

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2000 Commission file number 1-6682

Hasbro, Inc.

(Name of Registrant)

Rhode Island

(State of Incorporation)

05-0155090

(I.R.S. Employer
Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861

(Address of Principal Executive Offices)

(401) 431-8697

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold on March 23, 2001 was \$1,946,512,990.

The number of shares of Common Stock outstanding as of March 23, 2001 was 172,456,278.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for its 2001 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

Selected information contained in registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2000, is included as Exhibit 13, and incorporated by reference into Parts I and II of this Report.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

Except as expressly indicated or unless the context otherwise requires, as used herein, the "Company" means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries.

The Company is a worldwide leader in children's and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. Both internationally and in the U.S., its widely recognized core brands such as PLAYSKOOL, TONKA, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER, and WIZARDS OF THE COAST provide what the Company believes to be the highest quality play experiences in the world. In its offerings are a broad variety of games, including traditional board and card, hand-held electronic, electronic interactive products, robotic pets, electronic learning aid, children's

consumer electronic, trading card, roleplaying and puzzles. Toy offerings include boys' action, preschool, creative play and girls' toys, dolls and plush products. The Company also licenses to others various trademarks, characters and other property rights for use in connection with consumer promotions and the sale by others of noncompeting toys and non-toy products.

(b) Description of Business Segments and Products

The Company's focus on managing its business covers two major areas, Toys and Games. Organizationally, the Company's reportable segments are U.S. Toys, Games, International and Global Operations. Financial information with respect to the Company's segments is included in the Annual Report to Shareholders for the fiscal year ended December 31, 2000.

In the United States, the U.S. Toy segment includes the design, development, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, preschool toys and infant products and creative play products. The Games segment includes the design, development, marketing and selling of traditional board and card games and puzzles, handheld electronic games, electronic interactive products, children's consumer electronics, electronic learning aids, and trading card and roleplaying games. During 2000, the Games segment also included interactive software games based on the Company's owned and licensed brands. The business units carrying these games were sold in January 2001. Within the International segment, the Company develops, markets and sells both toy and certain game products in non-U.S. markets. The marketing and sale of WIZARDS OF THE COAST products internationally and TIGER products in the United Kingdom are managed through the Company's Games segment.

Global Operations manufactures and sources product for the majority of the Company's segments. The Company also has other segments which license certain of the Company's intellectual property to third parties and, which develop and market non-traditional toy and game based product and historically have realized more than half of their revenues and the majority of their operating profit in the first half of the year, which is contra-seasonal to the rest of the Company's business. In 2000, these other segments did not meet the quantitative thresholds for reportable segments.

(i) U.S. Toy

In the U.S. Toy segment, the Company's products are marketed as boys' toys, girls' toys, preschool and creative play.

Boys' toys are offered across a wide range of core popular properties such as G.I. JOE, ACTION MAN, TRANSFORMERS action figures, and the TONKA line of trucks and interactive toys. Other products are tied to entertainment properties, including STAR WARS, POKEMON and BATMAN toys and accessories. In 2001, the Company will be reintroducing its TRANSFORMERS - ROBOTS IN DISGUISE line accompanied by an all-new kids television series, as well as a kid-focused G.I. JOE line. Also in 2001, the Company plans to introduce B.I.O. BUGS, robotic bugs that can act autonomously using advanced "nervous network" technology. In addition, the TONKA 2001 product line includes DUSTY MY TALKIN' TOOL BENCH, an interactive tool bench with personality, and CHOMPER MY TALKIN' TRUCKBOT, a follow-up to last year's award-winning TUCKER MY TALKIN' TRUCKBOT. The Company will also feature toy lines based on JURASSIC PARK III, scheduled for release in July 2001 and Disney/Pixar's MONSTERS, INC., which is due out in theaters in November 2001.

Hasbro's girls' toys include the classic RAGGEDY ANN and RAGGEDY ANDY rag dolls. The Company also offers such popular dolls as MAKEUP MINDY. In 2001, the Company is introducing SHOEZIES collectible shoe fashions, a kids line of collectible miniature shoes.

The U.S. Toy segment's preschool products include a portfolio of core brands primarily marketed under the PLAYSKOOL trademark. The PLAYSKOOL line includes such well-known products as MR. POTATO HEAD, SIT 'N SPIN and GLOWORM, as well as a successful line of infant toys such as KICK START GYM and the FIRST STARTS infant line, and preschool role-play products. New products being

introduced during 2001 are the PLAYSKOOL MAGIC SCREEN LEARNING DESK, which helps children discover letters, numbers, shapes and colors on a unique, animated light-up screen and three fun play and learn keyboards, and the PLAYSKOOL BABY EINSTEIN product line, which incorporates music, poetry, language and art. New 2001 products also feature a licensed product line based on HIT Entertainment's BOB THE BUILDER, which airs on NICKELODEON.

Creative Play items for both girls and boys include such classic core lines as PLAY-DOH, EASY-BAKE OVEN, and LITE-BRITE and SPIROGRAPH design toys. During 2001, the Company will be offering new PLAY-DOH playsets featuring CHUCK E. CHEESE, BOB THE BUILDER, and Disney/Pixar's MONSTERS, INC., and licensed refill bake sets for the EASY-BAKE OVEN, including CHIPS AHOY! chocolate chips and LIFESAVERS cakes.

(ii) Games

The Company markets its games and puzzles under several well known core brands, including MILTON BRADLEY, PARKER BROTHERS, AVALON HILL, TIGER, AND WIZARDS OF THE COAST.

The MILTON BRADLEY, PARKER BROTHERS and AVALON HILL brand portfolios consist of a broad assortment of games for children, families and adults. The Company's staple items include MONOPOLY, BATTLESHIP, THE GAME OF LIFE, SCRABBLE, CHUTES AND LADDERS, CANDY LAND, TROUBLE, MOUSETRAP, OPERATION, HUNGRY HUNGRY HIPPOS, CONNECT FOUR, TWISTER, YAHTZEE, JENGA, CLUE, SORRY!, RISK, BOGGLE, OUIJA, DIPLOMACY, ACQUIRE and TRIVIAL PURSUIT as well as a line of jigsaw puzzles for children and adults. The Company has put in place a series of marketing initiatives designed to encourage game play among a wide variety of audiences, including MY FIRST GAMES, FAMILY GAME NIGHT and GET TOGETHER GAMES. New product introductions for 2001 include POX, a portable electronic game where players can compete using wireless technology, providing numerous challenges as characters are built and collected, and M.A.G.S., the Music Activated Games System where a player's personal choice of music determines the game experience. In addition, new board games will include WHEELS ON THE BUS, a preschool game based on the children's song, HANG IN THERE, a jungle themed skill and action game, and MOODS, a party game testing verbal and acting skills.

TIGER ELECTRONICS brand products bring innovation and technology to entertainment and lifestyle products for the whole family. Electronic interactive products include POO-CHI, MEOW-CHI, SUPER POO-CHI and FURBY. Planned for 2001 are I-CYBIE, a fully articulated robo-dog that goes through several stages of development from puppy to adult dog, as well as a broadened line of ROBO-CHI interactive pet offerings including CHIRPY-CHI, DINO-CHI, ROBO-BABY, and PETAL-CHI. Electronic learning aids include licensed product featuring WINNIE THE POOH and BOB THE BUILDER. Innovative items in the 2001 line include the interactive animatronic SHELBY, a special friend of FURBY, who has a vocabulary of more than 180 words, as well as OTTOBOT the robotic friend and MUTSU the interactive fish. Consumer electronics include HITCLIPS micro music systems and YAHOO! CAM. 2001 consumer electronics offerings include i-KARAOKE, a consumer targeted portable karaoke system. Also new for 2001 is a line of robots based on the television show BATTLEBOTS that children can build, customize and put into action.

WIZARDS OF THE COAST trading card and roleplaying games include the popular MAGIC: THE GATHERING, DUNGEONS AND DRAGONS, POKEMON and MAJOR LEAGUE BASEBALL SHOWDOWN. MAGIC: THE GATHERING, created in 1993, has worldwide popularity, with more than six million players in over fifty countries. In 2001, MAGIC: THE GATHERING - SEVENTH EDITION basic card set will be introduced as well as the PLANESHIFT, APOCALYPSE and ODYSSEY expansions. WIZARDS OF THE COAST has a unique organized play program for its trading card games, sanctioning over 80,000 game tournaments around the world in 2000. The Company operates approximately 100 retail stores under the WIZARDS OF THE COAST and GAME KEEPER names, many of which not only sell a wide range of games, but provide important locations for tournaments and other organized play activities. New for 2001 are the NFL SHOWDOWN and NBA SHOWDOWN trading card games which allow players to assemble their own lineups, collect their favorite football and basketball players and compete against other players' teams, the NEO GENESIS and NEO DISCOVERY expansions for the POKEMON trading card game, and the HARRY POTTER trading card game, based on the NEW YORK TIMES best-selling novels.

During 2000, the Company marketed interactive software games under the HASBRO INTERACTIVE, MICROPROSE and EUROPRESS brands, which include ROLLER COASTER TYCOON, CIVILIZATION, FALCON and the ATARI properties, such as CENTIPEDE, MISSILE COMMAND, and PONG. The Company also completed the soft launch of its internet games portal, Games.com. In December 2000, the Company announced it had entered into an agreement with Infogrames Entertainment S.A. (Infogrames) to sell the business units which make up Hasbro Interactive, as well as its internet portal, Games.com. This sale closed in January 2001. In conjunction with this agreement, the Company entered into a licensing agreement with Infogrames whereby they will develop interactive games based on the Company's properties. The Company will receive annual royalties, including a minimum guarantee, from Infogrames based on sales generated under the licensing agreement.

(iii) International

In addition to the United States, the Company operates in more than 25 countries, selling a representative range of the toy and game products marketed in the United States, together with some items which are sold only internationally. Key international brands for 2000 included POKEMON, ACTION MAN and FURBY. New products for 2001 include many of those noted in the U.S. Toy and Game segments above, as well as TURBO SNAILS, a new line of boys' action figures.

(iv) Global Operations

The Company primarily sources production through unrelated manufacturers in various Far East countries, principally China, using a Hong Kong subsidiary for quality control and order coordination purposes. The Company also manufactures products in the United States, Ireland and Spain. See "Manufacturing and Importing" below.

(v) Other Information

The Company has other segments which generate revenue through the licensing of intellectual property for promotional and merchandising uses as well as design, develop and market certain traditional and non-traditional toy and game based product including the SUPER SOAKER line of water products, the NERF line of soft action play equipment, a TINKERTOY classic line, and KOOSH brand products.

In 2001, the Company has realigned its business segments to consolidate the toy-related products into its U.S. Toy segment. As a result, many of the brands reflected in other segments including SUPER SOAKER, NERF, TINKERTOYS, and KOOSH will be marketed under the boys, girls, preschool and creative play lines of the U.S. Toy segment in the future.

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

In addition, various products are licensed to other companies for certain countries where the Company does not otherwise have a presence.

During the 2000 fiscal year, revenues from the POKEMON trading card line of products contributed 15% of consolidated net revenues of the Company. In 1999, revenues from the FURBY line of products and the STAR WARS boys toys line of products contributed 13% and 12%, respectively, of consolidated net revenues for the Company.

Working Capital Requirements

The Company's production needs have been financed historically by means of short-term borrowings which reach peak levels during September through November of each year when receivables also generally reach peak levels. The revenue pattern of the Company results in the second half of the year being more significant to its overall business and, within that half, the fourth quarter being the most prominent. The trend of retailers over the past few years has been to make a higher percentage of their purchases within or close to the fourth quarter holiday consumer selling season, which includes Christmas. The Company expects that this trend will continue. The toy business is also characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of a product line, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which the Company has licenses for promotional product, and differences in overall economic conditions. As a result, comparisons of unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of sales for that entire given year. Also, quick response inventory management practices now being used results in fewer orders being placed in advance of shipment and more orders being placed for immediate delivery. The Company's unshipped orders at March 4, 2001 and March 5, 2000 were approximately \$166,933,000 and \$375,000,000, respectively. Also, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog at any date in a given year can be

affected by programs the Company may employ to induce its customers to place orders and accept shipments early in the year. This method is a general industry practice. The programs the Company is employing to promote sales in 2001 are not substantially different from those employed in 2000.

The Company commits to inventory production, advertising and marketing expenditures prior to the peak third and fourth quarter retail selling season. In addition, accounts receivable generally are at peak levels during the fourth quarter and early in the first quarter of the subsequent year, making it necessary for the Company to borrow significant amounts pending these collections. During 2000, the Company relied on internally generated funds and short-term borrowing arrangements, including commercial paper, to finance its working capital needs. In February 2001, the Company entered into amended and restated secured revolving and line of credit facility agreements with its existing lenders. These committed lines include long-term and short-term secured credit agreements of \$325,000,000 each. The facilities are secured by substantially all domestic accounts receivable and inventory, as well as certain investments and intangible assets of the Company. The Company is not required to maintain compensating balances under the agreements. The agreements contain certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments. During 2001, the Company expects to fund its seasonal working capital needs through operations and these lines of credit and believes that the funds available to it are adequate to meet its needs. Amounts available for borrowing under the committed revolving and line of credit facilities are \$325,000,000 (long-term) and \$325,000,000 (short-term) and vary by quarter, with availability at its lowest point of \$300,000,000 in the first quarter of 2001. Of this amount available, \$213,000,000 is unused at March 4, 2001. In addition, the Company has \$143,000,000 of available uncommitted and unsecured lines of credit at March 4, 2001.

Royalties, Research and Development

The continuing development of new products and the redesigning of existing items for continuing market acceptance are key determinants of success in the toy and game industry. In 2000, 1999 and 1998, approximately \$208,485,000, \$254,599,000 and \$184,962,000, respectively, were incurred on activities relating to the development, design and engineering of new products and their packaging (including items brought to the Company by independent designers) and to the improvement or modification of ongoing products. Much of this work is performed by the Company's staff of designers, artists, model makers and engineers.

In addition to its own staff, the Company deals with a number of independent toy and game designers for whose designs and ideas the Company competes with other toy and game manufacturers. Rights to such designs and ideas, when acquired by the Company, are usually exclusive under agreements requiring the Company to pay the designer a royalty on the Company's net sales of the item. These designer royalty agreements in some cases provide for advance royalties and minimum guarantees.

The Company also produces a number of toys under trademarks and copyrights utilizing the names or likenesses of familiar movie, television and comic strip characters, for whose rights the Company competes with other toy and game manufacturers. Licensing fees are generally paid as a royalty on the Company's net sales of the item. Licenses for the use of characters are generally exclusive for specific products or product lines in specified territories. In many instances, advance royalties and minimum guarantees are required by character license agreements. Under terms of agreements existing at December 31, 2000, in certain circumstances the Company may be required to pay an aggregate of up to \$741,000,000 in guaranteed or minimum royalties between 2001 and 2007. Of this amount, approximately \$238,000,000 has been paid. Approximately \$58,000,000 is included in the \$66,509,000 of prepaid royalties which are a component of prepaid expenses and other current assets on the balance sheet. Included in other assets is \$180,000,000 representing the long-term portion of the amount paid. Of the remaining unpaid minimum guaranty, Hasbro may be required to pay approximately \$44,000,000, \$193,000,000, \$89,000,000, \$56,000,000, and \$121,000,000 in 2001, 2002, 2003, 2004 and 2005, respectively. Such payments are related to royalties which are expected to be incurred on anticipated revenues in the years 2001 through 2008.

Marketing and Sales

The Company's products are sold nationally and internationally to a broad spectrum of customers including wholesalers, distributors, chain stores, discount stores, mail order houses, catalog stores, department stores and other traditional retailers, large and small, as well as internet-based "e-tailers." The Company and its subsidiaries employ their own sales forces which account for the majority of sales of their products. Remaining sales are generated by independent distributors who sell the Company's products principally in areas of the world where the Company does not otherwise maintain a presence. With the acquisition of Wizards of the Coast, Inc. in the fourth quarter of 1999, the Company acquired a specialized line of retail stores featuring game, hobby and related products and an area for in-store game play, as well as an online retail site. The Company maintains showrooms in New York and selected other major cities world-wide as well as at most of its subsidiary locations. Although the Company had more than 3,500 customers in the United States and Canada during 2000 with the inclusion of specialty retailers carrying trading card games and toy-related product there has been significant consolidation at the retail level over the last several years, and the majority of the Company's sales are to large chain stores, distributors and wholesalers. In other countries, the Company has in excess of 20,000 customers, many of which are individual retail stores. During 2000, sales to the Company's two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., represented 14% and 13%, respectively, of consolidated net revenues, and sales to its top five customers accounted for approximately 41% of consolidated net revenues.

The Company advertises many of its toy and game products extensively on television. The Company generally advertises selected items in its product groups in a manner designed to promote the sale of other specific items in those product groups. Through 2001, the Company introduced its new products in New York City at the time of the American International Toy Fair in February.

It also introduced some of its products to major customers during the prior year.

In 2000, the Company spent approximately \$452,978,000 in advertising, promotion and marketing programs compared to \$456,978,000 in 1999 and \$440,692,000 in 1998.

Manufacturing and Importing

During 2000, the Company's products were manufactured in third party facilities in the Far East as well as in the Company's own three principal facilities located in East Longmeadow, Massachusetts, Waterford, Ireland, and Valencia, Spain. Most of its products are manufactured from basic raw materials such as plastic, paper and cardboard, although certain products also make use of electronic components. All of these materials are readily available but may be subject to significant fluctuations in price. The Company's manufacturing processes include injection molding, blow molding, spray painting, printing, box making and assembly. The Company purchases certain components and accessories used in its toys and games and some finished items from United States manufacturers as well as from manufacturers in the Far East, which is the largest manufacturing center of toys in the world, and other countries. The 1996 implementation of the General Agreement on Tariffs and Trade reduced or eliminated customs duties on many products imported by the Company. The Company believes that the manufacturing capacity of third party manufacturers as well as its own facilities and the supply of components, accessories and completed products which it purchases from unaffiliated manufacturers are adequate to meet the demand in 2001 for the products which it markets. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary.

However, if the Company is prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted while alternative sources of product were secured. In 2000, the United States Congress approved "permanent normal trade relations" status for China, which was intended to eliminate the United States' annual review of China trade relations status. China has signed similar agreements with the European Union and other World Trade Organization members in order to gain support for its entry into the World Trade Organization, although such entry is not guaranteed at this time. However, the imposition of trade sanctions by the United States or the European Union against a class of products imported by the Company from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly increase the cost of the Company's products imported into the United States or Europe.

The Company makes its own tools and fixtures for its manufacturing facilities but purchases dies and molds principally from independent United States and international sources.

Competition

The Company's business is highly competitive and it competes with several large and many small United States and international designers, manufacturers and marketers. The Company is a worldwide leader in the design, manufacture and marketing of games and toys.

Employees

At December 31, 2000, the Company employed approximately 8,900 persons worldwide, approximately 5,500 of whom are located in the United States.

Trademarks, Copyrights and Patents

The Company's products are protected, for the most part and in as many countries as practical, by registered trademarks, copyrights and patents to the extent that such protection is available and meaningful. The loss of such rights concerning any particular product would not have a material adverse effect on the Company's business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

The Company's toy and game products sold in the United States are subject to the provisions of the Consumer Product Safety Act (the "CPSA"), The Federal Hazardous Substances Act (the "FHSA"), the Flammable Fabrics Act (the "FFA"), and the regulations promulgated thereunder. The CPSA empowers the Consumer Product Safety Commission (the "CPSC") to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product "a banned hazardous substance" under the CPSA and to ban it from commerce. The CPSC can file an action to seize and condemn an "imminently hazardous consumer product" under the CPSA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides for the repurchase by the manufacturer of articles which are banned. Consumer product safety laws also exist in some states and cities within the United States and in Canada, Australia and Europe. The Company maintains laboratories which have testing and other procedures intended to maintain compliance with the CPSA, the FHSA, the FFA, international standards, and the Company's own standards. Notwithstanding the foregoing, there can be no assurance that all of the Company's products are or will be hazard free. Any material product recall could have an effect on the Company, depending on the product, and could affect sales of other products.

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

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

Forward-Looking Information and Risk Factors

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. Forward-looking statements are inherently subject to risks and uncertainties, many of which are known by, or self-evident to, the investing public. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "looking forward," "may," "planned," "potential," "should," "will" and "would." In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause its actual results and experience to differ materially from the anticipated results or other expectations expressed in its forward-looking statements. The factors listed below are illustrative and other risks and uncertainties may arise as are or may be detailed from time to time in the Company's public announcements and filings with the Securities and Exchange Commission. The risks and uncertainties that may affect the operations, performance, development and results of Hasbro's business and impact forward looking information are as follows:

Volatility of consumer preferences and the high level of competition in the family entertainment industry makes it difficult to maintain the long-term success of existing product lines and consistently introduce successful new products.

Our business and operating results depend largely upon the appeal of our family entertainment products, principally games and toys. A decline in the popularity of our existing products and product lines or the failure of new products and product lines to achieve and sustain market acceptance could result in reduced overall revenues and margins, which could have a material adverse effect on our business financial condition and results of operations. Our continued success will depend on our ability to redesign, restyle and extend our existing family entertainment product lines and to develop, introduce and gain customer acceptance of new family entertainment product lines. However consumer preferences with respect to family entertainment are continuously changing and are difficult to predict. Individual family entertainment products typically have short life cycles. The success of entertainment properties released theatrically, such as STAR WARS related productions, can significantly impact revenues derived by the Company from licensed product related to that property. In addition, competition in the industry could adversely impact our ability to secure, maintain, and renew popular licenses, and to attract and retain the talented employees necessary to design, develop and market successful products. There can be no assurances that:

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

2) Any property for which the Company has a significant license will achieve popularity;

3) Any new products and product lines introduced by us will achieve an adequate degree of market acceptance; or

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

5) We will be able to manufacture, source and ship new or continuing products in a timely basis to meet consumer demands.

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

Sales of our family entertainment products at retail are seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season. This seasonality is increasing, as large retailers become more efficient in their control of inventory levels through quick response management techniques. These customers are timing reorders so that they are being filled by suppliers closer to the time of purchase by consumers, which to a large extent occur during September through December, rather than maintaining large on-hand inventories throughout the year to meet consumer demand. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and shift a significant portion of inventory risk and carrying costs to the supplier. The limited inventory carried by retailers may also reduce or delay retail sales. Additionally, the logistics of supplying more and more product within shorter time periods will increase the risk that we fail to achieve tight and compressed shipping schedules. This seasonal pattern requires significant use of working capital mainly to manufacture inventory during the year, prior to the holiday season, and requires accurate forecasting of demand for products during the holiday season. Our failure to accurately predict and respond to consumer demand could result in our underproducing popular items and overproducing less popular items.

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

If one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, or significantly reduce the amount of their purchases from us, it could have a material adverse effect on our business, financial condition and results of operations. For the fiscal year ended December 31, 2000, Wal-Mart Stores, Inc. and Toys R Us, Inc. accounted for approximately 14% and 13%, respectively, of our consolidated net revenues and our five largest customers, including Wal-Mart and Toys R Us, in the aggregate accounted for approximately 41% of our consolidated net revenues.

We may not realize anticipated benefits of acquisitions or these benefits may be delayed or reduced in their realization.

Acquisitions have been a significant part of our growth over the years and have enabled us to further broaden and diversify our product offerings. While we target companies having what we believe to be attractive family entertainment product offerings, there can be no assurance that the products of companies we acquire will continue to be popular. In addition, in some cases, we expect that the integration of the product lines of the companies that we acquire into our operations will create production, marketing and other operating synergies. We believe that creating these synergies can create greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other synergies. However, we can provide no assurances that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we acquire companies with what we believe to have strong and creative management, in which case we plan to create synergies by operating them autonomously rather than integrating them into our operations. There can be no assurance, however, that the key talented individuals at these companies will continue to work for us after the acquisition or that they will continue to develop popular and profitable products or services. Moreover, because of limitations in our credit agreements, we are limited in our ability to make substantial acquisitions in the near term. Although we plan to focus greater attention and resources on our core owned and controlled brands, there is no assurance that such efforts will produce revenue growth to replace the growth historically provided by acquisitions.

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

Various international risks could negatively impact our international sales and manufacturing operations, which could have a material adverse effect on our business, financial condition and results of operations. For the year ended December 31, 2000, our net revenues from international customers comprised approximately 41% of our total consolidated net revenues. We expect our sales to international customers to continue to account for a significant portion of our revenues. Additionally, we utilize third-party manufacturers principally in the Far East and we have manufacturing facilities in Ireland and Spain. These sales and manufacturing operations are subject to the risks normally associated with international operations, including:

- 1) Currency conversion risks and currency fluctuations;
- 2) Limitations, including taxes, on the repatriation of earnings;
- 3) Political instability, civil unrest and economic instability;
- 4) Greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- 5) Complications in complying with laws in varying jurisdictions and changes in governmental policies;

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

7) Transportation delays and interruptions; and

8) The imposition of tariffs.

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to political, labor or other factors beyond our control, Hasbro's operations would be disrupted while alternative sources of products were secured. Also, the imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status by, the Peoples Republic of China could significantly increase our cost of products imported into the United States or Europe.

The impact of market conditions, government actions and regulations and other third party conduct could negatively impact implementation of the Company's consolidation programs, margins, and other business initiatives.

Economic conditions, such as rising fuel prices, may adversely impact our margins. Other conditions, such as the unavailability of electrical components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Other conditions outside of our control could delay or increase the cost of implementing our consolidation programs or alter our actions and reduce actual results.

The impact of our reduced ability to obtain external financing at low rates and the restrictions imposed by our amended and restated credit facility agreements could alter our business practices.

In February 2001, we entered into amended and restated secured revolving and line of credit facility agreements with our existing lenders. The facilities are secured by substantially all of our domestic accounts receivable and inventory, as well as certain of our investments and intangible assets. The agreements contain certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions on capital expenditures, investments, acquisitions, share repurchases and dividend payments. These restrictive covenants may limit our future actions, and financial, operating and strategic flexibility.

We believe that our cash flow from operations, together with our cash and access to existing credit facilities, are adequate for current and planned needs in 2001. However, our actual experience may differ from these expectations. Factors that may lead to a difference include, but are not limited to, the matters discussed herein as well as future events that might have the effect of reducing our available cash balance (such as unexpected material operating losses or increased capital or other expenditures, as well as increases in inventory or accounts receivable) or future events that may reduce or eliminate the availability of external financial resources. Our

failure to comply with covenants in our credit agreements could result in significant negative consequences.

