COPYRIGHTS

WHEREAS, ____________, a ______________ corporation (the "Debtor"), is the owner of the copyrights (the "Copyrights") identified on the Annex hereto, and is the owner of the registrations of and pending registration applications for such Copyrights in the United States Copyright Office identified on such Annex; and

WHEREAS, _______________, a corporation organized and existing under the laws of the State of _________ (the "Secured Party"), is desirous of acquiring the Copyrights and the registrations and applications therefor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Debtor does hereby assign, sell and transfer unto the Secured Party all right, title and interest in and to the Copyrights, together with (a) the registrations applications for the Copyrights, including, but not limited to those registrations and applications on the Annex hereto and all reissues, extensions, and renewals thereof, (b) any derivative works thereof (c) the proceeds thereof including (i) any and all accounts, chattel paper, instruments, other forms of money or currency or other proceeds payable to Debtor from time to time in respect of the Copyrights, (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Debtor from time to time with respect to any of the Copyrights, (iii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Copyrights any governmental authority (or any Person acting under color of governmental authority), (iv) any claim of Debtor against third parties for past, present, or future infringement of any Copyright or any injury to the goodwill associated with any Copyright, and (v) any and all other amounts from time to time paid or payable under or in connection with any of the Copyrights.

This Assignment of Copyrights is intended to and shall take effect at such time as the Secured Party shall complete this instrument by inserting its name in the second paragraph above and signing its acceptance of this Assignment of Copyrights below.

IN WITNESS WHEREOF, the Debtor, by its duly authorized officer, has executed this assignment, as an instrument under seal, on this ___ day of ______, 199_.

[DEBTOR]

By:

Title:

The foregoing Assignment of Copyrights by the Debtor to the Secured Parties is hereby accepted as of the _____ day of _______, __.

By:

Title:

COMMONWEALTH OR STATE OF _______________)
) ss.
COUNTY OF ______________________________)

On this the ___ day of _____, 199_, before me appeared __________, the person who signed this instrument, who acknowledged that (s)he is the _____ of __________ and that being duly authorized (s)he signed such instrument as a free act on behalf of __________.

Notary Public

My commission expires:

COMMONWEALTH OR STATE OF _______________)
) ss.
COUNTY OF ______________________________)

On this the ___ day of _____, 199_, before me appeared __________, the person who signed this instrument, who acknowledged that (s)he is the _____ of __________ and that being duly authorized (s)he signed such instrument as a free act on behalf of __________.

Notary Public

My commission expires:

Schedule of Copyrights

C-2-B-15

Exhibit D

NOTICE OF BORROWING

[__________], 1998

Hasbro Interactive, Inc.
50 Dunham Road
Beverly, MA 01915
Attention: Thomas Dusenberry, President

Gentlemen:

Reference is made to the Software Distribution and Loan Agreement dated as of August 11, 1998 (as amended, supplemented or otherwise modified, (the "Agreement") between MICROPROSE, INC., a Delaware corporation (the "Borrower"), and Hasbro Interactive, Inc., a Delaware corporation (the "Lender"). Capitalized terms used herein and not otherwise defined herein have the meanings given such terms in the Agreement.

The Borrower hereby gives you notice, irrevocably, pursuant to Section 6.5(f) of the Agreement that the Borrower is requesting that a Loan in an original principal amount of $[ ] be made under the Agreement on [ ], 1998 (the "Drawdown Date"), which day is a Business Day. After giving effect to the making of such Loan, the aggregate original principal amount of Loans made under the Agreement will be $[ ].

The Borrower hereby represents and warrants for the benefit of the Lender on and as of each of the date hereof and the Drawdown Date that:

(a) this Notice of Borrowing has been duly authorized by all necessary action on the part of the Borrower and its members, has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower;

(b) the representations and warranties of the Borrower set forth in the Agreement and the other Loan Documents are true and correct in all material respects as though made on and as of the date hereof and the Drawdown Date, except to the extent such representations and warranties specifically relate to a different date;

(c) no event or circumstance has occurred and is continuing, or would result from the making of the Loans requested hereby or the use of the proceeds thereof, which constitutes a Default or an Event of Default; and

(d) the proceeds of the Loan will be used to fund Publisher's operating working capital needs for the period [   ], 1998 to [   ], 1998 and such uses are itemized on Schedule I hereto consistent with past practice.

Very truly yours,

MICROPROSE, INC.