(c) Financial Information About International and United States

Operations and Export Sales

The information required by this item is included in note 16 of Notes to Consolidated Financial Statements in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 2. PROPERTIES

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates
Rhode Island				
Pawtucket (1)(2)(3)	Administrative, Sales & Marketing Offices & Product Development	343,000	Owned	--
Pawtucket (2)	Executive Office	23,000	Owned	--
East Providence (2)	Administrative Office	120,000	Leased	2004
Central Falls (1)(2)(3)	Warehouse	261,500	Owned	--
California				
Ontario (1)	Warehouse	432,000	Leased	2002
Illinois				
Vernon Hills (1)	Office & Warehouse	21,000	Leased	2002
Massachusetts				
East Longmeadow (1)(4)	Office, Manufacturing & Warehouse	1,148,000	Owned	--
New Jersey				
Mt. Laurel (3)	Office	11,000	Leased	2001
New York				
New York(1)(2)(3)(5)	Office & Showroom	106,800	Leased	2011

Texas				

Arlington (1)	Warehouse	60,200	Leased	2003
Dallas (1)	Warehouse	127,000	Leased	2003
Grand Prairie (1)	Warehouse	93,500	Leased	2003
Grand Prairie (1)	Warehouse	50,400	Leased	2001
Washington				

Renton (1)	Offices	158,000	Leased	2005
Seattle (1)	Warehouse	30,500	Leased	2002
Argentina				

Buenos Aires (5)	Offices	6,500	Leased	2003
Australia				

Lidcombe (5)	Office & Warehouse	161,400	Leased	2007
Eastwood (5)	Office	16,900	Leased	2001
Austria				

Vienna (5)	Office	4,400	Leased	2001
Belgium				

Brussels (5)	Office & Showroom	18,800	Leased	2008
Canada				

Montreal (5)	Office, Warehouse & Showroom	133,900	Leased	2004
Mississauga (5)	Sales Office & Showroom	16,300	Leased	2004
Montreal (5)	Warehouse	88,100	Leased	2004
Chile				

Santiago (5)	Warehouse	54,000	Leased	2001
Santiago (5)	Office	3,500	Leased	2001
Denmark				

Glostrup (5)	Office	9,200	Leased	2004
England				

Uxbridge (5)	Office & Showroom	92,900	Leased	2013

France				

Le Bourget du Lac	(5) Office & Warehouse	107,900	Owned	--
Savoie Technolac	(5) Office	33,500	Owned	--
Creutzwald	(5) Warehouse	301,300	Owned	--
Germany				

Dietzenbach	(5) Office	43,000	Leased	2006
Soest	(5) Office & Warehouse	164,200	Owned	--
Greece				

Athens	(5) Office & Warehouse	25,100	Leased	2007
Hong Kong				

Kowloon	(1)(3)(4)(5) Office & Warehouse	10,500	Leased	2000
Kowloon	(1)(3)(4)(5) Office & Warehouse	33,700	Leased	2002
Kowloon	(4) Offices	43,400	Leased	2002
New Territories	(4) Office & Warehouse	17,800	Leased	2001
New Territories	(4) Warehouse	11,500	Leased	2002
New Territories	(4) Warehouse	8,100	Leased	2003
New Territories	(4) Office	7,300	Leased	2002
Hungary				

Budapest	(5) Office	6,300	Leased	2001
Ireland				

Waterford	(4) Office, Manufacturing & Warehouse	244,000	Owned	--
Italy				

Milan	(5) Office & Showroom	12,100	Leased	2002
Mexico				

Periferico	(5) Office	16,100	Leased	2001
Carretera	(5) Warehouse	215,500	Leased	2004
The Netherlands				

Ter Apel	(5) Warehouse	106,400	Leased	2001
Utrecht	(5) Office	12,800	Leased	2003
New Zealand				

Auckland	(5) Office & Warehouse	110,900	Leased	2005

Peru				

Lima (5)	Warehouse	32,400	Leased	2001
Lima (5)	Office	11,000	Leased	2001
Poland				

Warsaw (5)	Office & Warehouse	21,400	Leased	2001
Portugal				

Estoril-Lisboa (5)	Office	2,900	Leased	2003
Singapore				

Singapore (5)	Office & Warehouse	9,300	Leased	2003
Spain				

Valencia (4)(5)	Office, Manufacturing & Warehouse	322,700	Owned	--
Valencia (4)(5)	Office, Manufacturing & Warehouse	144,800	Leased	2011
Sweden				

Vosby (5)	Office	7,400	Leased	2003
Switzerland				

Berikon (5)	Office & Warehouse	25,000	Leased	2001
Delemont (5)	Office	9,200	Leased	2004
Wales				

Newport (5)	Warehouse	75,000	Leased	2003
Newport (5)	Warehouse	170,000	Owned	--

- (1) Property used in the U.S. Toy or Games segment.
- (2) Property used in the Corporate area.
- (3) Property used in Other segments.
- (4) Property used in the Global Operations segment.
- (5) Property used in the International segment.

In addition to the above listed facilities, the Company either owns or leases various other properties approximating 486,000 square feet which are utilized by its various segments and include retail and game play locations operated under the WIZARDS OF THE COAST and GAME KEEPER names. The Company also either owns or leases an aggregate of approximately 103,000 square feet not currently being utilized in its operations.

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

ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings, substantially involving routine litigation incidental to the Company's business, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position and Office Held	Period Serving in Current Position
Alan G. Hassenfeld (1)	52	Chairman of the Board and Chief Executive Officer	Since 1999
Alfred J. Verrecchia (2)	58	President and Chief Operating Officer	Since 2001
Harold P. Gordon	63	Vice Chairman	Since 1995
David D. R. Hargreaves (3)	48	Senior Vice President and Chief Financial Officer	Since 2001
George B. Volanakis (4)	53	Executive Vice President	Since 2000
Brian Goldner (5)	37	Senior Vice President and General Manager, Hasbro U.S. Toy Group	Since 2000
Richard B. Holt	59	Senior Vice President and Controller	Since 1992
Barry Nagler (6)	44	Senior Vice President and General Counsel	Since 2000
Martin R. Trueb (7)	49	Senior Vice President and Treasurer	Since 1997
Phillip H. Waldoks	48	Senior Vice President - Corporate Legal Affairs and Secretary	Since 1995

(1) Prior thereto, Chairman of the Board, President and Chief Executive Officer.

- (2) Prior thereto, President, Chief Operating Officer and Chief Financial officer from 2000 to 2001; prior thereto, Executive Vice President and Chief Financial Officer from 1999 to 2000; prior thereto Executive Vice President, Global Operations and Development during 1999; prior thereto, Executive Vice President and President, Global Operations from 1996 to 1999; prior thereto, Chief Operating Officer, Domestic Toy Operations.
- (3) Prior thereto, Senior Vice President and Deputy Chief Financial Officer from 1999 to 2000; prior thereto, Senior Vice President, Finance during 1999; prior thereto, Senior Vice President, Finance and Planning, Global Marketing from 1997 to 1999; prior thereto, Senior Vice President, Finance and Planning, Global Operations from 1996 to 1997; prior thereto, Senior Vice President, Finance and Administration, Domestic Toy Operations.
- (4) Prior thereto, General Manager and Sector Head, International Businesses from 1999 to 2000; prior thereto, President, European Sales and Marketing from 1998 to 1999; prior thereto, President and Chief Executive Officer, The Ertl Company, Inc.
- (5) Prior thereto, during 2000, Chief Operating Officer of Tiger Electronics, Inc., a subsidiary of the Company; prior thereto, Chief Operating Officer, Bandai America, Inc., from 1997 to 2000; prior thereto, Worldwide Director in Charge, Entertainment Division, J. Walter Thompson Advertising.
- (6) Prior thereto, Senior Vice President and General Counsel, Reebok International, Ltd. (Reebok) from 1997 to 2000; prior thereto, Vice President and General Counsel, Reebok.
- (7) Prior thereto, Assistant Treasurer, Amway Corporation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED

----- STOCKHOLDER MATTERS -----

The information required by this item is included in Market for the Registrant's Common Equity and Related Stockholder Matters in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is included in Selected Financial Data in Exhibit 13 to this Report and is incorporated herein by reference.

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

AND RESULTS OF OPERATIONS

The information required by this item is included in Management's Review in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included in Financial Statements and Supplementary Data in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 and 13.

The information required by these items is included in registrant's definitive proxy statement for the 2001 Annual Meeting of Shareholders and is incorporated herein by reference, except that the sections under the headings (a) "Comparison of Five Year Cumulative Total Shareholder Return Among Hasbro, S&P 500 and Russell 1000 Consumer Discretionary Economic Sector" and accompanying material, (b) "Report of the Compensation and Stock Option Committee of the Board of Directors", and (c) "Report of the Audit Committee of the Board of Directors" in the definitive proxy statement shall not be deemed "filed" with the Securities and Exchange Commission or subject to Section 18 of the Securities Exchange Act of 1934.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Included in PART II of this report:
Independent Auditors' Report

Consolidated Balance Sheets at December 31, 2000 and
December 26, 1999

Consolidated Statements of Operations for the Three Fiscal
Years Ended in December 2000, 1999 and 1998

Consolidated Statements of Shareholders' Equity for the
Three Fiscal Years Ended in December 2000, 1999 and 1998

Consolidated Statements of Cash Flows for the Three
Fiscal Years Ended in December 2000, 1999 and 1998

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Included in PART IV of this Report:
Report of Independent Certified Public Accountants
on Financial Statement Schedule

For the Three Fiscal Years Ended in December 2000, 1999
and 1998:

Schedule II - Valuation and Qualifying Accounts and
Reserves

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

(3) Exhibits

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

3. Articles of Incorporation and Bylaws

- (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- (b) Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- (c) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.)
- (d) Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- (e) Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to exhibit 3.3 to the Company's Quarterly report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)

4. Instruments defining the rights of security holders, including indentures.

- (a) Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
- (b) Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File Number 1-6682.)
- (c) Amended and Restated Line of Credit Agreement dated as of February 16, 2001 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks.
- (d) Amended and Restated Revolving Credit Agreement dated as of February 16, 2001 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks.
- (e) Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to The Company's Current Report on Form 8-K dated as of June 16, 1999.)

- (f) First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent.

10. Material Contracts

- (a) Lease between Hasbro Canada Corporation (formerly named Hasbro Industries (Canada) Ltd.)("Hasbro Canada") and Central Toy Manufacturing Co. ("Central Toy"), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (b) Lease between Hasbro Canada and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (d) Letter agreement, dated December 13, 2000, between Hasbro Canada and Central Toy.
- (e) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (f) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (g) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

- (h) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (i) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (j) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (k) Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (l) Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (m) Asset Purchase Agreement dated as of February 8, 1998, together with Amendment thereto dated as of March 31, 1998, by and among the Company, Tiger Electronics Ltd. (formerly named HIAC X Corp. and a wholly-owned subsidiary of the Company), Tiger Electronics, Inc. and certain affiliates thereof and Owen Randall Rissman and the Rissman Family 1997 Trust. (Incorporated by reference to Exhibit 2(a) to the Company's Current Report on Form 8-K, dated April 1, 1998, File No. 1-6682.)

Executive Compensation Plans and Arrangements

- (n) Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 2-78018.)
- (o) Amendment No. 1 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (p) Amendment No. 2 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

- (q) Amendment No. 3 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (r) Amendment No. 4 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (s) Form of Non Qualified Stock Option Agreement under the Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (t) Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (u) Amendment No. 1 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (v) Amendment No. 2 to Non Qualified Stock Option Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1987 Annual Meeting of Shareholders, File No. 1-6682.)
- (w) Amendment No. 3 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (x) Form of Stock Option Agreement (For Employees) under the Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (y) 1992 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)
- (z) Form of Stock Option Agreement under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

- (aa) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)
- (bb) First Amendment to the 1992 Stock Incentive Plan and the Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (cc) Second Amendment to the Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2000 Annual Meeting of Shareholders, File No. 1-6682.)
- (dd) Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)
- (ee) First Amendment to the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)
- (ff) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan, and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (gg) Form of Restricted Stock Agreement.
- (hh) Form of Deferred Restricted Stock Unit Agreement.
- (ii) Form of Employment Agreement between the Company and ten Company executives. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (jj) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(ii) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999.)
- (kk) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

- (ll) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)
- (mm) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
- (nn) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)
- (oo) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (pp) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
- (qq) Hasbro, Inc. 1999 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders, File No. 1-6682.)
- (rr) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the Period Ended March 29, 1998, File No. 1-6682.)
- (ss) Employment Agreement, dated as of January 1, 1996, between the Company and Harold P. Gordon. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)
- (tt) Letter dated January 26, 1998 from the Company to George B. Volanakis. (Incorporated by reference to Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (uu) Employment Agreement dated as of January 5, 1999, between the Company and Herbert M. Baum. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)

(vv) Settlement Agreement, dated January 31, 2001, among the Company, Herbert M. Baum and the Dial Corporation.

(ww) Employment Agreement, dated as of March 18, 2000, among Tiger Electronics, Ltd., the Company and Brian Goldner.

11. Statement re computation of per share earnings
12. Statement re computation of ratios
13. Selected information contained in Annual Report to Shareholders
21. Subsidiaries of the registrant
23. Consents of KPMG LLP

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

(b) Reports on Form 8-K

A Current Report on Form 8-K dated February 8, 2001 was filed to announce the Company's results for the quarter and year ended December 31, 2000. Consolidated statements of earnings (without notes) for the quarter and year ended December 31, 2000 and December 26, 1999 and consolidated condensed balance sheets (without notes) as of said dates were also filed.

(c) Exhibits

See (a)(3) above

(d) Financial Statement Schedules

See (a)(2) above

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

Under date of February 7, 2001, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2000 and December 26, 1999 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 31, 2000, as contained in the 2000 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 2000. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule listed in Item 14 (a) (2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

/s/ KPMG LLP

Providence, Rhode Island
February 7, 2001

HASBRO, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves

Fiscal Years Ended in December

(Thousands of Dollars)

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Other Additions	Write-Offs And Other (a)	Balance at End of Year
	-----	-----	-----	-----	-----
Valuation accounts deducted from assets to which they apply - for doubtful accounts receivable:					
2000	\$65,000	4,387	59	(14,446)	\$55,000
	=====	=====	=====	=====	=====
1999	\$64,400	9,053	2,329	(10,782)	\$65,000
	=====	=====	=====	=====	=====
1998	\$51,700	13,057	2,832	(3,189)	\$64,400
	=====	=====	=====	=====	=====

(a) Includes write-offs, recoveries of previous write-offs, translation adjustments, and an adjustment in 2000 to reflect the transfer of balances related to business units held for sale, now included in prepaid expenses and other current assets. Translation adjustments and the transfer of balances in 2000 amounted to approximately \$6,600.

SIGNATURES

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

HASBRO, INC. (Registrant)

By: /s/ Alan G. Hassenfeld

Date: March 31, 2001

Alan G. Hassenfeld
Chairman of the Board

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

Signature	Title	Date
-----	-----	-----
/s/ Alan G. Hassenfeld ----- Alan G. Hassenfeld	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2001
/s/ David D.R. Hargreaves ----- David D.R. Hargreaves	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2001
/s/ Alan R. Batkin ----- Alan R. Batkin	Director	March 31, 2001

/s/ E. Gordon Gee ----- E. Gordon Gee	Director	March 31, 2001
/s/ Harold P. Gordon ----- Harold P. Gordon	Director	March 31, 2001
/s/ Sylvia K. Hassenfeld ----- Sylvia K. Hassenfeld	Director	March 31, 2001
----- Marie-Josée Kravis	Director	March , 2001
/s/ Claudine B. Malone ----- Claudine B. Malone	Director	March 31, 2001
/s/ Norma T. Pace ----- Norma T. Pace	Director	March 31, 2001
/s/ E. John Rosenwald, Jr. ----- E. John Rosenwald, Jr.	Director	March 31, 2001
/s/ Eli J. Segal ----- Eli J. Segal	Director	March 31, 2001
----- Carl Spielvogel	Director	March , 2001
/s/ Preston Robert Tisch ----- Preston Robert Tisch	Director	March 31, 2001
/s/ Alfred J. Verrecchia ----- Alfred J. Verrecchia	Director	March 31, 2001

HASBRO, INC.

Annual Report on Form 10-K

for the Year Ended December 31, 2000

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws
 - (a) Restated Articles of Incorporation of the Company.
(Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (b) Amendment to Articles of Incorporation, dated June 28, 2000.
(Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (c) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.)
 - (d) Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999.
(Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (e) Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to exhibit 3.3 to the Company's Quarterly report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
4. Instruments defining the rights of security holders, including indentures.
 - (a) Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
 - (b) Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File Number 1-6682.)

- (c) Amended and Restated Line of Credit Agreement dated as of February 16, 2001 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks.
- (d) Amended and Restated Revolving Credit Agreement dated as of February 16, 2001 by and among the Company, the Banks party thereto, and Fleet National Bank, as Agent for the Banks.
- (e) Rights Agreement, dated as of June 16, 1999, between the Company and Fleet National Bank (the Rights Agent). (Incorporated by reference to Exhibit 4 to The Company's Current Report on Form 8-K dated as of June 16, 1999.)
- (f) First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent.

10. Material Contracts

- (a) Lease between Hasbro Canada Corporation (formerly named Hasbro Industries (Canada) Ltd.)("Hasbro Canada") and Central Toy Manufacturing Co. ("Central Toy"), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (b) Lease between Hasbro Canada and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (d) Letter agreement, dated December 13, 2000, between Hasbro Canada and Central Toy.
- (e) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (f) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)(Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

- (g) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (h) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (i) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (j) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (k) Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (l) Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (m) Asset Purchase Agreement dated as of February 8, 1998, together with Amendment thereto dated as of March 31, 1998, by and among the Company, Tiger Electronics Ltd. (formerly named HIAC X Corp. and a wholly-owned subsidiary of the Company), Tiger Electronics, Inc. and certain affiliates thereof and Owen Randall Rissman and the Rissman Family 1997 Trust. (Incorporated by reference to Exhibit 2(a) to the Company's Current Report on Form 8-K, dated April 1, 1998, File No. 1-6682.)

Executive Compensation Plans and Arrangements

- (n) Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 2-78018.)
- (o) Amendment No. 1 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)

- (p) Amendment No. 2 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (q) Amendment No. 3 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (r) Amendment No. 4 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (s) Form of Non Qualified Stock Option Agreement under the Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (t) Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (u) Amendment No. 1 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (v) Amendment No. 2 to Non Qualified Stock Option Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1987 Annual Meeting of Shareholders, File No. 1-6682.)
- (w) Amendment No. 3 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (x) Form of Stock Option Agreement (For Employees) under the Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (y) 1992 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)

- (z) Form of Stock Option Agreement under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (aa) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)
- (bb) First Amendment to the 1992 Stock Incentive Plan and the Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (cc) Second Amendment to the Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 2000 Annual Meeting of Shareholders, File No. 1-6682.)
- (dd) Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)
- (ee) First Amendment to the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)
- (ff) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan, and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (gg) Form of Restricted Stock Agreement.
- (hh) Form of Deferred Restricted Stock Unit Agreement.
- (ii) Form of Employment Agreement between the Company and ten Company executives. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (jj) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(ii) above. (Incorporated by reference to Exhibit 10(ff) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999.)

- (kk) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)
- (ll) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)
- (mm) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
- (nn) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)
- (oo) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (pp) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
- (qq) Hasbro, Inc. 1999 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders, File No. 1-6682.)
- (rr) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the Period Ended March 29, 1998, File No. 1-6682.)
- (ss) Employment Agreement, dated as of January 1, 1996, between the Company and Harold P. Gordon. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)
- (tt) Letter dated January 26, 1998 from the Company to George B. Volanakis. (Incorporated by reference to Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)

- (uu) Employment Agreement dated as of January 5, 1999, between the Company and Herbert M. Baum. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (vv) Settlement Agreement, dated January 31, 2001, among the Company, Herbert M. Baum and the Dial Corporation.
- (ww) Employment Agreement, dated as of March 18, 2000, among Tiger Electronics, Ltd., the Company and Brian Goldner.

- 11. Statement re computation of per share earnings
- 12. Statement re computation of ratios
- 13. Selected information contained in Annual Report to Shareholders
- 21. Subsidiaries of the registrant
- 23. Consents of KPMG LLP

EXHIBIT 4(c)

AMENDED AND RESTATED
LINE OF CREDIT AGREEMENT

Dated as of

February 16, 2001

Among

HASBRO, INC.

the BANKS party hereto

FLEET NATIONAL BANK
(f/k/a BankBoston, N.A.), AS AGENT

with

FLEET SECURITIES, INC.,
having acted as Arranger

AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

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Exhibit A-1 Form of Syndicated Note
Exhibit A-2 Form of Syndicated Loan Request
Exhibit B-1 Form of Competitive Bid Note
Exhibit B-2 Form of Competitive Bid Quote Request

Exhibit B-3 Form of Invitation for Competitive Bid
Quotes

Exhibit B-4 Form of Competitive Bid Quote
Exhibit B-5 Form of Notice of Competitive Bid Borrowing
Exhibit C [Intentionally omitted.]
Exhibit D [Intentionally omitted.]
Exhibit E Form of Compliance Certificate
Exhibit F Form of Subordination Agreement
Exhibit G [Intentionally omitted.]
Exhibit H Form of Assignment and Acceptance
Exhibit I Form of Confidentiality Agreement

AMENDED AND RESTATED
LINE OF CREDIT AGREEMENT

This AMENDED AND RESTATED LINE OF CREDIT AGREEMENT, is dated as of February 16, 2001, by and among HASBRO, INC. (the "Company"), a Rhode Island corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862, and FLEET NATIONAL BANK (f/k/a BankBoston, N.A.) and the other lending institutions listed on Schedule 1 (collectively, the "Banks") and FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), as agent for the Banks (the "Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Line of Credit Agreement, dated as of June 28, 2000 (as amended and in effect from time to time, the "Existing Credit Agreement"), by and among the Company, the Banks, and the Agent, the Banks have made available certain financing to the Company upon the terms and conditions contained therein; and

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

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

1. DEFINITIONS AND RULES OF INTERPRETATION.

1.1. Definitions.

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

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

Affected Bank. See 4.1(c).

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

Agent's Fee. See 7.2.

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

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

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

Arranger. Fleet Securities, Inc.

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

whether owned on the Effective Date or thereafter acquired.

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

Assignment and Acceptance. See 20.1.

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

Balance Sheet Date. December 31, 2000.

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

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

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

Base Rate. A fluctuating interest rate per annum (as shall be in effect from time to time) (rounded to the nearest 1/100 of 1%) equal to the greater of: (a) the annual rate of interest announced from time to time by the Agent at the Agent's Office as its "Base Rate," and (b) the Federal Funds Effective Rate plus one-half of one percent (0.5%). If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including, without limitation, the inability or failure of the Agent to obtain sufficient bids or publications in accordance with the terms thereof, the rate announced by the Agent at its head office as its "Base Rate" shall be the Base Rate until the circumstances giving rise to such inability no longer exist.

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

Borrowing. A borrowing hereunder by the Company consisting of a Loan to the Company by the Banks.

Business Day. Any day on which banking institutions in Boston, Massachusetts and New York City, New York are open for the conduct of normal banking business, and, in addition, if Eurocurrency Rate Loans are involved, a day on which dealings in Dollars can be carried on in the relevant Eurocurrency Interbank Market and Dollar settlements of such dealings may be effected in New York City.

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

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

Casualty Event. With respect to any property (including any interest in property) of any Hasbro Company, any loss of, damage to, or condemnation or other taking of, such property for which such Person receives insurance proceeds, proceeds of a condemnation award or other compensation.

CERCLA. See 8.23.

Change of Control. An event or series of events by which any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act), directly or indirectly, of fifty-one percent (51%) or more of the outstanding shares of Capital Stock of the Company; or, during any period of twelve (12) consecutive calendar months, individuals who were directors of the Company on the first day of such period (or whose election as directors was approved by a majority of the directors who were in office on such date or whose election previously was so approved) shall cease to constitute a majority of the board of directors of the Company.

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

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

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

Commitment Fee. See 2.2.

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

Company. See preamble.

Company Security Agreement. The Amended and Restated Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, by and between the Company and the Agent, in form and substance reasonably satisfactory to the Agent.

Company Stock Pledge Agreement. The Pledge Over A Securities Account, dated as of the Effective Date, as the same may be amended or supplemented from time to time, by and between the Company and the Agent, in form and substance reasonably satisfactory to the Agent.

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

Competitive Bid Notes. See 2.6.

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

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

Competitive Bid Quote Request. See 2.5.1(b).

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

Compliance Certificate. See 9.5(c) hereof.

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

Consolidated Net Earnings (or Loss). The consolidated

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

Consolidated Operating Cash Flow. With respect to the Company and its Subsidiaries and for any period, an amount equal to (i) EBITDA for such period, minus (ii) Capital Expenditures made by the Company and its Subsidiaries during such period.

Consolidated Total Debt Service. With respect to the Company and its Subsidiaries and for any period, the sum, without duplication, of (a) Consolidated Total Interest Expense for such period plus (b) any and all scheduled repayments of principal during such period in respect of Consolidated Total Funded Debt that becomes due and payable or that is to become due and payable during such period but excluding any repayments of principal required under this Agreement and the Revolving Credit Agreement plus (c) the aggregate amount of all Distributions paid during such period.

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

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

Copyright Memorandum. The Memorandum of Grant of Security Interest in Copyrights, dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

Debt Rating. The rating issued from time to time (whether on a preliminary basis or otherwise) by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") or Moody's Investors Service, Inc. ("Moody's") or such other rating service or services as the Company may designate from time to time with the consent of the Majority Banks (each a "Successor Rating Agency") with respect to Indebtedness evidenced by this Agreement and the Revolving Credit Agreement.

Debt Rating Increase. See 4.9.

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

Delinquent Bank. See 16.8.3.

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

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

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

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

EBITDA. With respect to any particular fiscal period, EBITDA shall mean the sum of (a) Consolidated Net Earnings (or Loss) for such period, plus (b) in each case without duplication, and to the extent deducted in calculating Consolidated Net Earnings (or Loss) for such period, (i) income tax expense of the Company and its Subsidiaries, (ii) interest expense of the Company and its Subsidiaries, (iii) depreciation and amortization of the Company and its Subsidiaries, (iv) other non-cash charges of the Company and its Subsidiaries, and (v) extraordinary losses of the Company and its Subsidiaries, and minus to the extent included in Consolidated Net Earnings (or Loss) for such period, (vi) extraordinary gains of the Company and its Subsidiaries for such period, all determined in accordance with GAAP, plus (c) solely for the calculation of EBITDA for the fiscal quarter ended December 31, 2000 or any period that includes such quarter, a single incremental adjustment in an amount equal to \$210,000,000.

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

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

Environmental Laws. See 8.23.

EPA. See 8.23.

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

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

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

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

Eurocurrency Interbank Market. Any lawful recognized market in which deposits of Dollars are offered by international banking units of United States banking institutions and by foreign banking institutions to each other and in which eurocurrency funding operations are customarily conducted.

Eurocurrency Offered Rate. With respect to the Interest Period of any Eurocurrency Rate Loan, the annual rate of interest determined by the Agent at or about 10:00 A.M. (Boston time) (or as soon thereafter as practicable) two (2) Business Days preceding the first day of such Interest Period, as being the average of the rates of interest per annum at which deposits in the currency of such Eurocurrency Rate Loan are offered to each of the respective lending offices of each of the Reference Banks by prime banks in the Eurocurrency Interbank Market selected by such Reference Bank in its sole discretion acting in good faith for such Interest Period, at the time of the determination and in accordance with the usual practice in such market, for delivery on the first day of such Interest Period in immediately available funds and having a maturity equal to such Interest Period and for the number of days comprised therein, in an amount equal (as nearly as may be) to such Reference Bank's Commitment Percentage of such Eurocurrency Rate Loan.

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

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

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

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

Existing Credit Agreement. See Preamble.

Event of Default. See 14.1.

Federal Funds Effective Rate. For any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or for any day on which such rate is not so published for such day by the Federal Reserve Bank of New York, the average of the quotations for such day for such transactions received by the Agent from three (3) Federal funds brokers of recognized standing selected by the Agent.

Fee Letter. The fee letter, dated as of February 16, 2001, by and among Company and the Agent.

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

Final Maturity Date. February 15, 2002.

Fixed Charge Coverage Ratio. As at any date of determination, the ratio of (i) the Consolidated Operating Cash Flow of the Company and its Subsidiaries for the Reference Period ending on such date, to (ii) the Consolidated Total Debt Service of the Company and its Subsidiaries for such Reference Period.

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

Foreign Scheduled Facilities. See 8.26.

Foreign Sublimit. An amount which is available for Borrowings in accordance with 8.22.1 equal to the aggregate amount of Indebtedness of the Company consisting of guaranties of the Foreign Scheduled Facilities, as such Foreign Sublimit may be amended from time to time with the consent of the Company and the Agent.

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

GAAP. (i) When used in 11 hereof, whether directly or indirectly through reference to a capitalized term used therein, principles which are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal period ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the Company reflected in its financial statements for the year ended on the Balance Sheet Date; and (ii) when used in general, other than as provided above, principles which are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors (or successor organizations), as in effect from time to time and (B) consistently applied with past financial statements of the Company adopting the same principles.

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

Guaranteed Pension Plan. Any employee pension benefit plan within the meaning of 3(2) of ERISA maintained or

contributed to by the Company or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

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

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

Hazardous Substances. See 8.23.

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

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

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

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

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

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

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

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

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

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

(h) Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law,

(i) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect

of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (h) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any such obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, (ii) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

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

Infogrames. Infogrames Entertainment S.A., a societe anonyme organized under the laws of France.

Installment Amount. See 2.8.

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

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

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

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

Interest Rate Agreement. Any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate futures contract, interest rate option agreement or other similar agreement or arrangement to which the Company and any Bank is a party, designed to protect the Company against fluctuations in interest rates.

Inventory. With respect to the Company or any of the Restricted Subsidiaries, finished goods, work in progress and raw materials and component parts inventory and all "Inventory" as such term is defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts owned by such Person.

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

received as earnings on such Investment, whether as dividends, interest or otherwise; and (c) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

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

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

Loan Documents. Collectively, this Agreement, the Notes, the Security Documents, the Subordination Agreements and the Fee Letter.

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

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

Margin. (a) At any time of determination prior to a Debt Rating Increase, an annual percentage rate equal to (a) with respect to Base Rate Loans, three-quarters of one percent (0.75%), and (b) with respect to Eurocurrency Rate Loans, two and one-quarter percent (2.25%); or

(b) At any time of determination following a Debt Rating Increase, an annual percentage rate equal to (a) with respect to Base Rate Loans, one-half of one percent (0.50%), and (b) with respect to Eurocurrency Rate Loans, two percent (2.00%).

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

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

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

(c) any material impairment of (i) the validity, binding effect or enforceability of this Agreement or any of the other Loan Documents, (ii) the rights, remedies or benefits available to the Agent or any Bank under the Loan Documents or (iii) the attachment, perfection or priority of any Lien of the Agent on a material portion of the Collateral under the Security Documents.

Maximum Availability. The aggregate amount available for Borrowings under and as defined in this Agreement and the Revolving Credit Agreement, which shall be equal to (a) for the first fiscal quarter of 2001, \$300,000,000; (b) for the second fiscal quarter of 2001, \$500,000,000; (c) for the period from the first day of the third fiscal quarter of 2001 until December 29, 2001, \$650,000,000; and (d) from and after December 30, 2001, \$325,000,000.

Moody's. As defined in the definition of "Debt Rating".

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

Net Cash Sale Proceeds. The net cash proceeds received by a Person in respect of any Asset Sale, less the sum of

(a) all reasonable out-of-pocket fees, commissions and other expenses actually incurred in connection with such Asset Sale, (b) the amount of any transfer, documentary, income or other taxes required to be paid by the Company or any of its Subsidiaries in connection with such Asset Sale, (c) the aggregate amount of any Indebtedness (other than under the Loan Documents) of the Company or any of its Subsidiaries permitted by this Agreement that was secured by a Permitted Lien with respect to the assets transferred and is required to be repaid in whole or in part (which repayment, in the case of any other revolving credit arrangement or multiple advance arrangement, reduces the commitment thereunder) in connection with such Asset Sale, (d) the amount of such proceeds attributable to (and payable to) minority interests, (e) the amount of any reserve reasonably maintained by the Company or any of its Subsidiaries with respect to indemnification obligations owing pursuant to the definitive documentation pursuant to which such Asset Sale is consummated (with any unused portion of such reserve to constitute Net Cash Sale Proceeds on the date upon which the indemnification obligations terminate or such reserve is reduced other than in connection with a payment), and (f) appropriate amounts to be provided by the Company or any of its Subsidiaries to be applied to satisfy any reasonable expenses and liabilities associated with any such property or assets and retained by the Company or any such Subsidiary after such Asset Sale.

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

New Loans. See 4.1(e).

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

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

Obligations. All indebtedness, obligations and liabilities to the Banks and the Agent, individually or collectively, arising or incurred under this Agreement or any of the other Loan Documents, or in respect of Loans made and any Notes or other instruments at any time evidencing any thereof, whether such indebtedness, obligations, and liabilities exist on the date of this Agreement or arise thereafter, or are direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise of the Company.

Operating Subsidiary. As at any particular date, any Subsidiary (other than a Subsidiary engaged solely in the business of incurring Indebtedness) of the Company actively engaged in the conduct of business.

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

Participant. See 20.5.

Patent Agreements. Collectively, (a) the Patent Security Agreement (Registrations), dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent, pertaining to U.S. patent registrations, and (b) the Patent Security Agreement (Applications), dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent, pertaining to U.S. patent applications.

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

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

Permitted Liens. Liens permitted by 10.2.

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

political subdivision thereof.

RCRA. See 8.23.

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

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

Reemployment Period. See 2.8.

Reemployment Rate. See 2.8.

Reference Banks. Fleet, Bank of America, N.A., Citibank, N.A., Mellon Bank, N.A. and Commerzbank A.G., New York.

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

Replacement Bank. See 4.1(f).

Replacement Date. See 4.1(f).

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

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

Revolving Credit Agreement. The Amended and Restated Revolving Credit Agreement, dated as of the date hereof, by and among the Company, the Banks party thereto and the Agent, as amended, varied or supplemented from time to time.

SARA. See 8.23.

Secured Obligations. Collectively, (a) the Obligations, (b) the "Obligations" under and as defined in the Revolving Credit Agreement, (c) other Indebtedness of the Company consisting of guaranties of Indebtedness of Foreign Subsidiaries owing to any Bank or Bank Affiliate under the Foreign Scheduled Facilities, (d) Indebtedness of the Company under and pursuant to Letter of Credit No. 003146-793, dated September 27, 2000, in the original stated amount of \$2,199,866, as the same may be amended from time to time, issued by SanPaolo IMI S.P.A. for the account of the Company, and (e) obligations of the Company or its Subsidiaries to the Banks and the Agent (individually or collectively) arising under Interest Rate Agreements and Hedging Agreements, in each case as defined in this Agreement and the Revolving Credit Agreement.

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

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

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

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

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

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

Specified Sale. The sale of the Company's interactive and on-line businesses to Infogrames, and any disposition of the Capital Stock of Infogrames by the Company acquired in connection with such sale.

Standard & Poor's. As defined in the definition of "Debt Rating".

Subordinated Debt. Unsecured Indebtedness of the Company or any of its Subsidiaries that is expressly subordinated and made junior to the payment and performance in full of the Obligations (other than pursuant to the Subordination Agreements), and evidenced as such by a written instrument containing subordination provisions in form and substance reasonably satisfactory to the Majority Banks..

Subordination Agreement. The amended and restated subordination agreement among the Company, the Significant Subsidiaries and the Agent, substantially in the form of Exhibit F hereto; and "Subordination Agreements" means the Subordination Agreement and any additional subordination agreements executed and delivered to the Agent for the benefit of the Banks pursuant to 9.14 hereof.

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

Subsidiary Security Agreement. The Amended and Restated Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, among the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

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

Syndicated Note(s). See 2.6.

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

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

Total Commitment. The sum of the Commitments of the Banks, as in effect from time to time, which as of the Effective Date shall be equal to the aggregate principal amount of \$325,000,000.

Trademark Agreement. The Trademark Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

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

Utilization. An amount equal to the sum of (i) the outstanding amount of all Loans (after giving effect to all amounts requested) and (ii) the amount by which the Foreign Sublimit exceeds the outstanding amount of Loans borrowed to satisfy the Company's obligations under guaranties of the Foreign Scheduled Facilities.

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

1.2. Rules of Interpretation.

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

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

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

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

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

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

(g) All terms not specifically defined herein or by GAAP, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings assigned to them therein, with the term "instrument" being that defined under Article 9 of the Uniform Commercial Code.

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

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

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

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

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

involvement in the preparation of such documents.

2. THE SYNDICATED AND COMPETITIVE BID LOAN FACILITY.

2.1. Commitment to Lend Syndicated Loans.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Company and the Company may borrow, repay, and reborrow from time to time between the Effective Date and the Final Maturity Date upon notice by the Company to the Agent given in accordance with 2.4 hereof, such sums, in Dollars, as requested by the Company ("Syndicated Loans") up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Commitment (as such Commitment has been deemed to be reduced by such Bank's Commitment Percentage of outstanding Competitive Bid Loans), provided that the Utilization shall not at any time exceed the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Revolving Credit Agreement at such time. The Syndicated Loans shall be made pro rata in accordance with each Bank's Commitment Percentage. Each request for Syndicated Loans hereunder shall constitute a representation by the Company that the conditions set forth in 12 and 13, in the case of the initial Syndicated Loans to be converted into Syndicated Loans hereunder on the Effective Date, and 13, in the case of all other Syndicated Loans, have been satisfied on the date of such request. Each Base Rate Loan and Eurocurrency Rate Loan shall mature and become due and payable on the last day of the Interest Period relating thereto and shall be payable in the currency in which such Loan was made. Each Base Rate Loan shall be denominated in Dollars. Each Eurocurrency Rate Loan shall be denominated in Dollars.

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

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

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

2.2. Commitment Fee.

The Company agrees to pay to the Agent for the pro rata accounts of the Banks in accordance with their respective Commitment Percentages a commitment fee (the "Commitment Fee") calculated at the rate of three-eighths percent (3/8%) per annum on the average daily amount during each calendar quarter or portion thereof from the Effective Date to the Final Maturity Date by which (a) (i) the lesser of (A) the Total Commitment and (B) an amount equal to (x) the Maximum Availability minus (y) the Utilization under and as defined in the Revolving Credit Agreement exceeds (b) the outstanding amount of Syndicated Loans during such calendar quarter. The Commitment Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on the first such date following the Effective Date, with a final payment on the Final Maturity Date or any earlier date on which the Commitments shall terminate.

2.3. Reduction of Total Commitment.

The Company shall have the right at any time and from time to time upon five (5) Business Days written notice to the Agent to reduce by \$10,000,000 or an integral multiple thereof or terminate entirely the unborrowed portion of the Total Commitment, whereupon the Commitments of the Banks shall be reduced pro rata in accordance with their respective Commitment Percentages of the amount specified in

such notice or, as the case may be, terminated. Promptly after receiving any notice of the Company delivered pursuant to this 2.3, the Agent will notify the Banks of the substance thereof. Upon the effective date of any such reduction or termination, the Company shall pay to the Agent for the respective accounts of the Banks the full amount of the Commitment Fee then accrued on the amount of the reduction. No reduction of the Commitments of the Banks may be reinstated unless otherwise agreed to by the Company and each of the Banks. Nothing contained in this 2.3 shall obligate any Bank in any way whatsoever to reinstate all or any part of its Commitment after a reduction of such Commitment hereunder. If at any time the outstanding amount of the Loans exceeds the Total Commitment as a result of any reduction of the Total Commitment pursuant to this 2.3, then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks for application to the Loans. Each payment of Loans shall be allocated among the Banks, in proportion, as nearly as practicable to the respective unpaid principal amount of each Bank's Syndicated Note or Competitive Bid Note, as applicable, with adjustments to the extent practicable to equalize any prior payments or repayments not exactly in proportion. In addition, the Total Commitment shall be reduced in accordance with 2.11.

2.4. Requests for Syndicated Loans.

(a) The Company shall give to the Agent written notice in the form of Exhibit A-2 hereto (or telephonic notice confirmed in a writing in the form of Exhibit A-2 hereto) of each Syndicated Loan requested hereunder (a "Loan Request") not later than (a) with respect to Base Rate Loans, 12 noon (Boston time) on the proposed Drawdown Date of such Base Rate Loan and (b) with respect to Eurocurrency Rate Loans, 1:00 P.M. (Boston time) on the third Business Day prior to the proposed Drawdown Date of such Eurocurrency Rate Loan. The Agent shall promptly notify the Banks of the contents of each such notice at the address or addresses for each Bank set forth on Schedule 1 hereof.

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

(c) Each request for Types of Syndicated Loans made hereunder shall be in a minimum aggregate amount of \$5,000,000 or a greater integral multiple of \$1,000,000.

(d) Any Syndicated Loans requested by the Company pursuant to this 2.4 shall be made available to the Company in accordance with the provisions of 2.9 hereof.

2.5. Competitive Bid Loans.

2.5.1. Competitive Bid Borrowings.

(a) The Competitive Bid Option. In addition to the Syndicated Loans permitted to be made hereunder pursuant to 2.1 hereof, the Company may, pursuant to the terms of this 2.5, cause the Agent to request the Banks to make offers to fund Competitive Bid Loans to the Company from time to time prior to the Final Maturity Date. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept such offers in the manner set forth in this 2.5. Notwithstanding any other provision herein to the contrary, at no time shall the Utilization exceed the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Revolving Credit Agreement at such time;

(b) Competitive Bid Quote Request. When the Company wishes to request offers to make Competitive Bid Loans under this 2.5, it shall transmit to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company) a Competitive Bid Quote Request substantially in the form of Exhibit B-2 hereto (a "Competitive Bid Quote Request") so as to

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

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

(d) Submission and Contents of Competitive Bid Quotes.

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

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

(A) the requested Drawdown Date and Interest Periods;

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (w) may be greater than the Commitment of the quoting Bank but may not exceed the lesser of (A) the Total Commitment and (B) the Maximum Availability in effect from time to time during the Interest Period of such Competitive Bid Loan, (x) must be \$5,000,000 or a larger multiple of \$1,000,000, (y) may not exceed the aggregate principal amount of Competitive Bid Loans for which offers were requested, and (z) may be

subject to an aggregate limitation as to the principal amount of Competitive Bid Loans for which offers being made by such quoting Bank may be accepted;

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

(D) the identity of the quoting Bank.

A Competitive Bid Quote may include up to five (5) separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Competitive Bid Quotes.

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

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

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

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

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

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

(f) Acceptance and Notice by Company and Agent. Not later than 10:45 a.m. (Boston time) on the requested Drawdown Date, the Company shall notify the Agent of the Company's acceptance or non-acceptance of the offers of which it was notified pursuant to the preceding subsection (e) in a notice, transmitted to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company), in substantially the form of Exhibit B-5 hereto (a "Notice of Competitive Bid Borrowing"). Such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Competitive Bid Quote in whole or in part; provided that:

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

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

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

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

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

(g) Allocation by Agent; Usage of Commitments. If offers are made by two (2) or more Banks with the same Competitive Bid Rates, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in such multiples, not less than \$100,000 as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. If any such Bank has indicated a minimum acceptable Competitive Bid Loan in its Competitive Bid Request, and under the procedures of this subsection (g), the Agent would have allocated to it an amount less than such minimum, such Competitive Bid Quote will instead be deemed to have been withdrawn. Determination by the Agent of the amounts of Competitive Bid Loans and the allocation thereof shall be conclusive in the absence of manifest error.

(h) Funding of Competitive Bid Loans. If, on or prior to the Drawdown Date of any Competitive Bid Loan, the Total Commitment has not terminated in full and if, on such Drawdown Date, the applicable conditions of 12 and 13 hereof are satisfied, the Bank or Banks whose offers the Company has accepted will fund each Competitive Bid Loan so accepted. Such Bank or Banks will make such Competitive Bid Loans, by crediting the Agent for further credit to the Company's specified account, in immediately available funds not later than 1:00 p.m. (Boston time) on such Drawdown Date.

2.5.2. Repayment of Competitive Bid Loans.

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

2.6. The Notes.

(a) The Syndicated Loans shall be evidenced by separate promissory notes of the Company in substantially the form of Exhibit A-1 hereto (the "Syndicated Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to 20) with appropriate insertions; one Syndicated Note being payable to the order of each Bank in a principal amount equal to such Bank's Commitment and representing the obligation of the Company to pay to such Bank the amount of the Commitment or, if less,

the aggregate unpaid principal amount of all Syndicated Loans made by such Bank hereunder, plus interest accrued thereon as set forth below. The Company hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Syndicated Loan to the Company made by such Bank, an appropriate notation on such Bank's Syndicated Note Record reflecting the unpaid principal amount of all Syndicated Loans made by such Bank, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Syndicated Note of such Bank, an appropriate notation on such Syndicated Note Record reflecting such payment. The aggregate unpaid amount of Syndicated Loans made by such Bank set forth on such Bank's Syndicated Note Record shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Syndicated Note Record shall not limit or otherwise affect the obligations of the Company hereunder or under the Syndicated Note to make payments of principal of or interest on the Syndicated Note when due.

(b) Competitive Bid Notes. The Competitive Bid Loans shall be evidenced by separate promissory notes of the Company in substantially the form of Exhibit B-1 hereto (the "Competitive Bid Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to 20 hereof) with appropriate insertions; one Competitive Bid Note being payable to the order of each Bank in a principal amount equal to the Total Commitment and representing the obligation of the Company to pay to such Bank the aggregate unpaid principal amount of all Competitive Bid Loans made by such Bank hereunder, as set forth in 2.5 hereof, plus interest accrued thereon as set forth below. The Company hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Competitive Bid Loan to the Company made by such Bank, an appropriate notation on the Competitive Bid Note Record of such Bank reflecting the unpaid principal amount of all Competitive Bid Loans made by such Bank, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Competitive Bid Note of such Bank, an appropriate notation on the Competitive Bid Note Record reflecting such payment. The aggregate unpaid amount of Competitive Bid Loans made by such Bank set forth on the Competitive Bid Note Record shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Competitive Bid Note Record shall not limit or otherwise affect the obligations of the Company hereunder or under the Competitive Bid Note to make payments of principal of or interest on the Competitive Bid Note when due.

2.7. Interest on Loans.

(a) Except as provided in 4.3 hereof, Base Rate Loans outstanding from time to time shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Base Rate in effect from time to time and (ii) the applicable Margin in effect during such Interest Period. Interest on Base Rate Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

(b) Except as provided in 4.3 hereof, Eurocurrency Rate Loans shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Eurocurrency Rate and (ii) the applicable Margin in effect during such Interest Period. Interest on the Eurocurrency Rate Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

(c) Except as provided in 4.3 hereof, each Competitive Bid Loan shall bear interest at the rate per annum specified in the applicable Competitive Bid Quote with respect to such Competitive Bid Loan. Interest on Competitive Bid Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

2.8. Prepayments.

The Company shall repay Base Rate Loans or Eurocurrency Rate Loans made to the Company hereunder on the last day of the Interest Period relating thereto. As provided in 2.5.2, the Company shall repay Competitive Bid Loans made to the Company hereunder on the last day of the Interest Period relating thereto. The Company shall also have the right at any time to prepay Syndicated Loans consisting of Base Rate Loans, as a whole or in part, without premium or

penalty; provided that the Company shall provide written, telegraphic or telephonic notice to the Agent not later than 11:00 a.m. (Boston time) on the proposed date of prepayment stating the aggregate principal amount of such prepayment. Each partial prepayment of any Syndicated Loan pursuant to this 2.8 shall be in a minimum aggregate principal amount of \$5,000,000 or some greater integral multiple of \$1,000,000, or, if less, the aggregate outstanding principal amount of the Syndicated Loans. Subject to the conditions of 2.1 hereof, amounts so prepaid may be reborrowed. In addition, the Company may, upon three (3) Business Days' written, telegraphic or telephonic notice to the Agent stating the proposed date and the aggregate principal amount of such prepayments, repay all, but not less than all, of the Syndicated Loans constituting Eurocurrency Rate Loans subject to a particular Interest Period on a date other than the last day of the Interest Period relating thereto; provided, that upon any such prepayment, and except as set forth in 4.1(f) hereof, the Company shall pay to the Agent, for the respective accounts of the Banks on a pro rata basis, a sum which shall be determined by the Agent (to the extent that the Agent is able to make such determination), which determination shall be conclusive in the absence of manifest error, in the following manner after each such payment:

(a) First, the Agent shall determine the amount (if any) (the "Installment Amount") by which (i) the total amount of interest which would have otherwise accrued hereunder on each installment of principal so prepaid during the period beginning on the date of such payment and ending on the last day of the Interest Period relating thereto (the "Reemployment Period") exceeds (ii) the total amount of interest which would accrue, during the Reemployment Period, at the annual rate of interest determined by the Agent (the "Reemployment Rate") as being the prevailing rate per annum bid at or about the time of such payment for the purchase of deposits of Dollars from prime banks in the Eurocurrency Interbank Market selected by the Agent in its sole discretion (such Reemployment Rate to be the rate payable on an amount equal (as nearly as may be) to the Eurocurrency Rate Loans so prepaid and to have a maturity (as nearly as may be) equal to the Reemployment Period);

(b) Second, each Installment Amount shall be treated as payable on the last day of the Interest Period relating to the Eurocurrency Rate Loans prepaid.

(c) Third, the amount to be paid shall be the present value of the Installment Amount determined by discounting the amount thereof from the date on which the Installment Amount is to be treated as payable, at the same annual interest rate as the Reemployment Rate designated as aforesaid by the Agent.

Each prepayment made pursuant to this 2.8 shall be accompanied by the payment of accrued interest on the principal prepaid to the date of prepayment.

2.9. Funds for Loans.

(a) Each Bank will, upon receiving notice from the Agent of any request by the Company for Syndicated Loans pursuant to 2.4, become and be obligated to make available to the Agent, on the proposed Drawdown Date of each Syndicated Loan, not later than (a) 2:30 P.M. (Boston time) for Base Rate Loans with respect to which the Agent sent notice to the Banks pursuant to 2.4 hereof no earlier than the proposed Drawdown Date of such Loan, and (b) 11:00 A.M. (Boston time) with respect to Eurocurrency Rate Loans and all other Base Rate Loans, in funds immediately available for credit to the Company's account, an aggregate amount, equal to such Bank's Commitment Percentage of the Syndicated Loan requested at the place specified in the notice delivered by the Company pursuant to 2.4. Upon satisfaction of the conditions set forth in 12 and 13, as applicable, the Agent will cause the aggregate amount of such funds actually received by the Agent from the Banks to be credited to the Company's account as soon as practicable on the date of such receipt. The failure or refusal of any Bank to make available to the Agent at the aforesaid time on any Drawdown Date the amount of the Syndicated Loan to be made by such Bank thereon shall not relieve the other Banks from their several obligations hereunder to make their respective Commitment Percentages of any requested Syndicated Loans.

(b) The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Syndicated Loans (or in the case of Competitive Bid Loans, the amount of such Bank's accepted offers of Competitive Bid Loans, if any) to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Company a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (ii) the amount of such Bank's Commitment Percentage of such Loans (or accepted offers of Competitive Bid Loans, as applicable), times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Bank's Loans shall become immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If the amount of such Bank's Loans is not made available to the Agent by such Bank within three (3) Business Days following such Drawdown Date, the Agent shall be entitled to recover such amount from the Company on demand, with interest thereon at the rate per annum applicable to the Loans made on such Drawdown Date.