By:

Name:
Title:

[MICROPROSE LETTERHEAD]

June 16, 1998

Hasbro
50 Dunham Road
Beverly, MA 01915

Attention: Mr. Ron Parkinson

Ladies and Gentlemen:

In connection with your consideration of a possible business transaction (a "Transaction") with MicroProse, Inc. (the "Company"), the Company and you expect to make available to one another certain nonpublic information concerning their respective business, financial condition, operations, assets and liabilities. As a condition to such information being furnished to each party and its directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) (collectively, "Representatives"), each party agrees to treat any nonpublic information concerning the other party (whether prepared by the disclosing party, its advisors or otherwise and irrespective of the form of communication) which is furnished hereunder to a party or to its Representatives now or in the future by or on behalf of the disclosing party (herein collectively referred to as the "Evaluation Material") in accordance with the provisions of this letter agreement, and to take or abstain from taking certain other actions hereinafter set forth.

(1) EVALUATION MATERIAL. The term "Evaluation Material" also shall be deemed to include all notes, analyses, compilations, studies, interpretations or other documents prepared by each party or its Representatives which contain, reflect or are based upon, in whole or in part, the information furnished to such party or its Representatives pursuant hereto which is not available to the general public. The term "Evaluation Material" does not include information which (i) is or becomes generally available to the public other than as a result of a breach of this Agreement by the receiving party or its Representatives, (ii) was within the receiving party's possession prior to its being furnished to the receiving party by or on behalf of the disclosing party, provided that the source of such information was not known by the receiving party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party, (iii) is or becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party or any of its Representatives, provided that such source was not known by the receiving party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party or any other party with respect to such information, (iv) is disclosed by the disclosing party to a third party without a duty of confidentiality, (v) is independently developed by the recipient without use of Evaluation Material, (vi) is disclosed under operation of law, or (vii) is disclosed by the recipient or its Representatives with the discloser's prior written approval.

(2) PURPOSE OF DISCLOSURE OF EVALUATION MATERIAL. It is understood and agreed to by each party that any exchange of information under this agreement shall be solely for the purpose of evaluating a Transaction between the parties and not to affect, in any way, each party's relative competitive position to each party or to other entities. It is further agreed, that the information to be disclosed to each other shall only be that information which is reasonably necessary to a Transaction and that information which is not reasonably necessary for such purposes shall not be disclosed or

exchanged. For purposes of determining when information is reasonably necessary for such purpose, legal counsel to each party shall agree, in advance, to review information requests so as to comply with such standard. In addition, competitively sensitive information such as information concerning product development or marketing plans, product prices or pricing plans, cost data, customers or similar information which has been determined to be reasonably necessary to a Transaction, shall be limited only to those senior executives and Representatives who are involved in evaluating or negotiating a Transaction or approving the value of a Transaction.

(3) USE OF EVALUATION MATERIAL. Each party hereby agrees that it and its Representatives shall use the other's Evaluation Material solely for the purpose of evaluating a possible Transaction between the parties, and that the disclosing party's Evaluation Material will be kept confidential and each party and its Representatives will not disclose or use for purposes other than the evaluation of a Transaction any of the other's Evaluation Material in any manner whatsoever, provided, however, that (i) the receiving party may make any disclosure of such information to which the disclosing party gives its prior written consent and (ii) any of such information may be disclosed to the receiving party's Representatives who need to know such information for the sole purpose of evaluating a possible Transaction between the parties, who are provided with a copy of this letter agreement, and who are directed by the receiving party to treat such information confidentially.

(4) NON-DISCLOSURE. In addition, each party agrees that, without the prior written consent of the other party, its Representatives will not disclose to any other person the fact that any Evaluation Material has been made available hereunder, that discussions or negotiations are taking place concerning a Transaction involving the parties or any of the terms, conditions or other facts with respect thereto (including the status thereof) PROVIDED, that a party may make such disclosure if in the written opinion of a party's outside counsel, such disclosure is necessary to avoid committing a violation of law. In such event, the disclosing party shall use its best efforts to give advance notice to the other party.

(5) REQUIRED DISCLOSURE. In the event that a party or its Representatives are requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or similar process) to disclose any of the other party's Evaluation Material, the party requested or required to make the disclosure shall provide the other party with prompt notice of any such request or requirement so that the other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this letter agreement. If, in the absence of a protective order or other remedy or the receipt of a waiver by such other party, the party requested or required to make the disclosure or any of its Representatives are nonetheless, in the opinion of counsel, legally compelled to disclose the other party's Evaluation Material to any tribunal, the party requested or required to make the disclosure or its Representative may, without liability hereunder, disclose to such tribunal only that portion of the other party's Evaluation Material which such counsel advises is legally required to be disclosed, provided that the party requested or required to make the disclosure exercises its reasonable efforts to preserve the confidentiality of the other party's Evaluation Material, including, without limitation, by cooperating with the other party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the other party's Evaluation Material by such tribunal.