2.10. Mandatory Repayments.

(a) Promptly, but in no event later than the earlier of (a) the end of the next Interest Period and (b) seven (7) days after such receipt, following receipt by any of the Hasbro Companies of:

(i) Net Cash Sale Proceeds from Asset Sales (other than the sale, lease, license or other disposition of assets in the ordinary course of business consistent with past practices);

(ii) Net Cash Equity Issuance Proceeds from Equity Issuances by any of the Hasbro Companies;

(iii) net cash proceeds received by (A) the Company in connection with its issuance of any Indebtedness (other than purchase money Indebtedness, issuances of commercial paper or Indebtedness under any Loan Document or any "Loan Document" as defined in the Revolving Credit Agreement) or (B) any Operating Subsidiary of the Company in connection with its issuance of any Indebtedness permitted by 10.1(c);

(iv) net cash proceeds of income tax refunds received by any of the Hasbro Companies relating to any year beginning on or after January 1, 2001; and

(v) net cash proceeds received from Casualty Events by any of the Hasbro Companies which have not been committed (as evidenced by a binding written contract) by such Person prior to or within one hundred eighty (180) days of receipt of such proceeds to the repair or replacement of the property so damaged, destroyed or taken, or, if so committed, such repair or replacement of the property so damaged, destroyed or taken shall have not commenced prior to or within one hundred eighty (180) days of receipt of such proceeds pursuant to such binding written contract;

the Company shall pay to the Agent for the respective accounts of the Banks an amount equal to (A) one hundred percent (100%) of such net cash proceeds or (B) if less, (x) the then outstanding principal amount of the Loans and the then outstanding principal amount of the "Loans" and the "Unpaid Reimbursement Obligations" under and as defined in the Revolving Credit Agreement and (y) if an Event of Default has occurred and is continuing, the "Maximum Drawing Amount" of "Letters of Credit" (as such term is defined in the Revolving Credit Agreement) then outstanding to be held by the Agent as cash collateral to secure all "Reimbursement Obligations" (as such term is defined in the Revolving Credit Agreement), to be applied in the manner set forth in 2.11. Notwithstanding the foregoing, no such payment shall be required unless and only to the extent that such Asset Sales, Equity Issuances, issuances of Indebtedness or Casualty Events result in net cash proceeds that otherwise

would be required to be so applied equal to (x) \$5,000,000 or more in any period of thirty (30) consecutive days or (y) \$15,000,000 in any fiscal year of the Company.

(b) If at any time the Utilization exceeds the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Revolving Credit Agreement at such time, then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks to be applied in the manner set forth in 2.11.

(c) If at any time the outstanding amount of the Loans borrowed to satisfy the Company's obligations under guaranties of the Foreign Scheduled Facilities exceeds the Foreign Sublimit, then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks to be applied in the manner set forth in 2.11.

2.11. Application of Payments; Commitment Reduction.

All payments made pursuant to 2.10 shall be applied to reduce the outstanding principal amount of the Loans and the outstanding principal amount of the "Loans" and "Unpaid Reimbursement Obligations" under and as defined in the Revolving Credit Agreement by such amount pro rata based on the then outstanding principal amount of the Loans and the then outstanding principal amount of "Loans" and "Unpaid Reimbursement Obligations" under and as defined in the Revolving Credit Agreement. Such mandatory repayments shall be allocated among the Banks in proportion, as nearly as practicable, to the respective outstanding amounts of each Bank's Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion. Amounts repaid pursuant to 2.10 may be reborrowed. The Total Commitment shall be reduced by an amount equal to (a) one hundred percent (100%) of Net Cash Sale Proceeds from Asset Sales (other than a Specified Sale and other than the sale, lease, license or other disposition of assets in the ordinary course of business consistent with past practices) in excess of \$30,000,000 in any fiscal year, (b) one hundred percent (100%) of net cash proceeds received by the Company in connection with the issuance of Subordinated Debt or other long term unsecured Indebtedness having a maturity after the Final Maturity Date (other than purchase money Indebtedness), and (c) one hundred percent (100%) of net cash proceeds received by any Operating Subsidiary of the Company in connection with the issuance of Indebtedness pursuant to 10.1(c). No reduction of the Total Commitment made pursuant to this 2.11 may be reinstated.

3. [INTENTIONALLY OMITTED]

4. INTEREST; PAYMENTS AND COMPUTATIONS.

4.1. Interest; Costs and Expenses.

(a) Elections. At the option of the Company, so long as no Default or Event of Default has occurred and is then continuing, the Company may elect from time to time to have a portion of the principal amount of the Syndicated Loans to the Company outstanding from time to time bear interest during any particular Interest Period calculated by reference to the Base Rate or the Eurocurrency Rate, provided that any portion of the Syndicated Loans selected to bear interest by reference to the Base Rate or the Eurocurrency Rate shall be in an amount not less than \$5,000,000 or some greater integral multiple of \$1,000,000 with respect to any single Interest Period. Any election by the Company to have interest calculated by reference to the Base Rate or the Eurocurrency Rate shall be made by notice (which shall be irrevocable) to the Agent as provided in 2.4. If in any such notice, the Company does not specify whether any Eurocurrency Rate Loans are requested, the Company shall be deemed to have elected that the requested Syndicated Loans bear interest at the Base Rate and be denominated in Dollars. Any election of a Eurocurrency Rate shall lapse at the end of the expiring Interest Period unless extended by a further election notice as provided in 2.4 hereof. If, on or prior to the last day of any Interest Period for Base Rate Loans or Eurocurrency Rate Loans, the Company (x) fails to deliver a further election notice with respect to such Loans pursuant to 2.4 hereof and this 4.1(a), and (y) fails to repay all or any part of such Loans as provided in 4.4 hereof, then such Syndicated Loans shall be deemed to be Base Rate Loans in accordance with the terms set forth in 4.4(b) hereof. Each Base Rate

Loan or Eurocurrency Rate Loan shall bear interest during each Interest Period relating thereto at the rate set forth in 2.7 or 4.3 hereof, as the case may be. Interest on each Base Rate Loan or Eurocurrency Rate Loan shall be payable (i) on the last day of the Interest Period relating thereto or (ii) if the Interest Period is longer than ninety (90) days, on the last day of each 90-day period following the commencement of such Interest Period and on the last day of such Interest Period.

(b) Notices, etc. as to Eurocurrency Rate. Promptly after the commencement of any Interest Period for any Syndicated Loan, the Agent shall notify the Company and each of the Banks of (A) the applicable interest rate determined by the Agent hereunder with respect to any Eurocurrency Rate Loan, (B) each date on which interest is payable hereunder, and (C) the date on which the Interest Period with respect to such Syndicated Loan shall end; provided, however, that the obligations of the Company to pay to each Bank principal and interest as herein provided shall not be subject to or in any way conditional upon the giving of any such notice by the Agent. Each such notice shall, absent manifest error, be binding upon each Bank and the Company.

(c) Substitution of Base Rate. Notwithstanding any other provision of this Agreement, if (i) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Bank (the "Affected Bank") shall make it unlawful, or any central bank or other Governmental Authority having jurisdiction thereof shall assert that it is unlawful, or in the reasonable judgment of such Bank, impracticable, for such Bank to perform its obligations in respect of any Loans bearing interest based on the Eurocurrency Rate or (ii) if any Affected Bank shall reasonably determine with respect to Loans bearing interest based on the Eurocurrency Rate that (A) by reason of circumstances affecting any Eurocurrency Interbank Market, adequate and reasonable methods do not exist for ascertaining the Eurocurrency Rate which would otherwise be applicable during any Interest Period, or (B) deposits of Dollars in the relevant amount for the relevant Interest Period are not available to such Bank in any Eurocurrency Interbank Market, or (C) the Eurocurrency Rate does not or will not accurately reflect the cost to such Bank of obtaining or maintaining the applicable Loans bearing interest based on the Eurocurrency Rate during any Interest Period, then any such Affected Bank shall promptly give telephonic, telex or cable notice of such determination to the Company (which notice shall be conclusive and binding upon the Company absent manifest error), the Agent and the other Banks. Upon such notification by any Affected Bank, (x) the obligation of such Affected Bank to make Loans bearing interest based on the Eurocurrency Rate shall be suspended until such circumstances no longer exist, (y) any new Loans made by such Affected Bank on or after the date of such notification, which Loans would otherwise bear interest at the suspended rate shall be deemed to be Loans bearing interest by reference to the Base Rate and shall be denominated in Dollars, as necessary, until such suspension is no longer in effect, and (z) so long as it is not unlawful for the Affected Bank to continue carrying Outstanding Loans bearing interest at the suspended rate, Outstanding Loans of such Affected Bank bearing interest based on the Eurocurrency Rate shall continue to bear interest at the applicable rate based on the Eurocurrency Rate until the end of the applicable Interest Period. If it is unlawful for any Affected Bank to continue carrying any Outstanding Loans bearing interest at the suspended rate, such Affected Bank shall so notify the Company and the Agent and any such Outstanding Loans shall be automatically converted to Base Rate Loans at the end of the Interest Period which is current when such notice is given. Notwithstanding any provision of this 4.1(c) to the contrary, during any period in which a suspension is in effect pursuant to this 4.1(c), the Company may notify the Agent and any Affected Bank to which such suspension applies that (I) the Company shall repay, in accordance with the provisions of 4.1(f) hereof, any and all Loans made by such Affected Bank to the Company, and (II) with respect to any new Loans to be made by the Banks hereunder, the Company shall not borrow from such Affected Bank and the Commitment of such Affected Bank shall be terminated.

(d) Additional Costs and Expenses; Reserve Requirements. Anything herein to the contrary notwithstanding, if any present or future applicable law (which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other

regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other Governmental Authority, whether or not having the force of law) shall

(A) subject such Bank to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature not now in effect, with respect to the Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or the Bank's Loans bearing interest based on the Eurocurrency Rate; or

(B) materially change the basis of taxation of payments to such Bank on the principal of, interest on or any other amounts payable in respect of the Loans bearing interest based on the Eurocurrency Rate as such (excluding changes in taxes measured by or imposed on the net income, or on the capital or net worth of such Bank; provided, however, nothing in this parenthetical shall be deemed to limit the rights of the Banks or the obligations of the Company pursuant to 4.1(e)); or

(C) impose or increase or render applicable any liquidity, capital, special deposit or reserve or similar requirements (whether or not having the force of law) not now in effect, against assets held by, or deposits in or for the account of, or loans by an office of such Bank with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate; or

(D) impose on such Bank any other condition or requirement not now in effect, with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate or any class of loans of which the Loans bearing interest based on the Eurocurrency Rate forms a part, and the result of any of the foregoing is (x) to increase the cost to such Bank attributable to the making, funding or maintaining of Loans bearing interest based on the Eurocurrency Rate or its commitment therefor, (y) to reduce the amount of principal, interest, commitment fees or other amounts payable in respect of Loans bearing interest based on the Eurocurrency Rate to such Bank hereunder or its commitment therefor, or (z) to require such Bank to make any payment or to forego any interest or other sum payable in respect of Loans bearing interest based on the Eurocurrency Rate hereunder or its commitment therefor, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Company hereunder;

then, and in each such case, the Company will, upon demand by such Bank made by written notice to the Company from time to time as often as the occasion therefor may arise, pay to such Bank, within ten (10) days after receipt of notice of such demand, such additional amounts as will be sufficient, in the good faith opinion of such Bank, to compensate the Bank for such additional costs, reduction, payment or foregone interest or other sum in respect of Loans bearing interest based on the Eurocurrency Rate; provided, however, that the Company shall be required to pay only such additional costs or other amounts which are incurred by such Bank (i) from and after the date of such notice, with respect to Loans outstanding during Interest Periods commencing after the date on which the Company receives such notice, (ii) with respect to Loans outstanding on the date of such notice provided that (A) not less than 90 days remain in the applicable Interest Period for such Loans and (B) such costs are assessed only for the period commencing on the date of such notice to the Company, and (iii) from and after the date of such notice to the extent that the incurrence of such additional costs or amounts is unrelated to Outstanding Loans and is not otherwise covered by clauses (i) or (ii) of this paragraph. Subject to the provisions of the preceding sentence, a claim by any Bank for all or any part of any additional amount required to be paid by the Company pursuant to this 4.1(d) may be made before and/or after the end of the Interest Period to which such claim relates or during the Interest Period in which such claim has arisen and before and/or after any repayment or prepayment, to which such claim relates, of any or Eurocurrency Rate Loans owed hereunder. A certificate signed by an officer of such Bank, setting forth the amount

of such loss, expense or liability required to be paid by the Company to such Bank, and the computations made by such Bank to determine such additional amount, shall be submitted by the Bank to the Company in connection with each demand made at any time by such Bank upon the Company hereunder, and shall, save for manifest or other obvious error, constitute conclusive evidence of the additional amount required to be paid by the Company to such Bank upon each such demand.

(e) Increased Capital Requirements. If any present or future, or any change in any present or future, law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation or administration thereof by a Governmental Authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by any of the Banks or any corporation controlling any of the Banks and such Bank determines that any of the foregoing imposes or increases a requirement by such Bank to allocate capital resources to such Bank's credit facility established hereunder or any loans made pursuant hereto, which would have the effect of reducing the return on such Bank's capital to a level below that which such Bank could have achieved (assuming full utilization of the Bank's capital) but for such increased capital requirements, then such Bank may notify the Company (with a copy to the Agent) of such fact. To the extent that the costs of such increased capital requirements are not reflected in the Base Rate, the Eurocurrency Rate or the Competitive Bid Rate, the Company and such Bank shall thereafter attempt to negotiate in good faith an adjustment to the compensation payable hereunder with respect to such Bank's Commitment and, in the case of any Loans made by such Bank after the date of the Company's receipt of such notice ("New Loans"), all such New Loans, which adjustment will adequately compensate the Bank in light of these circumstances. If the Company and such Bank are unable to agree to such adjustment within thirty (30) days of the day on which the Company receives such notice, then effective from the date on which the Company has received such notice (but not earlier than the effective day of such requirement or retroactive to any date prior to the date on which the Company has received such notice), the fees payable hereunder with respect to any New Loans made by, or the Commitment of, such Bank shall increase by an amount which will, in such Bank's reasonable determination, provide adequate compensation. Such Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

(f) Replacement of Banks. Notwithstanding any other provision of this Agreement, in the event that (i) the obligation of any Bank to make Eurocurrency Rate Loans is suspended pursuant to 4.1(c) hereof, or (ii) any Bank makes demand upon the Company pursuant to 4.1(d) hereof for the payment of additional costs or other amounts, or (iii) any Bank makes demand upon the Company pursuant to 4.1(e) hereof for an adjustment to the compensation payable to such Bank by the Company hereunder, then, in each such case, the Company in its discretion may (A) send written notice to such Bank and the Agent advising such Bank that, subject to the provisions of this 4.1(f), its Commitment hereunder shall be terminated on a date determined by the Company (the "Replacement Date"), which Replacement Date shall be no earlier than the date on which such Bank and the Agent have received such notice from the Company, and commencing on the Replacement Date, the Commitment of such Bank hereunder shall be terminated and no Commitment Fee shall be payable by the Company to such Bank with respect to such Commitment, and (B) replace such Bank with another Bank or other commercial banking institution (the "Replacement Bank") which has been selected by the Company and approved by the Majority Banks, which approval shall not be unreasonably withheld, provided that the Company, the Banks and the Agent agree that (w) on or prior to the Replacement Date, the Company shall have paid all principal, interest, fees and other amounts owing by the Company hereunder, accruing up to and including the Replacement Date, to the Bank being replaced on such Replacement Date, (x) as of the Replacement Date, the Replacement Bank will take over the entire Commitment of the Bank being replaced, (y) on or prior to the Drawdown Date first following the Replacement Date, the Company, the Agent, the Banks (other than the Bank being replaced) and the Replacement Bank shall make such arrangements by way of new Syndicated Loans, purchases or refundings of existing Syndicated Loans or otherwise as will result thereafter in the outstanding and unpaid Syndicated Loans of each Bank being equal, as near as may practically be, to such Bank's Commitment Percentage of all of the

outstanding and unpaid Syndicated Loans made to the Company, and (z) the Agent shall be entitled to receive prior to the Replacement Date from the Company and the Replacement Bank such supplemental agreements, documents, certificates and legal opinions in connection with the replacement of such Bank as the Agent and the other Banks may reasonably request to give effect to the foregoing provisions of this 4.1(f).

(g) Change of Lending Office. If a Bank changes its applicable lending office (other than pursuant to paragraph (h) below) and the effect of the change, as of the date of the change, would be to cause the Company to become obligated to pay any additional amount under this 4.1 or under 4.7, the Company shall not be obligated to pay such additional amount.

(h) Mitigation. If a condition or an event occurs which would, or would upon the passage of time or giving of notice, result in the payment of any additional amount to any Bank by the Company pursuant to this 4.1 or under 4.7, such Bank shall take such steps as may reasonably be available to it and acceptable to the Company to mitigate the effects of such condition or event (which may include efforts to rebook the Loans held by such Bank at another lending office, or through another branch or an affiliate, of such Bank); provided that such Bank shall not be required to take any step that, in its reasonable judgment, would be disadvantageous to its business or operations or would require it to incur any additional cost or expense unless the Company agrees to reimburse such Bank for such cost or expense.

4.2. Concerning Interest Periods.

No Interest Period for Loans may be selected by the Company if such Interest Period ends after the Final Maturity Date. If any Interest Period would otherwise end on a day which is not a Business Day for Base Rate, Eurocurrency Rate or Competitive Bid Rate purposes, as applicable, that Interest Period, shall end on the Business Day next preceding or next succeeding such day determined by the Agent in accordance with its usual practices. Any Interest Period relating to any Eurocurrency Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

4.3. Interest on Overdue Amounts.

Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder shall bear interest payable on demand at a rate per annum equal to two percent (2%) above the rate otherwise in effect with respect to Base Rate Loans, whether or not any Eurocurrency Rate or Competitive Bid Rate would otherwise have been applicable thereto, until such amount shall be paid in full (whether before or after judgment).

4.4. Payments.

(a) All payments of principal of and interest on Loans made to the Company, any Fees and any other amounts due hereunder shall be made by the Company to the Agent, at or prior to 11:00 A.M., Boston time, on any payment date, in Dollars and in immediately available funds at the Agent's Office without setoff, counterclaim or deduction of any kind. The Agent shall be entitled to debit any account of the Company with the Agent in the amount of each such payment when due in order to effect timely payment thereof. Upon receipt by the Agent of any such payment, the Agent shall promptly send by wire transfer, in immediately available like funds, to each Bank, to an individual or an account designated by such Bank, such Bank's pro rata share of such payment.

(b) If any Bank makes a Syndicated Loan on a day on which the Company is to repay all or any part of any Outstanding Syndicated Loan, such Bank shall, to the extent necessary, apply the proceeds of the requested Syndicated Loan to make such repayment, and only an amount equal to (i) the excess, if any, of the amount being repaid over the amount being borrowed shall be remitted by the Company to the Agent for the account of such Bank as provided in 2.8 and (ii) the excess, if any, of the amount being borrowed over the amount being repaid shall be remitted by the Bank to the Agent for the account of the Company. If the Company fails to repay all or any part of any Outstanding Syndicated

Loan denominated in Dollars on the last day of the applicable Interest Period therefor, and if the Company fails to deliver an election notice with respect to such unpaid portion of the Outstanding Syndicated Loan in accordance with the provisions of 2.4 and 4.1(a) hereof, then, subject to satisfaction of the conditions precedent set forth in 13 hereof, the Company shall be deemed to have requested that the unpaid portion of the Outstanding Syndicated Loan constitute a new Borrowing as a Base Rate Loan. Nothing contained in this 4.4(b) shall obligate the Banks in any way to make any Loans to the Company at any time from and after the Final Maturity Date.

(c) Whenever a payment hereunder or under the Notes becomes due on a day which is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension (and shall not be considered overdue during such extension), provided, however, that if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

4.5. Computations.

All computations of interest on the Loans shall be based on (a) with respect to Eurocurrency Rate Loans and Competitive Bid Loans, a 360-day year, and (b) with respect to Base Rate Loans, a 365-day year, and paid for the actual number of days elapsed.

4.6. Interest Limitation.

Notwithstanding any other term of this Agreement or any Note or any other document referred to herein or therein, the maximum amount of interest, together with any other amounts or charges which may constitute interest under applicable law, which may be charged to or collected from any Person liable hereunder or under any Note by the Banks shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended), so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any Person liable therefor such lawful maximum, and any term of this Agreement or any Note or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

4.7. Indemnification.

In the event that the Company shall at any time (a) repay or prepay (other than in accordance with the provisions of 2.8 hereof) any principal of any Eurocurrency Rate Loans or Competitive Bid Loans on a date other than the last day of the Interest Period with respect thereto, whether by reason of acceleration following an Event of Default or otherwise, or (b) for any reason fail to borrow any Loan with respect to which the Company gave a notice of borrowing pursuant to 2.4 or 4.1(a) hereof at an interest rate based on the Eurocurrency Rate or a Notice of Competitive Bid Borrowing pursuant to 2.5.1(f) or prepay a Loan as to which notice of prepayment has been given, the Company shall indemnify the Banks against all losses, costs or expenses incurred by the Banks in respect of the Company's payment, prepayment or failure to borrow, on the date of such payment or failure to borrow. Such losses, costs or expenses shall include, but not be limited to (i) any costs incurred by the Banks in carrying funds which were to have been borrowed by the Company or in carrying funds to cover the amount of any overdue principal of or overdue interest on any Loan, (ii) any interest payable by the Banks to Banks of the funds borrowed by the Banks in order to carry the funds referred to in the immediately preceding sub-clause (i), and (iii) any losses (including losses of anticipated interest which would otherwise have been required to be paid hereunder through the end of such then existing or, as the case may be, commencing Interest Period) incurred by the Banks in liquidating or re-employing funds acquired from third parties to effect or maintain all or any part of the Loans, provided that to the extent that the reemployment formula set forth in 2.8 hereof is capable of being employed to compute such losses, the Agent shall

employ such reemployment formula to compute such losses. Any losses, costs or expenses payable by the Company to the Banks pursuant to this 4.7 shall be without duplication of any amounts paid by the Company pursuant to 2.8, 4.1 or 4.3 hereof.

4.8. Banks' Obligations Several.

The Banks' obligations hereunder shall be several and not joint, and no Bank's obligations to lend shall be affected by any other Bank's failure to make any Loan hereunder.

4.9. Debt Rating Increase.

If the Agent determines that the Debt Rating equals or exceeds "BBB-" by Standard & Poor's or "Baa3" by Moody's (a "Debt Rating Increase"), the Agent shall promptly give notice thereof to the Company and the Banks. In the event of a split Debt Rating by the two rating agencies, the Agent shall use the higher rating in its determination of a Debt Rating Increase.

5. [INTENTIONALLY OMITTED].

6. COLLATERAL SECURITY AND GUARANTIES.

6.1. Security of Company.

The Secured Obligations shall be secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether now owned or hereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) "Accounts", "Chattel paper" and "Instruments" of the Company, in each case as such terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, (b) Inventory of the Company, (c) the Company's U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, only U.S. trademarks (and U.S. applications and U.S. registrations thereof) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the Collateral, and (d) shares of Capital Stock of Infogrames owned by the Company, in each case pursuant to the terms of and as and to the extent provided in the Security Documents to which the Company is a party.

6.2. Guaranties and Security of Restricted Subsidiaries.

The Secured Obligations shall also be guaranteed pursuant to the terms of the Guaranty. The obligations of each of the Restricted Subsidiaries under the Guaranty shall be in turn secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether now owned or hereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) "Accounts", "Chattel paper" and "Instruments" of each such Restricted Subsidiary, in each case as such terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, (b) Inventory of each such Restricted Subsidiary, and (c) such Restricted Subsidiary's U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, only U.S. trademarks (and U.S. applications and U.S. registrations thereof) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the Collateral), in each case pursuant to the terms of and as and to the extent provided in the Security

Documents to which such Restricted Subsidiary is a party.

6.3. Release of Collateral.

(a) The parties hereto acknowledge and agree that the Agent, on behalf of the Banks and the Agent, shall release its Liens on the Collateral at such time as each of the following conditions are satisfied:

(i) for each of the four (4) consecutive fiscal quarters of the Company most recently ended, the ratio of Consolidated Total Funded Debt at the end of such fiscal quarter to EBITDA for the Reference Period then ended shall be less than or equal to 3.00:1.00;

(ii) the ratio of EBITDA for the Reference Period most recently ended to Consolidated Total Interest Expense for such Reference Period shall be greater than or equal to 6.00:1.00;

(iii) the sum of (i) the Total Commitment plus (ii) the "Total Commitment" under and as defined in the Revolving Credit Agreement shall have been permanently reduced to an amount less than or equal to \$400,000,000; and

(iv) no Default or Event of Default shall have occurred and be continuing.

(b) Without limiting the foregoing, in the event that any part of the Collateral is sold or otherwise disposed of in connection with a sale, disposition or other transaction permitted hereunder, the Liens on such Collateral granted pursuant to any Security Document shall be automatically released and the Agent shall execute and deliver to the Company or the relevant Restricted Subsidiary, as the case may be, all releases or other documents (including without limitation, Uniform Commercial Code termination statements), and take all other actions necessary or reasonably desirable for the release of such Liens.

6.4. Limitation of Security.

Notwithstanding anything to the contrary contained in this 6 or in any of the Security Documents, no Lien shall be granted on any shares of stock of any Subsidiary of the Company or any evidences of indebtedness of any Subsidiary of the Company.

7. FEES.

7.1. Amendment Fee.

The Company agrees to pay to the Agent for the pro rata account of each Bank on the Effective Date an amendment fee (the "Closing Fee") in an amount equal to one-half of one percent (0.50%) of such Bank's Commitment.

7.2. Agent's Fee.

The Company shall pay to the Agent for the Agent's own account an Agent's fee (the "Agent's Fee") on the terms and conditions set forth in the Fee Letter.

8. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to the Banks that:

8.1. Corporate Existence.

(a) Each of the Hasbro Companies (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where such qualification is necessary except where a failure to be so qualified would not have a Material Adverse Effect.

(b) Each of the Hasbro Companies has adequate corporate power and authority and has full legal right to enter into each of the Loan Documents to which it is or is to become a party, to perform, observe and comply with all of its agreements and obligations under each of such documents, and, with respect to the Company, to make all of the borrowings contemplated by this Agreement.

8.2. Corporate Authority, etc.

The execution, delivery and performance by each of the Hasbro Companies of each of the Loan Documents to which it is a party, the performance by each of the Hasbro Companies of all of its agreements and obligations under each of such documents, and the making by the Company of all of the borrowings contemplated by this Agreement, have been duly authorized by all necessary corporate action on the part of each of the Hasbro Companies and their respective shareholders and do not and will not (i) contravene any provision of any of their charter or by-laws (each as from time to time in effect), (ii) conflict with, or result in a breach of any material term, condition or provision of, or constitute a default under or result in the creation of any Lien upon any of the property of any of the Hasbro Companies under any agreement, trust deed, indenture, mortgage or other instrument to which any of the Hasbro Companies is or may become a party or by which any of the Hasbro Companies or any of the property of any of the Hasbro Companies is or may become bound or affected, the consequences of which would have a Material Adverse Effect, (iii) violate or contravene any provision of any law, regulation, order, ruling or interpretation thereunder or any decree, order or judgment of any court or governmental or regulatory authority, bureau, agency or official (all as from time to time in effect and applicable to any of the Hasbro Companies), except where such violation or contravention would not have a Material Adverse Effect, (iv) require any waivers, consents or approvals by any of the creditors of any of the Hasbro Companies which have not been obtained, (v) require any consents or approvals by any shareholders of any of the Hasbro Companies (except such as will be duly obtained on or prior to the Effective Date and will be in full force and effect on and as of the Effective Date), or (vi) require any approval, consent, order, authorization or license by, or giving notice to, or taking any other action with respect to, any governmental or regulatory authority or agency under any provision of any applicable law (other than any filings of this Agreement and the other Loan Documents with the Securities and Exchange Commission required to be made after the date hereof), except where the failure to do so would not result in a Material Adverse Effect.

8.3. Binding Effect of Documents, etc.

Each of the Hasbro Companies has duly executed and delivered each of the Loan Documents to which it is a party and each of such documents is in full force and effect. The agreements and obligations of each of the Hasbro Companies contained in each of the Loan Documents to which it is a party constitute its legal, valid and binding obligations enforceable against it in accordance with their respective terms except as enforceability is limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

8.4. Governmental Approvals.

The execution, delivery and performance by the Company and any of its Subsidiaries of this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is or is to become a party and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained or made, and except for filings in connection with the Security Documents.

8.5. No Event of Default, etc.

No Default or Event of Default has occurred and is continuing.

8.6. Chief Executive Offices.

Until the Agent receives notice of a change, the chief executive offices of the Company and the offices where substantially all of the material financial records and books of account of the Company are kept, are located in Pawtucket and/or East Providence, Rhode Island.

8.7. Title to Properties; Leases.

Except as indicated on Schedule 8.7 hereto, the Company

and its Subsidiaries own all of the assets reflected in the consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no Liens except Permitted Liens.

8.8. Financial Statements and Projections.

8.8.1. Fiscal Year.

Each of the Hasbro Companies has a fiscal year ending on the last Sunday in December of each calendar year, subject to adjustment pursuant to 9.13.

8.8.2. Financial Statements.

There has been furnished to the Banks (a) a consolidated balance sheet of the Company and its Subsidiaries as at December 26, 1999, a consolidated statement of earnings, and a consolidated statement of cash flows for the fiscal year then ended, audited by KPMG LLP, the Company's independent certified public accountants, and (b) an unaudited condensed consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date and an unaudited condensed consolidated statement of earnings for the fiscal year then ended. Each such balance sheet and statement of earnings has been prepared in accordance with GAAP and fairly presents the financial condition of the Company as at the close of business on the date thereof and the results of operations for the fiscal period then ended.

8.8.3. Projections.

The Company's projections of the annual operating budgets of the Company and its Subsidiaries on a consolidated basis, balance sheets and cash flow statements for the 2001 to 2002 fiscal years have been delivered to each Bank. To the knowledge of the Company or any of its Subsidiaries as of the Effective Date, no facts exist that (individually or in the aggregate) would result in any material change in any of such projections. The projections are based upon estimates and assumptions believed to be reasonable by the management of the Company at the time of preparation thereof and reflect estimates of the Company and its Subsidiaries of the results of operations and other information projected therein believed to be reasonable by the management of the Company at the time of preparation thereof.

8.9. No Material Changes, Etc.

Since the Balance Sheet Date, there has been no event or occurrence which has had a Material Adverse Effect. Since the Balance Sheet Date, the Company has not made any Restricted Payment except as permitted by 10.4 hereof.

8.10. Franchises, Patents, Copyrights, Etc.

Each of the Hasbro Companies possesses all material franchises, patents, copyrights, trademarks, permits, service marks, trade names, domain names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted, without any known conflict or conflicts with any rights of others which would, individually or in the aggregate, have a Material Adverse Effect.

8.11. Litigation.

Except as set forth on Schedule 8.11 hereto and except as required to be disclosed pursuant to 9.6, there are no actions, suits, proceedings or investigations of any kind pending or threatened against any of the Hasbro Companies before any court, tribunal or administrative agency or board which, if adversely determined, either in any case or in the aggregate, in the opinion of management of the Company after taking into account any available insurance, could reasonably be expected to have a Material Adverse Effect.

8.12. No Materially Adverse Contracts, Etc.

None of the Hasbro Companies is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which has or is expected in the future to have a Material Adverse Effect. None of

the Hasbro Companies is a party to any contract or agreement which has or is expected, in the judgment of the Company's officers, to have any Material Adverse Effect.

8.13. Compliance With Other Instruments, Laws, Etc.

None of the Hasbro Companies is in violation of any provision of its charter documents, by-laws, or, to the best of the Company's knowledge, any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in any of the foregoing cases in a manner which would result in the imposition of substantial penalties or a Material Adverse Effect.

8.14. Taxes.

Each of the Hasbro Companies has filed all federal, state and other income and all other tax returns, reports and declarations due and required by any jurisdiction to which any of them is subject. Each of the Hasbro Companies has paid, or has made reasonable provision for payment of, all material taxes (if any) which have or may become due and payable pursuant to any of the said returns or pursuant to any matters raised by audits or for other reasons known to the Company, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know no basis for any such claim, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto.

8.15. Absence of Financing Statements, Etc.

Except for Permitted Liens, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future Lien on any assets or property of the Company or any of its Subsidiaries (other than Foreign Subsidiaries) or rights thereunder.

8.16. Perfection of Security Interest.

All filings, assignments, pledges and deposits of documents or instruments have been made (or provision therefor shall have been made to the reasonable satisfaction of the Agent) and all other actions have been taken that are legally permitted and are necessary or advisable, under applicable law, to establish and perfect the Agent's security interest in the Collateral, in each case pursuant to the terms of the Security Documents. Except as permitted by the Security Documents or as set forth on Schedule 10.2, the Collateral and the Agent's rights with respect to the Collateral are not subject to any material setoff, claims, withholdings or other defenses other than reconciliations with customers and vendors in the ordinary course of business consistent with past practices. The Company or a Restricted Subsidiary, as the case may be, is the owner of the Collateral free from any Lien except for Permitted Liens.

8.17. Indebtedness.

None of the Operating Subsidiaries of the Company has any Indebtedness other than Indebtedness of the kind expressly permitted by the provisions contained in 10.1 of this Agreement. As of the Balance Sheet Date, all Indebtedness of the Company and its Subsidiaries that is required by GAAP to be shown on the consolidated balance sheet of the Company and its Subsidiaries described in 8.8.2(b) hereof is shown on such consolidated balance sheet.

8.18. True Copies of Charter and Other Documents.

The Hasbro Companies has furnished or caused to be furnished to each of the Banks true and complete copies of (a) all of the charter and other incorporation documents of

each of the Hasbro Companies (together with any and all amendments thereto), and (b) the by-laws of each of the Hasbro Companies (together with any and all amendments thereto).

8.19. Employee Benefit Plans.

8.19.1. In General.

Except as would not reasonably be expected to have a Material Adverse Effect, each Employee Benefit Plan and each Guaranteed Pension Plan has been maintained and operated in compliance in all material respects with the provisions of ERISA and all Applicable Pension Legislation and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions and the bonding of fiduciaries and other persons handling plan funds as required by 412 of ERISA. The Company has heretofore delivered to the Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under 103(d) of ERISA, with respect to each Guaranteed Pension Plan.

8.19.2. Terminability of Welfare Plans.

Except for severance payment arrangements and except as disclosed in (i) the financial statements of the Company and its Subsidiaries described in 8.8.2 or delivered pursuant to 9.5 or (ii) the periodic and other reports of the Company filed from time to time with the Securities and Exchange Commission, no Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of 3(1) or 3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws.

8.19.3. Guaranteed Pension Plans.

Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of 302(f) of ERISA, or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and neither the Company nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to 307 of ERISA or 401(a)(29) of the Code. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by the Company or any ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event (other than an ERISA Reportable Event as to which the requirement of thirty (30) days notice has been waived), or any other event or condition which presents a material risk of termination of any Guaranteed Pension Plan by the PBGC. As of the Effective Date, based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

8.19.4. Multiemployer Plans.

Neither the Company nor any ERISA Affiliate has incurred any material liability that remains outstanding (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under 4201 of ERISA or as a result of a sale of assets described in 4204 of ERISA. Neither the Company nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of 4241 or 4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been

terminated under 4041A of ERISA.

8.20. Holding Company and Investment Company Acts.

Neither the Company nor any of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

8.21. Certain Transactions.

To the best of the Company's knowledge, and except as disclosed in the Company's Forms 10-K or proxy statements (or would be so disclosed but for the fact that the filing thereof is not yet due), each as filed with the Securities and Exchange Commission, none of the officers, directors, or employees of any of the Hasbro Companies is presently a party to any transaction (other than arms-length transactions pursuant to which any of the Hasbro Companies makes payments in the ordinary course of business upon terms no less favorable than the such Person could obtain from third parties,) with the Company or any of its Subsidiaries (other than (i) for services as employees, officers and directors, or (ii) for all related transactions with any one Person, transactions involving an aggregate amount not in excess of \$60,000 at any one time), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

8.22. Use of Proceeds.

8.22.1. General.

The proceeds of the Loans shall be used for working capital and general corporate purposes; provided, however, that Borrowings made under the Foreign Sublimit may be used solely to satisfy the Company's obligations pursuant to guaranties of Foreign Scheduled Facilities.

8.22.2. Regulations U and X.

No portion of any Loan is to be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

8.23. Environmental Compliance.

The Company has taken all necessary steps to investigate the past and present condition and usage of the Real Estate and the operations conducted thereon and, based upon such diligent investigation, has determined that, except as set forth on Schedule 8.23 hereto or except as would not reasonably be expected to have a Material Adverse Effect:

(a) none of the Company, its Subsidiaries or any operator of the Real Estate or any operations thereon is in violation, or alleged violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state, local or foreign law, statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws");

(b) neither the Company nor any of its Subsidiaries has received notice within the last five (5) years from any third party including, without limitation, any Governmental Authority, (i) that any one of them has been identified by the United States

Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. 6903(5), any hazardous substances as defined by 42 U.S.C. 9601(14), any pollutant or contaminant as defined by 42 U.S.C. 9601(33) and any toxic substances, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") which any one of them has generated, transported or disposed of has been found at any site at which a Governmental Authority has conducted or has ordered that any Company or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise) arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances; and

(c) none of the Company and its Subsidiaries is required under any applicable Environmental Law to perform Hazardous Substances site assessments, or to remove or remediate Hazardous Substances, or to give notice to any Governmental Authority or record or deliver to other Persons an environmental disclosure document or statement by virtue of the transactions set forth herein and contemplated hereby.

8.24. Subsidiaries.

As of December 26, 1999, the Company had no active Subsidiaries that are not listed in Exhibit 21 to the Form 10-K of the Company for the fiscal year ended December 26, 1999, as filed with the Securities and Exchange Commission, a copy of such Exhibit 21 is attached hereto as Schedule 8.24, except for certain inactive or immaterial Subsidiaries that would not, if taken as a whole, constitute a Significant Subsidiary. During the period between December 26, 1999 and the Effective Date, the Company has had no Significant Subsidiaries other than (a) Hasbro International, Inc. and Tiger Electronics, Ltd., each a Delaware corporation, and (b) Wizards of the Coast, Inc., a Washington corporation.

8.25. Disclosure.

No representation or warranty made by any of the Hasbro Companies in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or the Banks by or on behalf of the any of the Hasbro Companies in connection with any of the transactions contemplated by any of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made. Except as disclosed herein or otherwise disclosed in writing to the Agent and the Banks, there is no fact known to the Company which has a Material Adverse Effect, or which is reasonably likely in the future to have a Material Adverse Effect, exclusive of effects resulting from changes in general economic conditions, legal standards or regulatory conditions.

8.26. Indebtedness of Foreign Subsidiaries.

All Indebtedness of Foreign Subsidiaries owing to any Bank or Bank Affiliate has been incurred under the facilities described on Schedule 8.26 hereto (the "Foreign Scheduled Facilities"), as such Schedule 8.26 may be updated from time to time by the Company by delivering a copy of such updated Schedule 8.26 to the Agent and each Bank, provided that (a) no revision to Schedule 8.26 that purports to increase the aggregate amount of the Foreign Scheduled Facilities shall be effective without the prior written consent of the Agent (not to be unreasonably withheld) and (b) no revision to Schedule 8.26 that purports to decrease or eliminate a Foreign Scheduled Facility shall be effective without the consent (not to be unreasonably withheld) of the creditor under such Foreign Scheduled Facility.

8.27. Bank Accounts.

Schedule 8.27 sets forth the account numbers and location of all bank accounts of the Company or any of its

Subsidiaries included in the Collateral or otherwise into which proceeds of the Collateral are paid as of the Effective Date.

9. AFFIRMATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan or Note is outstanding or any Bank has any obligation to make any Loans:

9.1. Punctual Payment.

The Company will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Fees and all other amounts provided for in this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is a party, all in accordance with the terms of this Agreement and such other Loan Documents.

9.2. Use of Loan Proceeds.

The Company shall use the proceeds of the Loans solely for the purposes set forth in 8.22.

9.3. Maintenance of Office.

The Company will maintain its chief executive offices in Pawtucket and/or East Providence, Rhode Island, or at such other place or places in the United States of America as the Company shall designate upon written notice to the Agent, where notices, presentations and demands to or upon the Company in respect of the Loan Documents may be given or made.

9.4. Records and Accounts.

The Company will (a) keep, and cause each of its Subsidiaries to keep, true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP or, in the case of Foreign Subsidiaries, statutory reporting principles, (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties and the properties of its Subsidiaries, contingencies, and other reserves, and (c) at all times engage KPMG LLP or other independent certified public accountants reasonably satisfactory to the Agent as the independent certified public accountants of the Company and will not permit more than thirty (30) days to elapse between the cessation of such firm's (or any successor firm's) engagement as the independent certified public accountants of the Company and the appointment in such capacity of a successor firm as shall be reasonably satisfactory to the Agent.

9.5. Financial Statements, Certificates and Information.

The Company will deliver to each of the Banks:

(a) as soon as practicable, but, in any event not later than one hundred (100) days after the end of each fiscal year of the Company, the consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, and the related consolidated and consolidating statement of earnings and the consolidated statement of cash flows, with each setting forth in comparative form the figures for the previous fiscal year and all such consolidated statements to be in reasonable detail, prepared in accordance with GAAP, and certified without qualification (except as to changes in GAAP with which such accountants concur) and without an expression of uncertainty as to the ability of the Company or any of its Subsidiaries to continue as going concerns by KPMG LLP or by other independent certified public accountants reasonably satisfactory to the Agent, together with a written statement from such accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided that such accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than sixty (60) days after the end of each of the first

three (3) fiscal quarters of each fiscal year of the Company, copies of the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries, each as at the end of such quarter, and the related consolidated and consolidating statement of earnings and the consolidated statement of cash flows for the portion of the Company's fiscal year then elapsed, all in reasonable detail and prepared in accordance with GAAP, together with a certificate of any Authorized Financial Officer of the Company that, subject to changes resulting from audit and year-end adjustments, the information contained in such financial statements fairly presents the financial condition and results of operations of the Company and its Subsidiaries for the periods covered;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement, in the form attached hereto as Exhibit E (a "Compliance Certificate"), certified by any Authorized Financial Officer of the Company that the Company is in compliance with the covenants contained in 9, 10 and 11 as of the end of the applicable period and setting forth in reasonable detail computations evidencing such compliance with the financial covenants set forth in 11 and (if applicable) reconciliations to reflect changes in GAAP since the Balance Sheet Date;

(d) contemporaneously with the filing or mailing thereof, copies of all other financial statements and reports as the Company shall send to any holders of Indebtedness of the Company or the stockholders of the Company, and copies of all regular and periodic reports which the Company may be required to file with the Securities and Exchange Commission or any similar or corresponding federal or state governmental commission, department or agency substituted therefor;

(e) (i) within fifteen (15) Business Days after the end of each fiscal month (except December and January), a net accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, (ii) (A) within fifteen (15) Business Days after the end of December, a gross accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, and (B) within thirty (30) Business Days after the end of December, a net accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, and (iii) within fifteen (15) Business Days after the end of January, a gross accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries;

(f) (i) within fifteen (15) Business Days after the end of each fiscal month (except December and January), an inventory designation report in form and substance reasonably satisfactory to the Agent, and (ii) within thirty (30) Business Days after the end of December and January, an inventory designation report in form and substance reasonably satisfactory to the Agent;

(g) within fifteen (15) Business Days after the end of each fiscal month, a report as to the Foreign Scheduled Facilities and standings thereunder by facility and in form and substance reasonably satisfactory to the Agent;

(h) as soon as practicable, but in any event not later than sixty (60) days after the end of each fiscal year, the budget of the Company for the next fiscal year, and from time to time upon the reasonable request of the Agent, projections of the Company and its Subsidiaries updating those projections delivered to the Banks and referred to in 8.8.3 or, if applicable, updating any later such projections delivered in response to this 9.5(h); and

(i) from time to time such other financial data and information as the Agent or any Bank may reasonably request.

9.6. Notices.

9.6.1. Defaults.

The Company will promptly notify the Agent and each of the Banks in writing of the occurrence of any Default or Event of Default, together with a reasonably detailed description thereof, and the actions the Company proposes to take with respect thereto. If (i) any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation to which or with respect to which the Company or any of its Subsidiaries is a party or obligor, whether as principal, guarantor, surety or otherwise, and (ii) the aggregate amount of all of the indebtedness of the Company and its Subsidiaries in respect of such claimed defaults shall exceed \$15,000,000 at any one time, the Company shall forthwith give written notice thereof to the Agent and each of the Banks, describing the notice or action and the nature of the claimed default.

9.6.2. Environmental Events.

The Company will promptly give notice to the Agent and each of the Banks (a) of any violation of any Environmental Law that the Company or any of its Subsidiaries reports in writing or is reportable by such Person in writing (or for which any written report supplemental to any oral report is made) to any Governmental Authority that would reasonably be expected to have a Material Adverse Effect and (b) upon becoming aware thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency of potential environmental liability, of any Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

9.6.3. Notification of Claim against Collateral.

The Company will, immediately upon becoming aware thereof, notify the Agent and each of the Banks in writing of any material setoff, claims, withholdings or other defenses to which any of the Collateral, or the Agent's rights with respect to the Collateral, are subject, other than reconciliations with customers and vendors in the ordinary course of business consistent with past practices.

9.6.4. Notices Concerning Inventory Collateral.

The Company shall provide to the Agent prompt notice of any physical count of the Company's or any of the Restricted Subsidiaries' Inventory, together with a copy of the results thereof certified by the Company or such Restricted Subsidiary.

9.6.5. Notice of Litigation and Judgments.

The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks in writing within fifteen (15) days of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings affecting the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is or becomes a party involving an uninsured claim against the Company or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect and stating the nature and status of such litigation or proceedings. The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks, in writing, in form and detail reasonably satisfactory to the Agent, within ten (10) days of any judgment not covered by insurance, final or otherwise, against the Company or any of its Subsidiaries in an amount in excess of \$15,000,000.

9.7. Corporate Existence; Maintenance of Properties.

The Company will, and will cause each of the other Hasbro Companies to, maintain its legal existence and good standing under the laws of its jurisdiction of incorporation, maintain its qualification to do business in each state in which the failure to do so would have a Material Adverse Effect, and maintain all of its rights and franchises reasonably necessary to the conduct of its

business. The Company will cause all of its properties and those of the other Hasbro Companies used or useful in the conduct of its business or the business of the Hasbro Companies to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and will cause each of the Hasbro Companies to continue to engage primarily in the businesses now conducted by them and in related businesses; provided, however, that, subject to the provisions of 10.5.2 hereof, nothing in this 9.7 shall prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and which do not in the aggregate have a Material Adverse Effect.

9.8. Insurance.

The Company will maintain, and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies, funds or underwriters, or by reasonable self-insurance, insurance of the kinds, covering the risks and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Company and otherwise in accordance with the terms of the Security Documents to which such Person is a party.

9.9. Taxes.

The Company will, and will cause each of the other Hasbro Companies to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by foreign jurisdictions which in the aggregate are not material to the business or assets of the Company and its Subsidiaries on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or such Subsidiary shall have set aside on its books, in accordance with GAAP, adequate reserves with respect thereto; and provided, further, that the Company and such Subsidiary will pay or arrange for the bonding of all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

9.10. Access.

The Company will, and will cause each of the other Hasbro Companies to, (a) permit the Agent, by its representatives and agents, to inspect any of the properties, including, without limitation, corporate books, computer files and tapes and financial records of each of the Hasbro Companies, to examine and make copies of the books of accounts and other financial records of each of the Hasbro Companies at such reasonable times and intervals as the Agent may determine, and (b) permit each of the Banks to discuss the affairs, finances and accounts of each of the Hasbro Companies with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Banks may designate. The Banks and the Agent agree that they will treat in confidence all financial information with respect to the Company and its Subsidiaries and all information obtained during such inspection or discussion or pursuant to 9.5 which has not become public without violation hereof, and will not, without the consent of the Company, disclose such information to any third party or any trust or investment employee or trust or investment officer of any Bank, and, if any representative or agent of the Banks or the Agent shall not be an employee of one of the Banks or the Agent or any affiliate of the Banks or the

Agent, such designee shall be reputable and of recognized standing and shall agree in writing to treat in confidence the information obtained during any such inspection and, without the prior written consent of the Company, not to disclose such information to any third party or make use of such information for personal gain. Notwithstanding the foregoing, the Company hereby authorizes the Agent and each of the Banks to disclose information obtained pursuant to this Agreement to banks or other financial institutions who are participants or potential participants in or assignees of the Loans made or to be made hereunder (provided, that prior to any such disclosure to any such participant, potential participant or assignee, such Person shall have agreed to be bound by the provisions of this 9.10 and 22 pursuant to a confidentiality agreement substantially in the form of Exhibit I hereto and provided to the Company), and where required by applicable law or required or requested by governmental or regulatory authorities.

9.11. Compliance with Laws, Contracts, Licenses, and Permits.

The Company will, and will cause each of the other Hasbro Companies to, comply with (i) all applicable laws and regulations wherever its business is conducted, including, without limitation, Environmental Laws, except where the failure to comply is not reasonably likely to have a Material Adverse Effect, (ii) the provisions of its charter documents and by-laws, and (iii) all agreements and instruments by which it or any of its properties may be bound except where the failure to comply is not reasonably likely to have a Material Adverse Effect, and (iv) all applicable decrees, orders, and judgments, except where the failure to comply is not reasonably likely to have a Material Adverse Effect. If at any time while any Loan or Note is outstanding or any Bank has any obligation to make Loans hereunder, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that the Company may fulfill any of its obligations hereunder, the Company will promptly take or cause to be taken all reasonable steps within the power of the Company to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

9.12. Employee Benefit Plans.

The Company will (a) promptly upon filing the same with the Department of Labor or Internal Revenue Service upon request of the Agent, furnish to the Agent a copy of the most recent actuarial statement required to be submitted under 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (b) promptly upon receipt or dispatch, furnish to the Agent any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under 4041A, 4202, 4219, 4242, or 4245 of ERISA.

9.13. Fiscal Year.

The Company will have a fiscal year which ends on the last Sunday in December of each calendar year. The Company may change its fiscal year upon (a) sixty (60) days prior written notice to the Agent and the Banks and (b) in the case of a change in fiscal year where the new fiscal year end is not within forty-five (45) days of the fiscal year end specified in the first sentence of this 9.13, receipt by the Company of the prior written consent of the Majority Banks, which consent shall not be unreasonably withheld, provided that the granting of such consent by the Majority Banks shall be conditioned upon the Company's entering into such appropriate amendments to this Agreement, and delivering therewith such supplemental documents, agreements, certificates, accounting reports, and legal opinions, as may be reasonably requested by the Majority Banks in order to reflect the impact of such change in fiscal year on the terms hereof.

9.14. Additional Significant Subsidiaries and Restricted Subsidiaries.

Within thirty (30) days after the formation or acquisition by the Company or its Subsidiaries of any Person which is not designated in this Agreement as a Hasbro Company and otherwise meets the conditions set forth in the definition of "Significant Subsidiary" herein for

constituting a Significant Subsidiary or meets the conditions set forth in the definition of "Restricted Subsidiary" herein for constituting a Restricted Subsidiary, such Person will be deemed to be a Hasbro Company under this Agreement and the Company will cause such Person to observe all the obligations and be bound by all the limitations set forth in this Agreement with respect to Hasbro Companies, including, without limitation, if such Subsidiary is a Significant Subsidiary, requiring the execution and delivery of a Subordination Agreement in the form of, mutatis mutandis, Exhibit F hereto; and if such Subsidiary is a Restricted Subsidiary, requiring the execution and delivery of a joinder agreement, in form and substance reasonably satisfactory to the Agent, to the Guaranty and the Subsidiary Security Agreement, together with other documents, certificates and instruments (including Perfection Certificates and UCC financing statements) required to be delivered pursuant to such Security Documents and otherwise as may be reasonably requested by the Agent. Once any Person has been so designated as a Hasbro Company hereunder, such Person shall continue to be a Hasbro Company hereunder until the earlier of (i) the date on which such Person ceases to be a Subsidiary of the Company in accordance with the terms of 10.5.2 hereof or the last sentence of 9.6 hereof, and (ii) the date on which such Person shall have performed in full its obligations under the Loan Documents and the Loan Documents to which such Person is a party have ceased to be in force and effect.

9.15. Debt Ratings.

Promptly upon the issuance of any Debt Rating or the change in any existing Debt Rating, the Company shall give written notice of such Debt Rating and of the resultant Debt Rating to the Agent. The Agent promptly shall furnish copies of each of such notices to the Banks.

9.16. Agency Account Agreements.

The Company shall maintain the lock box account maintained by the Company with Bank of America, N.A. as of the date hereof, provided, however, if the Company terminates such lock box account pursuant to 10.13 or otherwise instructs account debtors or other obligors to remit payments to an account other than such lock box account, the Company shall have established new cash management arrangements on terms reasonably satisfactory to the Agent with financial institutions which have executed agency account agreements in form and substance reasonably satisfactory to the Agent.