(6) TERMINATION OF DISCUSSIONS. If either party decides that it does not wish to proceed with a Transaction with the other party, the party so deciding will promptly inform the other party of that decision by giving a written notice of termination. In that case, or at any time upon the request of either disclosing party for any reason, each receiving party will promptly deliver to the disclosing party or destroy all written Evaluation Material (and all copies thereof and extracts therefrom) furnished to the receiving party or its Representatives by or on behalf of the disclosing party pursuant hereto. In the event of such a decision or request, all other Evaluation Material prepared by the requesting party shall be destroyed and no copy thereof shall be retained, and in no event shall either party be obligated to disclose or provide the Evaluation Material prepared by it or its Representatives to the other party. Notwithstanding the return or destruction of the Evaluation Material, each party and its Representatives will continue to be bound by its obligations of confidentiality and other obligations hereunder.

(7) NO REPRESENTATION OF ACCURACY. Each party understands and acknowledges that neither party nor any of its Representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material made available by it or to it. Each party agrees that neither party nor any of its Representatives shall have any liability to the other party or to any of its Representatives relating to or resulting from the use of or reliance upon such other party's Evaluation Material or any errors therein or omissions therefrom. Only those representations or warranties which are made in a final definitive agreement regarding the Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

(8) DEFINITIVE AGREEMENTS. Each party understands and agrees that no contract or agreement providing for any Transaction involving the parties shall be deemed to exist between the parties unless and until a final definitive agreement has been executed and delivered. Each party also agrees that unless and until a final definitive agreement regarding a Transaction between the parties has been executed and delivered, neither party will be under any legal obligation of any kind whatsoever with respect to such a Transaction by virtue of this letter agreement except for the matters specifically agreed to herein. For purposes of this paragraph, the term "definitive agreement" does not include an executed letter of intent or any other preliminary written agreement. Both parties further acknowledge and agree that each party reserves the right, in its sole discretion, to provide or not provide Evaluation Material to the receiving party under this Agreement, to reject any and all proposals made by the other party or any of its Representatives with regard to a Transaction between the parties, and to terminate discussions and negotiations at any time.

(9) WAIVER. It is understood and agreed that no failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege hereunder.

(10) MISCELLANEOUS. Each party agrees to be responsible for any breach of this agreement by any of its Representatives. No failure or delay by the Company or any of its Representatives in exercising any right, power or privileges under this agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege hereunder. In case any provision of this agreement shall be invalid, illegal or

unenforceable, the validity, legality and enforceability of the remaining provisions of the agreement shall not in any way be affected or impaired thereby.

(11) INJUNCTIVE RELIEF. It is further understood and agreed that money damages would not be a sufficient remedy for any breach of this letter agreement by either party or any of its Representatives and that the non-breaching party shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach of this letter agreement but shall be in addition to all other remedies available at law or equity. In the event of litigation relating to this letter agreement, if a court of competent jurisdiction determines that either party or any of its Representatives have breached this letter agreement, then the breaching party shall be liable and pay to the non-breaching party the reasonable legal fees incurred in connection with such litigation, including an appeal therefrom.

(12) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed within such State.

(13) SUBSEQUENT CONFIDENTIALITY AGREEMENTS. If the Company enters into a confidentiality agreement similar to this agreement after the date hereof with any entity and such agreement contains provisions on the whole less restrictive than those set forth in this agreement, then the less restrictive provisions shall apply to you in lieu of such other provisions.

(14) Terms for this agreement are to stay in effect for a maximum of 1 year.

Please confirm your agreement with the foregoing by signing and returning one copy of this letter to the undersigned, whereupon this letter agreement shall become a binding agreement between you and the Company.

Very truly yours,
MICROPROSE, INC.

By: /s/ M. Kip Welch

M. Kip Welch
Vice President & General Counsel

Accepted and Agreed as of
the date first written above:

HASBRO

By: /s/ Ron Parkinson

Name: Ron Parkinson
Title: V.P. Finance

Subject to term limitation to one year.