9.17. Further Assurances.

The Company will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to their reasonable satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

10. CERTAIN NEGATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan or Note is outstanding or any Bank has any obligation to make any Loans:

10.1. Restrictions on Indebtedness.

The Company will not permit any Operating Subsidiary of the Company to create, incur, assume, guarantee or be or remain liable with respect to, contingently or otherwise, any Indebtedness other than:

(a) Intercompany Indebtedness of Operating Subsidiaries of the Company;

(b) Indebtedness of Foreign Subsidiaries, provided that the aggregate amount of such Indebtedness of Foreign Subsidiaries guaranteed by the Company or any Hasbro Company shall not exceed the aggregate amount of the Foreign Scheduled Facilities;

(c) Subordinated Debt or other long term unsecured Indebtedness having a maturity at least one (1) year after the Final Maturity Date and providing for no payments of principal prior to the Final Maturity Date; provided that, in the case of the incurrence of additional Subordinated Debt or other long term unsecured Indebtedness by such Subsidiary after the Effective Date, (i) the Company applies the

net cash proceeds of such additional Subordinated Debt or other long term unsecured Indebtedness in accordance with 2.10(a)(iii) and (ii) no Default or Event of Default has occurred and is continuing at the time of the incurrence of such additional Indebtedness or would result after giving effect thereto;

(d) Indebtedness incurred in connection with the acquisition after the date hereof of any real or personal property by such Subsidiary or under any Capitalized Lease, provided that the aggregate principal amount of such Indebtedness of such Subsidiaries shall not exceed the aggregate amount of \$10,000,000 at any one time;

(e) Indebtedness to the Banks and the Agent arising under any of the Loan Documents and the "Loan Documents" as such term is defined in the Revolving Credit Agreement;

(f) sales of receivables in connection with asset dispositions permitted under 10.5.2;

(g) other Indebtedness existing on the date hereof and described on Schedule 10.1 hereto; and

(h) other Indebtedness in an aggregate principal amount not to exceed \$25,000,000 outstanding at any time.

10.2. Restrictions on Liens.

The Company will not, and will not permit any Subsidiary (other than any Foreign Subsidiary) to, (a) create or incur or suffer to be created or incurred or to exist any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (b) transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (c) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or (d) sell, assign, pledge or otherwise transfer any "receivables" as defined in clause (g) of the definition of the term "Indebtedness," with or without recourse (except the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, or as otherwise permitted by 10.5.2); provided that the Company or any of its Subsidiaries may create or incur or suffer to be created or incurred or to exist:

(i) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies, but only to the extent that and so long as the payment thereof shall not at the time be required to be made in accordance with 9.9 hereof;

(ii) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pensions or other social security or insurance-related obligations, or to secure the performance of bids, tenders, contracts (other than those relating to borrowed money) or leases (other than Capitalized Leases), or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds or obligations required in the ordinary course of business;

(iii) Liens in respect of judgments or awards that have been in force for less than the applicable appeal period so long as execution is not levied thereunder or in respect of which the Company or the appropriate Subsidiary of the Company shall at the time in good faith be prosecuting an appeal or a proceeding for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(iv) Liens of carriers, warehousemen, mechanics and materialmen, and other like Liens arising in the ordinary course of business, in existence less than one hundred twenty (120) days from the date of creation thereof in respect of obligations not overdue or being contested in good faith by appropriate proceedings, with respect to which obligations the Company has set

aside on its books reserves in accordance with GAAP;

(v) encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Company or a Subsidiary of the Company is a party, and other minor Liens, none of which in the opinion of the Company interferes materially with the use of the property affected in the ordinary conduct of the business of the Company and its Subsidiaries, which defects do not individually or in the aggregate have a material adverse effect on the business of the Hasbro Companies, considered as a whole;

(vi) Liens consisting of purchase money security interests in or purchase money mortgages on real or personal property acquired after the date hereof to secure purchase money Indebtedness incurred in connection with the acquisition of such property or Capitalized Leases, which Liens cover only the real or personal property so acquired or leased provided that the aggregate amount of Indebtedness secured by such Liens and Capitalized Leases does not exceed \$50,000,000 outstanding at any time;

(vii) Liens existing on the date hereof and listed on Schedule 10.2 hereto;

(viii) Liens securing the Secured Obligations in favor of the Agent for the benefit of the Banks and the Agent;

(ix) Liens on the property or assets of a Person which becomes a Subsidiary of the Company after the date hereof securing Indebtedness of such Subsidiary permitted under 10.1 provided that (i) such Liens existed at the time such Person became such a Subsidiary and were not created in anticipation thereof and (ii) any such Lien is not spread to cover any property or assets of such Person after the time such person becomes a Subsidiary;

(x) Liens (not otherwise permitted hereunder) which secure obligations not exceeding \$15,000,000 in aggregate amount at any time outstanding;

(xi) Liens existing on assets or properties at the time of the acquisition thereof by the Company or any Subsidiary of the Company which were not created in anticipation of the acquisition thereof by the Company or such Subsidiary, and which do not materially interfere with the use, occupancy, operation and maintenance of the property or assets subject thereto or extend to or cover any assets or property of the Company or such Subsidiary other than the assets or property being acquired or secure any Indebtedness not permitted under 10.1;

(xii) any encumbrance or restriction (including, without limitation, put and call agreements and transfer restrictions, but not pledges) with respect to the Capital Stock of any joint venture or similar arrangement created pursuant to the joint venture or similar agreements with respect to such joint venture or similar arrangement; and

(xiii) a Lien on the shares of Capital Stock of Infogrames and other Collateral covered by the Company Stock Pledge Agreement to secure the Company's obligations under a collar or other hedging agreement between the Company and a third party reasonably satisfactory to the Agent to hedge against fluctuations in the price of such shares provided that (A) such agreement is on terms and conditions reasonably satisfactory to the Agent, (B) such Lien is limited to the Collateral covered by the Company Stock Pledge Agreement, and (C) the Agent, for the benefit of the holders of Secured Obligations, has (x) a perfected second priority security interest in and Lien upon such shares (subject to Permitted Liens entitled to priority under applicable law) and (y) a perfected security interest in the Company's rights under such agreement.

10.3. Restrictions on Investments.

The Company will not, and will not permit any of its Subsidiaries to, make or permit to exist or to remain

outstanding any Investment except Investments in:

(a) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof;

(b) certificates of deposit and time deposits, bankers acceptances and overnight bank deposits of any Bank or of any commercial bank having capital and surplus in excess of \$500,000,000;

(c) repurchase obligations of any Bank or of any commercial bank having capital and surplus in excess of \$500,000,000, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States Government or any agency or instrumentality thereof;

(d) commercial paper of a domestic issuer rated at least "A2" or the equivalent thereof by Standard & Poor's or any successor rating agency or "P-2" or the equivalent thereof by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment)

(e) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least "A" by Standard & Poor's or any successor rating agency or "A" by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment);

(f) securities with maturities of one (1) year or less from the date of acquisition backed by standby letters of credit issued by any Bank or any commercial bank having capital and surplus in excess of \$500,000,000;

(g) shares of money market funds that are subject to the risk limiting conditions of Rule 2a-7 or any successor rule of the Securities and Exchange Commission under the Investment Company Act of 1940, as amended;

(h) investments similar to any of the foregoing denominated in foreign currencies approved by the board of directors or Treasurer of the Company, in each case provided in clauses (a), (b) and (d) above, maturing within twelve (12) months after the date of acquisition;

(i) Investments existing on the date hereof;

(j) Investments arising from payments under the Guaranty or guaranties of the Foreign Scheduled Facilities;

(k) Investments received as proceeds of asset dispositions permitted by 10.5.2;

(l) Investments consisting of loans and advances to officers, directors and employees for moving, entertainment, travel and other similar expenses and other Investments in connection with the relocation of employees in the ordinary course of business;

(m) Investments by the Company or a Subsidiary of the Company in Subsidiaries formed for the purpose of consummating Permitted Acquisitions or acquired in connection with Permitted Acquisitions;

(n) Investments in the Company or any Subsidiary of the Company, provided that neither the Company nor any Restricted Subsidiary shall make any Investment in any Foreign Subsidiary unless (i) such Investment is in the ordinary course of business or is necessary in the reasonable judgment of management of the Company for the operation of the business of any Foreign Subsidiary

or Foreign Subsidiaries or (ii) after giving effect to such Investment, all such Investments in Foreign Subsidiaries made pursuant to this subclause (ii) do not exceed \$100,000,000 outstanding at such time.

(o) Investments permitted by 10.5.

(p) Investments in the nature of pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or otherwise described under 10.2;

(q) Investments representing evidences of Indebtedness, securities or other property received from another Person in connection with any bankruptcy or proceeding or other reorganization of such other Person or as a result of foreclosure, perfection or enforcement of any Lien or exchange for evidences of Indebtedness, securities or other property of such other Person;

(r) Investments constituting Capital Expenditures, to the extent permitted by 11.4;

(s) Investments under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices, to the extent permitted by 10.14;

(t) Investments consisting of loans and advances to officers, directors or employees relating to indemnification or reimbursement of any officers, directors or employees in respect of liabilities relating to their serving in any such capacity; and

(u) other Investments in an aggregate amount not to exceed \$15,000,000 at any one time outstanding.

10.4. Restricted Payments.

The Company will not make any Restricted Payment; provided, however, so long as no Default or Event of Default then exists or would result from such payment, the Company may:

(a) declare or pay dividends on or in respect of any shares of any class of Capital Stock of the Company in any fiscal year in an aggregate amount not to exceed the greater of the annual amount paid at the current quarterly rate of three cents (\$0.03) per share by the Company and 25% of Consolidated Net Income for the prior fiscal year; and

(b) make other Restricted Payments in any fiscal year in an aggregate amount not to exceed \$5,000,000.

10.5. Merger, Consolidation and Disposition of Assets.

10.5.1. Mergers and Acquisitions.

The Company will not, and will not permit any of its Subsidiaries to, become a party to any merger, amalgamation or consolidation, or agree to or effect any acquisition of at least a majority of the assets or Capital Stock of any Person, or any business unit or product line thereof (other than the acquisition of assets in the ordinary course of business consistent with past practices) except:

(a) the merger or consolidation of one (1) or more of the Subsidiaries of the Company with and into the Company, or the merger or consolidation of two (2) or more Subsidiaries of the Company; provided that if any of the parties to such merger or consolidation is a Restricted Subsidiary, the survivor of such merger or consolidation shall be a Restricted Subsidiary or the Company; or

(b) the acquisition of stock or other securities of, or any assets of, any Person, provided that:

(i) no Default or Event of Default has occurred and is continuing or would result from such acquisition;

(ii) not less than five (5) Business Days prior to the consummation of such proposed acquisition, the Company shall have delivered to the Agent a Compliance Certificate demonstrating pro forma compliance with the financial covenants set forth in 11 hereof; and

(iii) the aggregate purchase price for all such acquisitions shall not exceed (A) \$15,000,000 for the period from the Effective Date up to and including the first anniversary of the Effective Date and (B) \$25,000,000 during the period from the first anniversary of the Effective Date up to the Final Maturity Date (it being understood that any earnout payments in respect of assets or business acquired prior to the Effective Date shall not be included in the calculation of such amount); or

(c) the acquisition of Capital Stock of any Subsidiary of the Company existing on the Effective Date from any then existing minority holder thereof.

10.5.2. Disposition of Assets.

The Company will not, and will not permit any of its Subsidiaries to, become a party to or agree to or effect any disposition or swap of assets, other than (a) the sale of inventory, (b) the licensing of intellectual property, (c) the disposition of obsolete or other assets not necessary for the operation of the Company's or such Subsidiary's business, in each case in the ordinary course of business, (d) Asset Sales provided that in the case of such Asset Sale, (i) no Default or Event of Default has occurred and is continuing or would result from such Asset Sale and (ii) the Net Cash Sale Proceeds are applied to the Loans as set forth in 2.10(a)(i); (e) the sale or discount by any Foreign Subsidiary with or without recourse of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, (f) disposition of assets by the Company to any of its Restricted Subsidiaries or by any Subsidiary to the Company or any of its Restricted Subsidiaries, or by any Foreign Subsidiary to the Company or any Subsidiary, (g) the abandonment, sale or other disposition of intellectual property that, in the reasonable judgment of the Company, is no longer economically practicable to maintain or useful in the conduct of the business of the Hasbro Companies taken as a whole, (h) any sale or disposition of any claim as a creditor in a bankruptcy or similar proceeding in the ordinary course of business, and (i) any Specified Sale. Nothing in this 10.5.2 shall prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and which does not in the aggregate have a Material Adverse Effect.

10.6. Sale and Leaseback.

The Company will not, and will not permit any of its Subsidiaries (other than a Foreign Subsidiary) to, enter into any arrangement, directly or indirectly, whereby the Company or any Subsidiary of the Company shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Company or any Subsidiary of the Company intends to use for substantially the same purpose as the property being sold or transferred, except in connection with any Asset Sale permitted under 10.5.2.

10.7. Compliance with Environmental Laws.

Except as would not reasonably be expected to result in a Material Adverse Effect, the Company will not, and will not permit any of its Subsidiaries to, (a) use any of the Real Estate or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances except to the extent required by its day-to-day operations

and in all instances in compliance with applicable Environmental Laws, (b) cause or permit to be located on any of the Real Estate any underground tank or other underground storage receptacle for Hazardous Substances, (c) generate any Hazardous Substances on any of the Real Estate except to the extent required by its day-to-day operations and in all instances in compliance with applicable Environmental Laws, (d) conduct any activity at any Real Estate or use any Real Estate in any manner so as to cause a release (i.e. releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping) or threatened release of Hazardous Substances on, upon or into the Real Estate or (e) otherwise conduct any activity at any Real Estate or use any Real Estate in any manner that would violate any Environmental Law or bring such Real Estate in violation of any Environmental Law.

10.8. Subordinated Debt.

The Company will not, and will not permit any of its Subsidiaries to, amend, supplement or otherwise modify (a) the subordination terms of any of the Subordinated Debt or (b) any other terms of any of the Subordinated Debt, the effect of which would be to shorten maturity or average weighted life, increase pricing or amount, make covenants or default provisions more restrictive, add covenants or default provisions, or otherwise make such Subordinated Debt materially more burdensome to the Company or such Subsidiary or in any manner be materially adverse to the interests of the Banks and the Agent, or prepay, redeem or repurchase any of the Subordinated Debt or send any irrevocable notice of prepayment, redemption or repurchase to holders of any Subordinated Debt.

10.9. Employee Benefit Plans.

Neither the Company nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of 406 of ERISA or 4975 of the Code which could result in a material liability for the Company or any of its Subsidiaries; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of the Company or any of its Subsidiaries pursuant to 302(f) or 4068 of ERISA; or

(d) amend any Guaranteed Pension Plan in circumstances requiring the posting of security pursuant to 307 of ERISA or 401(a)(29) of the Code;

(e) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans by more than \$15,000,000 at any time, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities; or

(f) permit or take any action which would contravene any Applicable Pension Legislation in the United States, except as such action would not be reasonably likely to result in a Material Adverse Effect.

10.10. Business Activities.

The Company will not, and will not permit any of its Subsidiaries to, engage directly or indirectly (whether through Subsidiaries or otherwise) in any type of business other than the businesses conducted by them on the Effective Date and in related businesses.

10.11. Transactions with Affiliates.

The Company will not, and will not permit any of its Subsidiaries to, engage in any material transaction with any Affiliate that is not the Company or a Restricted Subsidiary (other than in connection with services as

employees, officers and directors), including any material contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such Affiliate or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any such Affiliate has a substantial interest or is an officer, director, trustee or partner, on terms materially more favorable to such Person than would have been obtainable on an arm's-length basis in the ordinary course of business excluding (a) any transaction with an Affiliate controlled by the Company entered into in the ordinary course of business, (b) Restricted Payments that otherwise comply with this Agreement and (c) any transaction relating to the issuance of any class of Capital Stock of the Company.

10.12. Restrictions on Negative Pledges.

The Company will not, nor will it permit any of its Subsidiaries to, except for those existing agreements set forth and described on Schedule 10.12, enter into or permit to exist any arrangement or agreement (excluding this Agreement, the Revolving Credit Agreement, the Loan Documents and the "Loan Documents" under and as defined in the Revolving Credit Agreement and except any industrial revenue or development bonds, agreements governing any purchase money liens, acquisition agreements or Capitalized Leases or operating leases entered into in the ordinary course of business otherwise permitted hereby (in which case any prohibition or limitation shall only be effective against the assets financed, acquired or leased thereby) which directly or indirectly prohibits the Company or any of its Subsidiaries from creating, assuming or incurring any Lien in favor of the Banks or the Agent upon its properties, revenues or assets or those of any of its Subsidiaries whether now owned or hereafter acquired.

10.13. Cash Management.

The Company shall not (a) terminate its existing lock box account arrangements with Bank of America, N.A., or (b) instruct account debtors or other obligors to remit payments to an account other than the lock box account referenced in clause (a) above, in each case without providing at least thirty (30) days prior written notice to the Agent.

10.14. Hedging Arrangements.

The Company will not, and will not permit any of its Subsidiaries to, enter into any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices, other than in the ordinary course of business and not for purposes of speculation.

11. FINANCIAL COVENANTS.

The Company covenants and agrees that, so long as any Loan or Note is outstanding or any Bank has any obligation to make any Loans:

11.1. Minimum EBITDA.

The Company will not permit EBITDA for any Reference Period ending with the fiscal quarter referenced in the table below to be less than the amount set forth in the table below opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	EBITDA
First Quarter 2001	\$310,000,000
Second Quarter 2001	\$270,000,000
Third Quarter 2001	\$300,000,000
Fourth Quarter 2001	\$400,000,000

11.2. Total Funded Debt to EBITDA.

The Company will not permit the ratio of Consolidated Total Funded Debt at the end of any fiscal quarter set forth in the table set forth below to EBITDA for the Reference Period then ended to exceed the ratio set forth opposite

such fiscal quarter set forth in table below:

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2000	3.25:1.00
First Quarter 2001	4.25:1.00
Second Quarter 2001	5.75:1.00
Third Quarter 2001	5.50:1.00
Fourth Quarter 2001	3.25:1.00

11.3. Fixed Charge Coverage Ratio.

For any Reference Period ending with any fiscal quarter referenced in the table below, the Company will not permit the Fixed Charge Coverage Ratio for such Reference Period to be less than the ratio set forth opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	Ratio
First Quarter 2001	1.20:1.00
Second Quarter 2001	1.10:1.00
Third Quarter 2001	1.70:1.00
Fourth Quarter 2001	2.50:1.00

11.4. Capital Expenditures.

During any period referenced in the table set forth below, the Company will not, and will not allow any of its Subsidiaries to, make Capital Expenditures that exceed the aggregate amount set forth in the table below opposite such period in such table:

Period	Amount
First Quarter 2001	\$30,000,000
First and Second Quarter 2001	\$60,000,000
First, Second and Third Quarter 2001	\$80,000,000
First, Second, Third and Fourth Quarter 2001	\$90,000,000

12. CONDITIONS TO EFFECTIVENESS.

The obligations of the Banks to convert the outstanding Syndicated Loans to Syndicated Loans hereunder and to make the initial Syndicated Loans shall be subject to the satisfaction of the following conditions precedent on or prior to February 16, 2001:

12.1. Loan Documents, etc.

(a) Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of the Effective Date. The Agent (i) shall have accepted delivery in Boston, Massachusetts of each of the duly executed Loan Documents from each of the other parties thereto, and (ii) shall have duly and properly executed each of the Loan Documents, to which it is a party, in Boston, Massachusetts.

(b) Executed original counterparts of each of the Loan Documents (other than the Notes) shall have been furnished to each Bank or the Agent in sufficient copies for each Bank and an executed copy of the Notes for each Bank shall have been delivered to such Bank.

12.2. Performance, etc.

Each of the Hasbro Companies shall have duly and properly performed, complied with and observed each of the covenants, agreements and obligations to be performed, complied with or observed by it on or prior to such date contained in the Loan Documents. No event shall have occurred on or prior to the Effective Date and be continuing on such Effective Date, and no condition shall exist on such Effective Date, which constitutes a Default or an Event of Default.

12.3. Certified Copies of Charter Documents.

Each Bank or the Agent (in sufficient copies for each Bank) shall have received from each of the Hasbro Companies a copy, each of which shall have been certified by a duly authorized officer of such respective Hasbro Company to be true and complete on and as of the Effective Date, of each of (a) the charter or other incorporation documents of each of the Hasbro Companies in effect on such date of certification, and (b) the by-laws of each of the Hasbro Companies as in effect on such date.

12.4. Proof of Corporate Action.

The Agent shall have received from each of the Hasbro Companies copies for each Bank, certified by a duly authorized officer of such respective Hasbro Company to be true and complete on and as of the Effective Date, of the records of all corporate action taken by each of the Hasbro Companies to authorize (a) its execution and delivery of each of the Loan Documents to which it is or is to become a party, (b) its performance of all of its agreements and obligations under each of the Loan Documents, and (c) the borrowings contemplated by this Agreement.

12.5. Incumbency Certificates.

The Agent shall have received from each of the Hasbro Companies copies for each Bank of an original incumbency certificate, dated as of the Effective Date signed by a duly authorized officer of each of the Hasbro Companies and giving the name and bearing a specimen signature of certain individuals who shall be authorized: (i) to sign, in the name and on behalf of such Hasbro Company, each of the Loan Documents to which it is or is to become a party; and (ii) to give notices and to make application for the Loans and to take other action on behalf of such Hasbro Company under the Loan Documents.

12.6. Proceedings and Documents.

All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents, and all instruments and documents incidental thereto, shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

12.7. Validity of Liens.

The Security Documents shall be effective to create in favor of the Agent a legal, valid and enforceable first priority (except for Permitted Liens entitled to priority under applicable law) security interest in and Lien upon the Collateral, as and to the extent provided therein. All filings, recordings, deliveries of instruments and other actions necessary or desirable in the reasonable opinion of the Agent to protect and preserve such security interests shall have been duly effected or arrangements to effect the same shall have been made reasonably satisfactory to the Agent. The Agent shall have received evidence thereof in form and substance satisfactory to the Agent.

12.8. Perfection Certificates and UCC Search Results.

The Agent shall have received from each of the Company and the Restricted Subsidiaries a completed and fully executed Perfection Certificate and the results of Uniform Commercial Code searches with respect to the Collateral, indicating no Liens other than Permitted Liens and otherwise in form and substance reasonably satisfactory to the Agent.

12.9. Certificates of Insurance.

The Agent shall have received certificates of insurance from an independent insurance broker dated as of the Effective Date, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Security Agreements.

12.10. Agency Account Agreement.

The Agent shall have received an executed agency account agreement, in form and substance reasonably satisfactory to the Agent, from Bank of America, N.A.,

concerning the Agent's security interest in the lock box account maintained by the Company therewith.

12.11. Legal Opinions.

Each of the Banks and the Agent shall have received a favorable legal opinion addressed to the Banks and the Agent, dated as of the Effective Date, in form and substance reasonably satisfactory to the Banks and the Agent, from (a) Barry Nagler, Esq., Senior Vice President and General Counsel of the Company, and (b) Debevoise & Plimpton, special counsel to the Company.

12.12. Payment of Fees.

The Company shall have paid to the Banks or the Agent, as appropriate, the Closing Fee and the Agent's Fee pursuant to 7.1 and 7.2, respectively.

12.13. Legality of Transactions.

No change in applicable law shall have occurred as a consequence of which it shall have become and continue to be unlawful (a) for any Bank to perform any of its agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date or (b) for the Company to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date.

12.14. Representations and Warranties.

Each of the representations and warranties made by or on behalf of each of the Hasbro Companies to the Banks in this Agreement or any of the other Loan Documents shall be true and correct in all material respects when made, shall for all purposes of this Agreement be deemed to be repeated on and as of the Effective Date, and shall be true and correct in all material respects on and as of such date.

13. CONDITIONS TO LOANS.

The obligations of the Banks to make any Syndicated Loan, whether on or after the Effective Date, shall also be subject to the satisfaction of the following conditions precedent:

13.1. Legality of Transactions.

It shall not be unlawful (a) for any Bank to perform any of its agreements or obligations under any of the Loan Documents to which the Bank is a party on the Drawdown Date of such Loans, or (b) for any of the Hasbro Companies to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on such date.

13.2. Representations and Warranties.

Each of the representations and warranties made by or on behalf of the Company and its Subsidiaries to the Banks in this Agreement or any other Loan Document shall be true and correct in all material respects when made and shall for all purposes of this Agreement, be deemed to be repeated on and as of the date of the Company's notice of borrowing for such Loan on and as of the Drawdown Date of such Loan, and shall be true and correct in all material respects on and as of each of such dates, except, in each case, as affected by the consummation of the transactions contemplated by the Loan Documents or to the extent representations and warranties expressly referring to an earlier date shall relate solely to such earlier date.

13.3. Performance, etc.

Each of the Hasbro Companies shall have duly and properly performed, complied with and observed in all material respects each of its covenants, agreements and obligations contained in 9 and 10 hereof, and shall have duly and properly performed, complied with and observed in all material respects its covenants, agreements, and obligations in all other articles of this Agreement and any of the other Loan Documents to which it is a party or by which it is bound on the Drawdown Date for such Loan. No event shall have occurred on or prior to such date and be continuing on such date, and no condition shall exist on such date, which constitutes a Default or an Event of Default.

13.4. Proceedings and Documents.

All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents and all instruments and documents incidental thereto shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

13.5. Loan Documents.

Each of the Loan Documents required by 9.14 hereof shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of such date.

14. EVENTS OF DEFAULT; ACCELERATION.

14.1. Remedies Upon Default.

If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Company shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Company shall fail to pay any interest on the Loans, any Fees hereunder or other sums due hereunder, within three (3) Business Days after the date on which the same shall become due and payable whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Company shall fail to comply with any of its covenants contained in 9.2, 9.5, 9.6, the first sentence of 9.7, 9.13, 9.14, 10 or 11;

(d) if the Company shall fail to comply with any of its covenants contained in 9.10 or 9.17, and such failure shall continue for a period of ten (10) days;

(e) if any of the Hasbro Companies shall fail to perform any term, covenant or agreement contained in any of the Loan Documents (other than those specified in subsections (a), (b), (c) and (d) above) for twenty (20) days after written notice of such failure has been given to the Company by the Agent;

(f) if any representation or warranty of any of the Hasbro Companies in any of the Loan Documents or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or deemed to have been made or repeated;

(g) if any of the Hasbro Companies shall fail to pay at maturity, or within any applicable period of grace, any Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases or in respect of any guaranties by such Hasbro Company of any such Indebtedness of another Person, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or to rescind the purchase of any such obligations, and the aggregate amount of all of such Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases of the Hasbro Companies or in respect of any guaranties by any Hasbro Company of any such Indebtedness of another Person in respect of which any one or more of such defaults or failures shall at any time be continuing under any one or more of such agreements shall exceed \$25,000,000 at any one time;

(h) if any of the Hasbro Companies makes an assignment for the benefit of creditors, or admits in

writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of any of the Hasbro Companies or of any substantial part of the assets of any of the Hasbro Companies, or commences any case or other proceeding relating to any of the Hasbro Companies under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any of the Hasbro Companies and the such Person indicates its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed within forty-five (45) days following the filing thereof;

(i) if a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any of the Hasbro Companies bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any of the Hasbro Companies in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(j) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any of the Hasbro Companies which, with other outstanding final judgments, undischarged, unsatisfied and unstayed, against the Hasbro Companies exceeds in the aggregate \$25,000,000;

(k) the holders of all or any part of the Subordinated Debt shall accelerate the maturity of all or any part of the Subordinated Debt, the Subordinated Debt shall be repaid, redeemed or repurchased in whole or in part or an offer to repay, redeem or repurchase the Subordinated Debt in whole or in part shall have been made;

(l) (i) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded or the Agent's Liens in a material portion of the Collateral shall cease to be perfected (other than by the Agent's failure to file Uniform Commercial Code financing statements executed and delivered by the Company or any Restricted Subsidiary, as applicable, or to make any required filings executed and delivered by the Company or any Restricted Subsidiary with the United States Patent and Trademark Office or the United States Copyright Office or to continue such Uniform Commercial Code financing statements or filings with the United States Patent and Trademark Office or United States Copyright Office in accordance with applicable law), or shall cease to have the priority contemplated by the Security Documents, in each case otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or (ii) any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by any of the Hasbro Companies party thereto, or (iii) any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof and such judgment, order, decree or ruling shall continue in full force and effect for a period of thirty (30) days;

(m) there shall occur any loss, theft, destruction of, or material damage to the Inventory included in the Collateral resulting in an uninsured loss in excess of \$20,000,000 during any one policy period, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty, which in any such case causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any of its Subsidiaries if such event or circumstance is not covered by business interruption insurance and would have a Material Adverse Effect;

(n) the Company or any ERISA Affiliate incurs any liability to the PBGC or a Guaranteed Pension Plan pursuant to Title IV of ERISA in an aggregate amount exceeding \$15,000,000, or the Company or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding \$5,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan: (i) an ERISA Reportable Event, or a failure to make a required installment or other payment (within the meaning of 302(f)(1) of ERISA), provided that such event (A) would be expected to result in liability of the Company or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding \$15,000,000 and (B) would constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC, for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan or for the imposition of a lien in favor of such Guaranteed Pension Plan; or (ii) the appointment by a United States District Court of a trustee to administer such Guaranteed Pension Plan; or (iii) the institution by the PBGC of proceedings to terminate such Guaranteed Pension Plan;

(o) a Change of Control shall occur; or

(p) any "Event of Default" under and as defined in the Revolving Credit Agreement shall occur;

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Company declare all amounts owing with respect to this Agreement and the Notes and the other Loan Documents to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; provided that in the event of any Event of Default specified in 14.1(h) or 14.1(i) hereof, all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank.

14.2. Termination of Commitments.

If any one or more of the Events of Default specified in 14.1(h) or 14.1(i) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Banks shall be relieved of all further obligations to make Loans to the Company. If any other Event of Default shall have occurred and be continuing, the Agent may and, upon the request of the Majority Banks, shall, by notice to the Company, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Banks shall be relieved of all further obligations to make Loans. No termination of the credit hereunder shall relieve the Company or any of its Subsidiaries of any of the Obligations.

14.3. Remedies.

In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to 14.1, each Bank, if owed any amount with respect to the Loans, may, with the consent of the Majority Banks but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

14.4. Certain Rights of Cure.

(a) Any Default or Event of Default may be waived as provided by 20 hereof. With the prior written consent of all of the Banks, any Default or Event of Default so waived shall be deemed to have been cured and not to be continuing, and upon such waiver the Company and each of the Banks shall be restored to their respective positions prior to the existence of the Default or Event of Default, whether or not acceleration of the maturity of the Loans shall have occurred pursuant to this 14. The Commitments, if terminated pursuant to this 14 by reason of any Event of Default so waived, shall be reinstated. In the event that the Commitments, once terminated, are so reinstated, the Commitment Fee shall be payable as though no termination had occurred. No such waiver shall extend to or affect any subsequent or other Default or Event of Default or impair any rights consequent thereon.

(b) Notwithstanding any other provision of this Agreement to the contrary, if a Default or Event of Default shall occur at any time when no Loans shall be outstanding and all other Obligations shall have been paid in full, the Company may give notice to the Agent and the Banks (i) of the occurrence or continuance of such Default or Event of Default, (ii) of the Company's request to terminate the Commitments in their entirety pursuant to 2.2 hereof, and (iii) subject to compliance by the Company with the provisions of 2.2 hereof and this 14.4(b), of the Company's request that the Default or Event of Default be deemed not to have occurred, and upon termination of the Commitments and payment by the Company of all Fees and other sums payable by the Company hereunder, the Company, the Agent, and the Banks shall be deemed to have agreed, by mutual consent, that no Default or Event of Default shall have occurred hereunder.

14.5. Distribution of Collateral Proceeds.

In the event that, following the occurrence or during the continuance of any Default or Event of Default, the Agent or any Bank, as the case may be, receives any monies in connection with the enforcement of any the Security Documents, or otherwise with respect to the realization upon any of the Collateral, such monies shall be distributed for application as follows:

(a) First, to the payment of, or (as the case may be) the reimbursement of the Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Agent in connection with the collection of such monies by the Agent, for the exercise, protection or enforcement by the Agent of all or any of the rights, remedies, powers and privileges of the Agent under this Agreement or any of the other Loan Documents or in respect of the Collateral or in support of any provision of adequate indemnity to the Agent against any taxes or Liens which by law shall have, or may have, priority over the rights of the Agent to such monies;

(b) Second, to all other Secured Obligations (other than obligations of the Company and its Subsidiaries to any of the Banks and/or the Agent with respect to any Interest Rate Agreements and Hedging Agreements) in such order or preference among types of Secured Obligations as the Majority Banks may determine; provided, however, that (i) distributions shall be made (A) *pari passu* among Secured Obligations with respect to the Agent's Fee and all other Secured Obligations and (B) with respect to each type of Secured Obligation owing to the Banks, such as interest, principal, fees and expenses, among the Banks *pro rata*, based on the then outstanding amount of Secured Obligations (and on the assumption that Secured Obligations consisting of guaranties are equal to the amount of the outstanding obligations guaranteed), and (ii) the Agent may in its discretion make proper allowance to take into account any Secured Obligations not then due and payable;

(c) Third, to obligations of the Company and its Subsidiaries to any of the Banks and/or the Agent with respect to any Interest Rate Agreements and Hedging Agreements;

(d) Fourth, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Banks and the Agent of all of the Secured Obligations, to the payment of any obligations required

to be paid pursuant to 9-504(1)(c) of the Uniform Commercial Code of The Commonwealth of Massachusetts; and

(e) Fifth, the excess, if any, shall be returned to the Company or to such other Persons as are entitled thereto.

15. SETOFF.

Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any of the Banks to the Company and any securities or other property of the Company in the possession of such Bank may be applied to or set off by such Bank against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Company to such Bank. ANY AND ALL RIGHTS TO REQUIRE ANY BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE COMPANY ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Each of the Banks agree with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Company to such Bank, other than Indebtedness evidenced by the Notes held by such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank, and (b) if such Bank shall receive from the Company, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by such Bank by proceedings against the Company at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it, its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

16. THE AGENT.

16.1. Authorization.

(a) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, including the authority, without the necessity of any notice to or further consent of the Banks, from time to time to take any action with respect to any Collateral or the Security Documents which may be necessary to perfect, maintain perfected or insure the priority of the security interest in and liens upon the Collateral granted pursuant to the Security Documents, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent.

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks.

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to all collateral security and guaranties contemplated by the Loan

Documents. Such actions include the designation of the Agent as "secured party", "mortgagee" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the Obligations, all for the benefit of the Banks and the Agent.

16.2. Employees and Agents.

The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Company.

16.3. No Liability.

Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

16.4. No Representations.

16.4.1. General.

The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Notes, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Notes, or for the value of any such collateral security or for the validity, enforceability or collectability of any such amounts owing with respect to the Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Company or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Notes or to inspect any of the properties, books or records of the Company or any of its Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Company or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial conditions of the Company or any of its Subsidiaries. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

16.4.2. Closing Documentation, etc.

For purposes of determining compliance with the conditions set forth in 12, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document and matter either sent, or made available, by the Agent or the Arranger to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Bank, unless an officer of the Agent or the Arranger active upon the Company's account shall have received notice from such Bank not less than five (5) days prior to the Effective Date specifying such Bank's objection thereto and such

objection shall not have been withdrawn by notice to the Agent or the Arranger to such effect on or prior to the Effective Date.

16.5. Indemnification.

Without limiting the obligations of the Company hereunder or under any other Loan Document, the Banks agree to indemnify and hold harmless the Agent and its affiliates, ratably in accordance with their respective Commitment Percentages, for any and all liabilities, obligations, losses, damages, penalties, claims, actions and suits (whether groundless or otherwise) judgments, costs, expenses (including any expenses for which the Agent or such affiliate has not been reimbursed by the Company as required by 18) or disbursements of any kind or nature whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or the Notes or any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the Agent's gross negligence or willful misconduct. The agreements in this 16.5 shall survive the payment of the Notes and all other amounts payable hereunder.

16.6. Reimbursement.

Without limiting the provisions of 16.5, the Banks and the Agent hereby agree that the Agent shall not be obliged to make available to any Person any sum which the Agent is expecting to receive for the account of that Person until the Agent has determined that it has received that sum. The Agent may, however, disburse funds prior to determining that the sums which the Agent expects to receive have been finally and unconditionally paid to the Agent, if the Agent wishes to do so. If and to the extent that the Agent does disburse funds and it later becomes apparent that the Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Agent made the funds available shall, on demand from the Agent:

(a) refund to the Agent the sum paid to that Person; and

(b) reimburse the Agent for the additional amount certified by the Agent as being necessary to indemnify the Agent against any funding or other cost, loss, expense or liability sustained or incurred by the Agent as a result of paying out the sum before receiving it.

16.7. Non-Reliance on Agent and Other Banks.

Each Bank represents that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Company and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. The Agent shall not be required to keep informed as to the performance or observance by the Company of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or by any other Person of any agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any Person which may come into the possession of the Agent or any of its affiliates. Each Bank shall have access to all documents relating to the Agent's performance of its duties hereunder, at such Bank's request. Unless any Bank shall object promptly after receiving notice of any action taken by the Agent hereunder, such Bank shall conclusively be presumed to have approved the same.

16.8. Payments.

16.8.1. Payments to Agent.

A payment by the Company to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

16.8.2. Distribution by Agent.

If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

16.8.3. Delinquent Banks.

Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its pro rata share of any Loan or (b) to comply with the provisions of 15 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Company, whether on account of outstanding Loans, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Loans. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Loans. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding Loans have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

16.9. Holders of Notes.

The Agent may deem and treat the payee of any Note as the absolute owner thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

16.10. Agent as Bank.

In its individual capacity, Fleet shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it hereunder, and as the holder of any of the Notes, as it would have were it not also the Agent.

16.11. Resignation or Removal of Agent.

The Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Banks and the Company. Upon any such resignation, the Majority Banks, with the prior written consent of the Company (which consent shall not be unreasonably withheld), shall have the right to appoint a successor Agent; provided that no such consent of the Company shall be required if a Default or Event of Default has occurred and is then continuing. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty

(30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a rating of not less than A or its equivalent by Standard and Poor's. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent as Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. In the event of a material breach of its duties hereunder, the Agent may be removed by the Banks for cause and the provisions of this 16.11 shall apply to the appointment of a successor.

16.12. Notification of Defaults and Events of Default.

Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this 16.12 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

16.13. Duties in the Case of Enforcement.

In case one of more Events of Default have occurred and shall be continuing, and whether or not acceleration of the Obligations shall have occurred, the Agent shall, if (a) so requested by the Majority Banks and (b) the Banks have provided to the Agent such additional indemnities and assurances against expenses and liabilities as the Agent may reasonably request, proceed to enforce the provisions of the Security Documents authorizing the sale or other disposition of all or any part of the Collateral and exercise all or any such other legal and equitable and other rights or remedies as it may have in respect of such Collateral. The Majority Banks may direct the Agent in writing as to the method and the extent of any such sale or other disposition, the Banks hereby agreeing to indemnify and hold the Agent, harmless from all liabilities incurred in respect of all actions taken or omitted in accordance with such directions, provided that the Agent need not comply with any such direction to the extent that the Agent reasonably believes the Agent's compliance with such direction to be unlawful or commercially unreasonable in any applicable jurisdiction.

17. EXPENSES.

The Company agrees to pay (a) the reasonable costs of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) any taxes (including any interest and penalties in respect thereto) payable by the Agent or any of the Banks (other than taxes based upon the Agent's or any Bank's net income) on or with respect to the transactions contemplated by this Agreement (the Company hereby agreeing to indemnify the Agent and each Bank with respect thereto), (c) the reasonable fees, expenses and disbursements of the Banks' Special Counsel or any local counsel to the Agent incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, each closing hereunder, any amendments, modifications, approvals, consents or waivers hereto or hereunder, or the cancellation of any Loan Document upon payment in full in cash of all of the Obligations or pursuant to any terms of such Loan Document for providing for such cancellation, (d) the reasonable fees, expenses and disbursements of the Agent or any of its affiliates incurred by the Agent or such affiliate in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, including all reasonable collateral appraisal and examination charges, (e) all reasonable out-of-pocket expenses (including without limitation reasonable out of pocket attorneys' fees and costs, and reasonable consulting, accounting, appraisal, investment banking and similar professional fees and charges) incurred by any Bank or the Agent in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against the Company or any of its Subsidiaries, or the administration thereof after the occurrence and during the continuance of a Default or Event of Default and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Bank's or the Agent's relationship with the Company

or any of its Subsidiaries relating to the Loan Documents or the transactions contemplated thereby and (f) all reasonable fees, expenses and disbursements of the Agent incurred in connection with Uniform Commercial Code searches, Uniform Commercial Code filings, intellectual property searches or intellectual property filings. The covenants contained in this 17 shall survive payment or satisfaction in full of all other Obligations.

18. INDEMNIFICATION.

The Company agrees to indemnify and hold harmless the Agent, the Banks and each of their respective affiliates, directors, officers, employees and representatives from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby including, without limitation, (a) any actual or proposed use by the Company or any of its Subsidiaries of the proceeds of any of the Loans, (b) the reversal or withdrawal of any provisional credits granted by the Agent upon the transfer of funds from lock box, bank agency, concentration accounts or otherwise under any cash management arrangements with the Company or any Subsidiary or in connection with the provisional honoring of funds transfers, checks or other items, (c) any actual or alleged infringement of any patent, copyright, trademark, service mark or similar right of the Company or any of its Subsidiaries comprised in the Collateral, (d) the Company or any of its Subsidiaries entering into or performing this Agreement or any of the other Loan Documents or (e) with respect to the Company and its Subsidiaries and their respective properties and assets, the violation of any Environmental Law, the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release or threatened release of any Hazardous Substances or any action, suit, proceeding or investigation brought or threatened with respect to any Hazardous Substances (including, but not limited to, claims with respect to wrongful death, personal injury or damage to property), in each case including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding, but excluding (i) in the case of the Agent or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of the Agent or any of its affiliates, directors, officers, employees or representatives, (ii) in the case of any Bank or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of such Bank or any of its affiliates, directors, officers, employees or representatives, (iii) litigation commenced by the Company against any Bank or the Agent which (A) seeks enforcement of the Company's rights hereunder or under any of the Loan Documents and (B) is finally determined adversely to such Bank or the Agent, to the extent of such adverse determination, and (iv) claims made or legal proceedings commenced against the Agent or any Bank by any securityholder or creditor thereof arising out of and based upon rights afforded any such securityholder or creditor solely in its capacity as such. In litigation, or the preparation therefor, the Banks and the Agent and its affiliates shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Company agrees to pay promptly the reasonable fees and expenses of such counsel. If, and to the extent that the obligations of the Company under this 18 are unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law. The covenants contained in this 18 shall survive payment or satisfaction in full of all other Obligations.

19. SURVIVAL OF COVENANTS, ETC.

All covenants, agreements, representations and warranties made herein, in the Notes or in any documents or other papers delivered by or on behalf of the Company pursuant hereto shall be deemed to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by it, and shall survive the making by the Banks of the Loans, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement or the Notes or any of the other Loan Documents remains outstanding and unpaid or any Bank has any obligation to make any Loans hereunder, and for such further

time as may be otherwise be expressly specified in this Agreement. All statements contained in any certificate or other paper delivered to any Bank at any time by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Company hereunder.

20. ASSIGNMENT AND PARTICIPATION.

20.1. Conditions to Assignment by Banks.

Except as provided herein, each Bank may assign to one or more commercial banks, other financial institutions or other Persons, all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it); provided that (a) each of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Company shall have given its prior written consent to such assignment, which consent, in the case of the Company and the Agent, will not be unreasonably withheld; except that the consent of the Company or the Agent shall not be required in connection with any assignment by a Bank to (i) an existing Bank or (ii) a Bank Affiliate of such Bank, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment (or, in the case of assignments by a Bank to its Bank Affiliates, the aggregate holdings of such Bank and its Bank Affiliates after giving effect to such assignments), shall be in a minimum amount equal to \$10,000,000 or a multiple of \$5,000,000 in excess thereof (or, if less, such Bank's entire Commitment), and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, substantially in the form of Exhibit H hereto (an "Assignment and Acceptance"), together with any Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (y) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (z) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in 20.3, be released from its obligations under this Agreement.

20.2. Certain Representations and Warranties; Limitations; Covenants.

By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or the attachment, perfection or priority of any security interest or mortgage,

(b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in 8.8

and 9.5 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(f) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank; and

(g) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance.

20.3. Register.

The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentage of, and principal amount of the Syndicated Loans owing to the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of \$3,500.

20.4. New Notes.

Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Note subject to such assignment, the Agent shall (i) record the information contained therein in the Register, and (ii) give prompt notice thereof to the Company and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, the Company, at its own expense, shall execute and deliver to the Agent, in exchange for each surrendered Note, a new Note to the order of such Assignee in an amount equal to the amount assumed by such Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned Notes. The surrendered Notes shall be cancelled and returned to the Company.

20.5. Participations.

Each Bank may sell participations to one or more Banks or other entities in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents; provided that (a) each such participation shall be in an amount of not less than \$10,000,000, (b) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Company and (c) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any Commitment Fee which such participant is entitled or extend any regularly scheduled

payment date for principal or interest (it being understood that (i) any vote to rescind any acceleration made pursuant to 14.1 of amounts owing with respect to the Loans and other Obligations and (ii) any modifications of the provisions relating to amounts, timing or application or prepayments of Loans and other Obligations shall not require the approval of such participant).

20.6. Assignee or Participant Affiliated with the Company.

If any assignee Bank is an Affiliate of the Company, then any such assignee Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to 14.1 or 14.2, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to such assignee Bank's interest in any of the Loans. If any Bank sells a participating interest in any of the Loans to a participant, and such participant is the Company or an Affiliate of the Company, then such transferor Bank shall promptly notify the Agent of the sale of such participation. A transferor Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to 14.1 or 14.2 to the extent that such participation is beneficially owned by the Company or any Affiliate of the Company, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to the interest of such transferor Bank in the Loans to the extent of such participation. The provisions of this 20.6 shall not apply to an assignee Bank or participant which is also a Bank on the Effective Date or to an assignee Bank or participant which has disclosed to the other Banks that it is an Affiliate of the Company and which, following such disclosure, has been excepted from the provisions of this 20.6 in a writing signed by the Majority Banks determined without regard to the interest of such assignee Bank or transferor Bank, to the extent of such participation, in Loans.

20.7. Miscellaneous Assignment Provisions.

Any assigning Bank shall retain its rights to be indemnified pursuant to 18 with respect to any claims or actions arising prior to the date of such assignment. If any Reference Bank transfers all of its interest, rights and obligations under this Agreement, the Agent shall, in consultation with the Company and with the consent of the Company and the Majority Banks, appoint another Bank to act as a Reference Bank hereunder. Anything contained in this 20 to the contrary notwithstanding, any Bank may at any time pledge or assign a security interest in all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to secure obligations of such Bank, including any pledge or assignment to secure obligations to (a) any of the twelve Federal Reserve Banks organized under 4 of the Federal Reserve Act, 12 U.S.C. 341 and (b) with respect to any Bank that is a fund that invests in bank loans, to any lender or any trustee for, or any other representative of, holders of obligations owed or securities issued by such fund as security for such obligations or securities or any institutional custodian for such fund or for such lender. Any foreclosure or similar action by any Person in respect of such pledge or assignment shall be subject to the other provisions of this 20. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents, provide any voting rights hereunder to the pledgee thereof, or affect any rights or obligations of the Company or Agent hereunder.

20.8. Increased Costs.

No assignee, participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under 4.1 or 4.7 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent.

20.9. Assignment by Company.

The Company shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

21. NOTICES, ETC.

Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the Notes shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, addressed as follows:

(a) if to the Company, at 1011 Newport Avenue, Pawtucket, Rhode Island 02862-0200, Attention: David D. R. Hargreaves, Senior Vice President and Chief Financial Officer, with a copy to Phillip H. Waldoks, Senior Vice President-Corporate Legal Affairs and Secretary, Hasbro, Inc., 32 West 23rd Street, New York, New York 10010, or at such other address or addresses for notice as the Company shall last have furnished in writing to the Person giving the notice;

(b) if to the Agent, at 100 Federal Street, Boston, Massachusetts 02110, Attention: John P. O'Loughlin, Director, or such other address for notice as the Agent shall last have furnished in writing to the Person giving the notice; and

(c) if to any Bank, at such Bank's address set forth on Schedule 1 hereto, or such other address for notice as such Bank shall have last furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, when received by a responsible officer or employee of the party to which it is directed, provided that such receipt may be evidenced by return receipt signed by a responsible officer or employee of the party to which it is directed, and (c) if sent by telegraph, telecopy, facsimile or telex, at the time of dispatch thereof, if in normal business hours in the state where received or otherwise at the opening of business on the next Business Day.

22. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

22.1. Confidentiality.

Each of the Banks and the Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company or any of its Subsidiaries pursuant to this Agreement that is identified by such Person as being confidential at the time the same is delivered to the Banks or the Agent, provided that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this 22, or becomes available to any of the Banks or the Agent on a nonconfidential basis from a source other than the Company or any of its Subsidiaries without a duty of confidentiality to the Company or such Subsidiary being violated, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Banks or the Agent so long as the relevant Bank or Agent informs such counsel of the agreement under this 22.1 and such Bank assumes responsibility for compliance by such counsel with such agreement, (d) to bank examiners or any other regulatory authority having jurisdiction over any Bank or the Agent, or to auditors or accountants, (e) to the Agent or any Bank, (f) in connection with any litigation to which any one or more of the Banks or the Agent is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Bank Affiliate or a Subsidiary or affiliate of the Agent so long as the relevant Bank or Agent informs such Bank Affiliate, subsidiary or affiliate of the agreement under this 22.1

and such Bank or the Agent assumes responsibility for compliance by such Person with such agreement, (h) to any actual or prospective assignee or participant or any actual or prospective counterparty (or its advisors) to any swap or derivative transactions referenced to credit or other risks or events arising under this Agreement or any other Loan Document so long as such actual or prospective assignee, participant or counterparty, as the case may be, agrees to be bound by the provisions of this 22 pursuant to an agreement in substantially the form of Exhibit I provided to the Company, or (i) with the consent of the Company.

22.2. Prior Notification.

Unless specifically prohibited by applicable law or court order, each of the Banks and the Agent shall, prior to disclosure thereof, notify the Company of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or pursuant to legal process and afford the Company the opportunity to obtain a protective order or other appropriate remedy or agreement to maintain confidentiality of the information.

22.3. Other.

In no event shall any Bank or the Agent be obligated or required to return any materials furnished to it by the Company or any of its Subsidiaries. The obligations of each Bank under this 22 shall supersede and replace the obligations of such Bank under any confidentiality letter in respect of this financing signed and delivered by such Bank to the Company prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans from any Bank.

23. CONSENTS, AMENDMENTS, WAIVERS, ETC.

Any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement, the other Loan Documents or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Company or any of its Subsidiaries of any terms of this Agreement, the other Loan Documents or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the written consent of the Majority Banks. Notwithstanding the foregoing, no amendment, modification or waiver shall:

(a) without the written consent of the Company and each Bank directly affected thereby:

(i) reduce or forgive the principal amount of any Loans, or reduce the rate of interest on the Notes or the amount of the Commitment Fee;

(ii) increase the amount of the Commitments or extend the expiration date of any Bank's Commitment;

(iii) postpone or extend the Final Maturity Date or any other regularly scheduled dates for payments of principal of, or interest on, the Loans or any Fees or other amounts payable to such Bank (it being understood that (A) any vote to rescind any acceleration made pursuant to 14.1 of amounts owing with respect to the Loans and other Obligations and (B) any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations shall require only the approval of the Majority Banks); and

(iv) other than pursuant to a transaction permitted by the terms of this Agreement, release all or substantially all of the Collateral or release any of the Restricted Subsidiaries from its guaranty obligations under the Guaranty (excluding, if the Company or any Restricted Subsidiary becomes a debtor under the federal Bankruptcy Code, the release of "cash collateral", as defined in Section 363(a) of the federal Bankruptcy Code pursuant to a cash collateral stipulation with the debtor approved by the

Majority Banks);

(b) without the written consent of all of the Banks, amend or waive this 23 or the definition of Majority Banks;

(c) without the written consent of the Agent, amend or waive 3 or 15, the amount or time of payment of the Agent's Fee or any other provision applicable to the Agent.

No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Company shall entitle the Company to other or further notice or demand in similar or other circumstances.

24. PROVISIONS OF GENERAL APPLICATIONS.

24.1. Governing Law.

THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE COMPANY AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE COMPANY BY MAIL AT THE ADDRESS SPECIFIED IN 21. THE COMPANY 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.

24.2. Headings.

The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

24.3. Counterparts.

This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Delivery by facsimile by any of the parties hereto of an executed counterpart hereof or of any amendment or waiver hereto shall be as effective as an original executed counterpart hereof or of such amendment or waiver and shall be considered a representation that an original executed counterpart hereof or such amendment or waiver, as the case may be, will be delivered.

24.4. Entire Agreement, Etc.

The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in 17.12.

24.5. Waiver of Jury Trial.

THE COMPANY HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE AGENT OR ANY BANK RELATING TO THE ADMINISTRATION OF THE LOANS OR ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. Except as prohibited by law, the Company hereby waives any right it

may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, consequential or punitive damages or any damages other than, or in addition to, actual damages. The Company (a) certifies that no representative, agent or attorney of any Bank or the Agent has represented, expressly or otherwise, that such Bank or the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that the Agent and the Banks have been induced to enter into this Agreement, the other Loan Documents to which it is a party by, among other things, the waivers and certifications contained herein.

24.6. Severability.

The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

25. TRANSITIONAL ARRANGEMENTS.

25.1. Existing Credit Agreement Superseded.

This Agreement shall on the Effective Date supersede the Existing Credit Agreement in its entirety, except as provided in this 25. On the Effective Date, the rights and obligations of the parties evidenced by the Existing Credit Agreement shall be evidenced by the Agreement and other Loan Documents, and the "Syndicated Loans" as defined in the Existing Credit Agreement shall be converted to Syndicated Loans as defined herein.

25.2. Return and Cancellation of Notes.

Upon receipt by any Bank of its Notes hereunder on the Effective Date, any "Notes" of the Company held by such Bank pursuant to and as defined in the Existing Credit Agreement shall be deemed to be no longer outstanding. As soon as reasonably practicable after its receipt of its Notes hereunder on the Effective Date, each Bank will promptly return to the Company, marked "Substituted" or "Cancelled", as the case may be, any notes of the Company held by such Bank pursuant to the Existing Credit Agreement.

25.3. Interest and Fees Under Superseded Agreement.

All interest and fees and expenses, if any, owing or accruing under or in respect of the Existing Credit Agreement through the Effective Date shall be calculated as of the Effective Date (prorated in the case of any fractional periods), and shall be paid as of the Effective Date. Commencing on the Effective Date, the Commitment Fee shall be payable by the Company to the Agent for the account of the Banks in accordance with 2.2.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as an agreement under seal as of the date first set forth above.

HASBRO, INC.

(Corporate Seal)

By: /s/ Martin R. Trueb
Martin R. Trueb
Senior Vice President and
Treasurer

FLEET NATIONAL BANK (f/k/a
BankBoston, N.A.), individually and as
Agent

By: /s/ John O'Loughlin
John O'Loughlin
Director

BANK OF AMERICA, N.A.

By: /s/ John W. Pocalyko
John W. Pocalyko
Managing Director

THE BANK OF NOVA SCOTIA

By: /s/ T.M. Pitcher
T.M. Pitcher
Managing Director

CITICORP USA, INC.

By: /s/ John S. Hutchins
John S. Hutchins
Managing Director
COMMERZBANK A.G., New York
Branch

By: /s/ Robert Donohue
Robert Donohue
Senior Vice President

By: /s/ Andrew P. Luck
Andrew P. Lusk
Assistant Vice President

MELLON BANK, N.A.

By: /s/ Janet R. Twomey
Janet R. Twomey
Vice President

SANPAOLO IMI S.P.A.

By: /s/ Luca Sacchi
Luca Sacchi
Vice President

By: /s/ Carlo Persico
Carlo Persico
DGM

BNP PARIBAS

By: /s/ Christopher Criswell
Christopher Criswell
Director

By: /s/ Arnaud Collin du
Bocage
Arnaud Collin du Bocage

BARCLAYS BANK PLC

By: /s/ Marlene Wechselblatt
Marlene Wechselblatt
Vice President

EXHIBIT A-1

FORM OF [AMENDED AND RESTATED]* SYNDICATED NOTE

\$ _____ as of _____, 200__

FOR VALUE RECEIVED, the undersigned, HASBRO, INC., a Rhode Island corporation (hereinafter, together with its successors in title and assigns, called the "Company"), hereby absolutely and unconditionally promises to pay to the order of [INSERT NAME OF BANK] (hereinafter together with its successors in title and permitted assigns, called the "Bank") at the times and in accordance with the terms and conditions specified in the Credit Line Agreement (as defined below) but in no event later than the Final Maturity Date (as defined in the Credit Line Agreement), the

principal sum of [INSERT COMMITMENT AMOUNT] (\$_____), or if less, the aggregate unpaid principal amount of all Syndicated Loans made by the Bank to the Company pursuant to the Amended and Restated Line of Credit Agreement (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Line Agreement"), dated as of February 16, 2001, by and among the Company, the Bank and certain other lending institutions listed on Schedule 1 thereto and Fleet National Bank (f/k/a BankBoston, N.A.), as agent (the "Agent") for the Bank and such other lending institutions. All capitalized terms used herein which are defined in the Credit Line Agreement shall have the same meanings herein as therein.

[This Amended and Restated Syndicated Note (this "Note") constitutes the amendment and restatement in its entirety of the Syndicated Note, dated as of _____, issued by the Company to the Bank in the original principal amount of \$_____ (the "Original Note"), and is in substitution therefor and an amendment and replacement thereof. Nothing herein shall be construed to constitute payment of the Original Note or to release or terminate any guaranty or lien, mortgage, pledge or other security entered in favor of the Bank.]*

This Note evidences borrowings under and has been issued by the Company in accordance with the terms of the Credit Line Agreement. The Bank and any holder hereof are entitled to the benefits of the Credit Line Agreement, and may enforce the agreement of the Company contained therein, including without limitation the Company's promise to pay interest on the Outstanding Syndicated Loans until paid in full at the rates per annum set forth in or established pursuant to the Credit Line Agreement. Such interest shall be payable on such dates as are determined from time to time pursuant to the Credit Line Agreement and shall be calculated as therein provided.

The Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule attached to this Note or a continuation of such schedule attached hereto and made a part hereof, an appropriate notation evidencing advances and repayments of principal of this Note, provided that failure by the Bank to make any such notation shall not affect any of the Company's obligations in respect of this Note.

The Company has the right in certain circumstances to prepay the principal of this Note on the terms and conditions specified in the Credit Line Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Line Agreement.

The Company and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

This Note and the obligations of the Company hereunder shall be governed by, and interpreted and determined in accordance with, the laws of the Commonwealth of Massachusetts (excluding the laws applicable to conflicts or choice of law). This Note is a sealed instrument under the laws of the Commonwealth of Massachusetts.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officer as of the day and in the year first above written.

HASBRO, INC.

By: _____

Restated Line of Credit Agreement, dated as of February 16, 2001 (as the same may be amended and in effect from time to time, the "Credit Line Agreement"), by and among Hasbro, Inc. (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.) and the other lending institutions listed on Schedule 1 thereto (collectively, the "Banks") and Fleet National Bank (f/k/a BankBoston, N.A.), as agent (the "Agent") for the Banks. Capitalized terms which are used herein without definition and which are defined in the Credit Line Agreement shall have the same meanings herein as in the Credit Line Agreement.

Pursuant to 2.4 of the Credit Line Agreement, we hereby request that a Syndicated Loan consisting of [a Base Rate Loan in the principal amount of \$_____ or a Eurocurrency Rate Loan in the principal amount of \$_____ with an Interest Period of _____] be made on _____, 20___. We understand that this request is irrevocable and binding on us and obligates us to accept the requested Syndicated Loan on such date.

We hereby represent and warrant that all of the conditions set forth in 13 of the Credit Line Agreement have been satisfied on the date of this request.

We hereby certify that the borrowing requested hereby is in accordance with 2.1(a) of the Credit Line Agreement.

Very truly yours,

HASBRO, INC.

By:
Name:
Title:

EXHIBIT B-1

FORM OF [AMENDED AND RESTATED]* COMPETITIVE BID NOTE

\$ _____ as of _____, 200__

FOR VALUE RECEIVED, the undersigned HASBRO, INC., a Rhode Island corporation (hereinafter, together with its successors in title and assigns, called the "Company"), hereby absolutely and unconditionally promises to pay to the order of [INSERT NAME OF BANK] (the "Bank") at the times and in accordance with the terms and conditions specified in the Credit Line Agreement (as defined below) but in no event later than the Final Maturity Date, the principal amount of DOLLARS (\$ _____) or, if less, the aggregate unpaid principal amount of Competitive Bid Loans advanced by the Bank to the Company pursuant to the Amended and Restated Line of Credit Agreement, dated as of February 16, 2001 (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Line Agreement"), by and among the Company, the Bank, the other lending institutions which are or may become parties to the Credit Line Agreement and Fleet National Bank (f/k/a BankBoston, N.A.), as Agent. The Company also promises to pay to the order of the Bank interest on the principal balance hereof through and including the date on which such principal amount is paid in full, at the times and at the rates provided in the Credit Line Agreement. All capitalized terms used in this Amended and Restated Competitive Bid Note (this "Note") and not otherwise defined herein shall have the same meanings herein as in the Credit Line Agreement.

[This Note constitutes the amendment and restatement in its entirety of the Competitive Bid Note, dated as of _____, issued by the Company to the Bank in the original principal amount of \$_____ (the "Original Note"), and is in substitution therefor and an amendment and replacement thereof. Nothing herein shall be construed to constitute payment of the Original Note or to release or terminate any guaranty or lien, mortgage, pledge or other security entered in favor of the Bank.]*

This Note evidences borrowings under and has been issued by the Company in accordance with the terms of the Credit Line Agreement. The Bank and any holder hereof are entitled to the benefits of the Credit Line Agreement, and may enforce the agreements of the Company contained therein, including without limitation the Company's promise to repay each Competitive Bid Loan advanced hereunder on the last day

of the applicable Interest Period with respect thereto.

The Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule attached to this Note or a continuation of such schedule attached hereto and made a part hereof, an appropriate notation evidencing advances and repayments of principal of this Note, provided that failure by the Bank to make any such notations shall not affect any of the Company's obligations in respect of this Note.

The Company has the right in certain circumstances and the obligation in certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Line Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Line Agreement.

The Company and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

This Note and the obligations of the Company hereunder shall be governed by, and interpreted and determined in accordance with, the laws of the Commonwealth of Massachusetts (excluding the laws applicable to conflicts or choice of law). This Note is a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its corporate name by its duly authorized officer as of the day and year first above written.

HASBRO, INC.

By: _____

Name:
Title:

Attest: _____

Name:
Title:

Date	Amount of Loan	Interest Rate Election	Amount of	Balance of	Notation Made By
			Principal Paid or Prepaid	Principal Unpaid	

EXHIBIT B-2

FORM OF COMPETITIVE BID QUOTE REQUEST

[INSERT DATE]

To: Fleet National Bank (f/k/a BankBoston, N.A.),
as Agent (the "Agent")

From: Hasbro, Inc. (the "Company")

Re: Amended and Restated Line of Credit Agreement
(as amended and in effect from time to time, the
"Credit Line Agreement"), dated as of February 16,
2001, among the Company, the Banks party thereto
and the Agent

We hereby give notice pursuant to 2.5.1(b) of the
Credit Line Agreement that we request Competitive Bid Quotes
for the following proposed Competitive Bid Loan(s):

Date of Borrowing:

Principal	Amount*	Interest	Period**
Maturity Date***			
\$			

Such Competitive Bid Quotes should offer a Competitive
Bid Rate.

Terms used herein have the meanings assigned to them in
the Credit Line Agreement.

HASBRO, INC.

By: _____

Title:

- * Amount must be \$5,000,000 minimum, or a greater
integral multiple of \$1,000,000.
** Up to one hundred eighty (180) days; a maximum of three
(3) Interest Periods may be selected in one Competitive
Bid Quote Request.
*** Last day of Interest Period.

EXHIBIT B-3

FORM OF INVITATION FOR COMPETITIVE BID QUOTE

To: [Name of Bank]

Re: Invitation for Competitive Bid Quotes to Hasbro,
Inc. (the "Company")

Pursuant to 2.5.1(c) of the Amended and Restated Line
of Credit Agreement, dated as of February 16, 2001 (as
amended and in effect from time to time, the "Credit Line
Agreement"), among the Company, the Banks party thereto and
Fleet National Bank (f/k/a BankBoston, N.A.), as Agent, we
are pleased on behalf of the Company to invite you to submit
Competitive Bid Quotes to the Company for the following
proposed Competitive Bid Loan(s):

Date of Borrowing:

Principal Amount Interest Period(s)*
Maturity Date**

\$

Such Competitive Bid Quotes should offer a Competitive Bid Rate.

Please respond to this invitation by no later than 10:00 a.m. (Boston time) on the requested Drawdown Date to the attention of [] at facsimile number [].

Capitalized terms used herein shall have the same meanings assigned to such terms in the Credit Line Agreement.

FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), as Agent

By: _____
Authorized Officer

* Up to three (3) Interest Periods may be specified.
** Last day of Interest Period

EXHIBIT B-4

FORM OF COMPETITIVE BID QUOTE

Fleet National Bank (f/k/a BankBoston, N.A.), as Agent
100 Federal Street
Boston, Massachusetts 02110

Attention: [Insert Name]

Re: Competitive Bid Quote to Hasbro, Inc. (the "Company")

In response to your invitation on behalf of the Company, dated _____, 20__ we hereby make the following Competitive Bid Quote on the following terms:

1. _____ Quoting Bank:

2. _____ Person to contact at Quoting Bank:

3. _____ Date of Borrowing:

4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Competitive Bid Rate(s)****	Principal Amount**	Interest Period(s)***
\$		
\$		

5. _____ Aggregate Principal Amount \$

* As specified in the related Invitation for Competitive Bid Quotes.
 ** Principal amount bid for each Interest Period (a) may not exceed the lesser of (i) the Total Commitment and (ii) the Maximum Availability in effect from time to time during the applicable Interest Period and (b) may not exceed the aggregate principal amount of Competitive Bid Loans for which offers were requested. Bids must be made for \$5,000,000 or any larger multiple of \$1,000,000.
 *** Up to one hundred eighty (180) days, as specified in the related Invitation for Competitive Bid Quotes.
 **** Specify rate of interest per annum (each rounded to the nearest 1/1000th of 1%) for each applicable Interest Period.
 We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable

conditions set forth in the Amended and Restated Line of Credit Agreement, dated as of February 16, 2001, as amended and in effect from time to time, among the Company, the Banks party thereto and Fleet National Bank (f/k/a BankBoston, N.A.), as Agent, irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted in whole or in part by the Company.

Very truly yours,

[NAME OF BANK]

Dated: _____

By: _____

Authorized Officer
EXHIBIT B-5

FORM OF NOTICE OF COMPETITIVE BID BORROWING

Fleet National Bank
(f/k/a BankBoston, N.A.), as Agent
100 Federal Street
Boston, Massachusetts 02110

Attention: [Insert Name]

Re: Amended and Restated Line of Credit Agreement (as amended and in effect from time to time, the "Credit Line Agreement"), dated as of February 16, 2001, among the Company, the Banks party thereto and the Agent

We hereby give notice pursuant to 2.5.1(f) of the Credit Line Agreement of our acceptance of the following Competitive Bid Quote(s):

1. Bank: _____

2. _____ Date of Borrowing: *

3. In the following principal amounts, for the following Interest Periods and at the following rates:

Competitive Bid Amount	Principal Period(s)	Interest Rate(s)**
\$		
\$		

[Repeat for each Bank as necessary]

* As specified in the related Invitation for Competitive Bid Quotes.

** Specify rate of interest per annum (each rounded to the nearest 1/1000th of 1%) for each applicable Interest Period.

4. The Aggregate Principal Amount for each Interest Period is:

Interest Period	Aggregate Principal Amount
	\$
	\$

5. We hereby certify (a) that the borrowing accepted hereby is in accordance with 2.5.1 of the Credit Line Agreement and (b) that each of the representations and warranties contained in the Credit Line Agreement or in any other Loan Document made by or on behalf of the Company and its Subsidiaries to the Banks delivered pursuant to or in connection with the Credit Line Agreement was true and correct in all material respects as of the date as of which it was made and is true and correct in all material respects at and as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit

Line Agreement and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties related expressly to an earlier date) and (c) that no Default or Event of Default has occurred and is continuing.

Very truly yours,

HASBRO, INC.

Dated: _____

By: _____

Name:

Title:

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

HASBRO, INC.

_____, 200_

Fleet National Bank (f/k/a BankBoston, N.A.), as Agent
100 Federal Street
Boston, MA 02110

Ladies and Gentlemen:

Reference is made to the Amended and Restated Line of Credit Agreement (the "Credit Line Agreement"), dated as of February 16, 2001, by and among Hasbro, Inc. (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.) and the lending institutions party thereto (collectively, the "Banks"), and Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (the "Agent"). Capitalized terms used herein without definition shall have the respective meanings set forth in the Credit Line Agreement.

Pursuant to 9.5(c) of the Credit Line Agreement, the Company and the undersigned officer of the company (who has reviewed the Loan Documents) hereby certify that (a) the information furnished in the attached Compliance Certificate Worksheet was true and correct as of the last day of the fiscal quarter next preceding the date of this certificate, (b) as of the date hereof, no Default or Event of Default under the Credit Line Agreement has occurred, (c) the financial statements delivered herewith were prepared in accordance with GAAP, and (d) except as specified in the attached schedule, if any, the representations and warranties set forth in 8 of the Credit Line Agreement are true and correct in all material respects as of the date hereof except to the extent such representations and warranties expressly relate to an earlier date, provided, however, that the representations and warranties set forth in 8 of the Credit Line Agreement shall be deemed to be made with respect to the financial statements of the Company most recently delivered to the Agent and the Banks pursuant to 9.5 of the Credit Line Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this ____ day of _____, 2001.

HASBRO, INC.

By: _____

Title:

COMPLIANCE CERTIFICATE WORKSHEET

As of _____, 20__

Section
Calculation

11.1 Minimum EBITDA
for Reference Period ended on _____, 20__

A. EBITDA

(Sum of Item A(1) plus Items A(2), A(3) A(4), A(5) and A(6), minus Item A(7), plus solely for the fiscal quarter ended December 30, 2000 or any period that includes such quarter, \$210,000,000) \$

(1) Consolidated Net Earnings (or Loss) consolidated net earnings (or loss) after deduction of all expenses, taxes and other proper charges, determined in accordance with GAAP, after eliminating all extraordinary items of income for such period: \$

(2) income tax expense for such period, to the extent deducted in calculating Item A(1): \$

(3) interest expense for such period, to the extent deducted in calculating Item A(1): \$

(4) depreciation and amortization for such period, to the extent deducted in calculating Item A(1): \$

(5) non-cash charges for such period, to the extent deducted in calculating Item A(1): \$

(6) extraordinary losses for such period, to the extent deducted in calculating Item A(1): \$

(7) extraordinary gains for such period, to the extent included in calculating Item A(1): \$

B. Minimum EBITDA permitted under the Credit Line Agreement

(For any Reference Period ending with the fiscal quarter referenced in the table set forth below, not to be less than the amount set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	EBITDA
First Quarter 2001	\$310,000,000
Second Quarter 2001	\$270,000,000
Third Quarter 2001	\$300,000,000
Fourth Quarter 2001	\$400,000,000

11.2 Consolidated Total Funded Debt to EBITDA For the fiscal quarter ended _____, 20__

A. Consolidated Total Funded Debt \$ (Sum of Item A(1) plus Item A(2) plus Item A(3) plus Item A(4))

(1) Indebtedness for borrowed money or the obtaining of credit (including the face amount of letters of credit outstanding): \$

(2) Indebtedness in respect of the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business): \$

(3) Indebtedness in respect of Capitalized Leases and Synthetic Leases: \$

(4) Indebtedness of the type referred to in Items A(1), A(2) and A(3) above which are guaranteed by the Company or any of its Subsidiaries

\$

B. EBITDA for the Reference Period then ended
(as set forth in Item 11.1(A)):

\$

C. Ratio of Item A to Item B:
_____:

(For any fiscal quarter referenced in the table set forth below, not to exceed the ratio set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2000	3.25:1.00
First Quarter 2001	4.25:1.00
Second Quarter 2001	5.75:1.00
Third Quarter 2001	5.50:1.00
Fourth Quarter 2001	3.25:1.00

11.3 Fixed Charge Coverage Ratio
For the Reference Period ended on _____, 20__

A. Consolidated Operating Cash Flow:
(Item A(1) minus Item A(2)):

\$

(1) EBITDA for such period (as set forth in Item 11.1(A)): \$

(2) Capital Expenditures made during such period: \$

B. Consolidated Total Debt Service
(Sum of Item B(1) plus Item B(2) plus Item B(3)):

\$

(1) Consolidated Total Interest Expense for such period: \$

(2) scheduled repayments of principal during such period in respect of Consolidated Total Funded Debt (set forth in Item 11.2(A)) that becomes due and payable during such period or is to become due and payable during such period (excluding any repayments of principal required under the Credit Line Agreement and the Credit Line Agreement): \$

(3) Distributions paid during such period: \$

C. Ratio of Item A to Item B:
_____:

(For any Reference Period ending with any fiscal quarter referenced in the table below, not to be less than the ratio set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	Ratio
First Quarter 2001	1.20:1.00
Second Quarter 2001	1.10:1.00
Third Quarter 2001	1.70:1.00
Fourth Quarter 2001	2.50:1.00

11.4 Capital Expenditures
For the period from _____ to _____:

A. Capital Expenditures made during such period: \$

B. Maximum amount of Capital Expenditures permitted under the Credit Line Agreement
(For any period referenced in the table below, not to exceed the aggregate amount set forth in the table below opposite such period in such table)

Period Amount

First Quarter 2001	\$30,000,000
First and Second Quarter 2001	\$60,000,000
First, Second and Third Quarter 2001	\$80,000,000
First, Second, Third and Fourth Quarter 2001	\$90,000,000

EXHIBIT F

FORM OF SUBORDINATION AGREEMENT

This AMENDED AND RESTATED SUBORDINATION AGREEMENT, dated as of February 16, 2001 (as amended and in effect from time to time, this "Subordination Agreement"), is by and among (a) HASBRO, INC., a Rhode Island corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 (the "Company"), (b) HASBRO INTERNATIONAL, INC., a Delaware corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 ("HII"), (c) WIZARDS OF THE COAST, INC., a Washington corporation having its principal place of business at 1801 Lind Ave SW, Renton, Washington 98055 ("Wizards" and together with HII, the "Significant Subsidiaries") and (d) FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), a national banking association having an office at 100 Federal Street, Boston, Massachusetts 02110, as agent for (in such capacity, the "Agent") the Banks (as such term is hereinafter defined directly or by reference).

WHEREAS, the Company is the direct or indirect legal and beneficial owner of all the issued and outstanding shares of each class of the capital stock of each of the Significant Subsidiaries;

WHEREAS, the Significant Subsidiaries are members of a group of related corporations, the success of any one of which is dependent in part on the success of the other members of such group;

WHEREAS, the Company, the Agent, and the Banks are entering into an (a) Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001 (as amended and in effect from time to time, the "Revolving Credit Agreement") and (b) Amended and Restated Line of Credit Agreement, dated as of February 16, 2001 (as amended and in effect from time to time, the "Credit Line Agreement", and together with the Revolving Credit Agreement, the "Credit Agreements") which amend and restate, respectively, the (i) Revolving Credit Agreement, dated as of September 10, 1998 (as amended and in effect from time to time, the "Existing Revolving Credit Agreement") and (ii) Line of Credit Agreement, dated as of June 28, 2000 (as amended and in effect from time to time, the "Existing Credit Line Agreement", and together with the Existing Revolving Credit Agreement, the "Existing Credit Agreements").

WHEREAS, in connection with the Existing Credit Agreements, the Company, the Significant Subsidiaries and the Agent, for the benefit of the Banks and the Agent, entered into a (a) Subordination Agreement, dated as of September 10, 1998 (as amended, supplemented or otherwise modified from time to time) and (b) Subordination Agreement, dated as of June 28, 2000 (as amended, supplemented or otherwise modified from time to time, collectively, the "Existing Subordination Agreements");

WHEREAS, it is a condition precedent to the amendment and restatement of the Existing Credit Agreements and to the Banks' making any loans or otherwise extending credit to the Company under the Credit Agreements that the Company and each of the Significant Subsidiaries execute and deliver to the Agent, for the benefit of the Banks and the Agent, an amended and restated subordination agreement substantially in the form hereof;

WHEREAS, the Significant Subsidiaries will receive substantial direct and indirect benefit from the loans and extension of credit by the Banks and the Agent to the Company pursuant to the Credit Agreements (which benefits are hereby acknowledged); and

WHEREAS, the Company and each of the Significant Subsidiaries wish to amend and restate the Existing

Subordination Agreements as provided herein;

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 agree as follows:

1. All capitalized terms used herein without definitions shall have both the respective meanings provided therefor in the Credit Agreements, provided that if the Credit Agreements provide different meanings for any capitalized term used herein without definition, such capitalized term shall have both such meanings.

2. The Company and each of the Significant Subsidiaries covenant and agree with the Agent that all of the Subordinated Indebtedness (as hereinafter defined) of the Company to the Significant Subsidiaries is hereby expressly subordinated and made junior, to the extent and in the manner hereinafter set forth in this agreement, in right of payment to the prior payment in full of all the Obligations. Until all the Obligations shall have been paid in full and the Total Commitment shall have been terminated, (a) the Company shall not, directly or indirectly, make any payment of principal or interest on account of or transfer any collateral for any part of any and all indebtedness of the Company to each of the Significant Subsidiaries, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising (referred to herein as the "Subordinated Indebtedness"), whether evidenced by negotiable or non-negotiable instruments, securities or other writings, book entries or otherwise, provided that prior to the occurrence of an Event of Default, the Company may make payments of principal and interest on account of the Subordinated Indebtedness, (b) upon the occurrence, and during the continuance of, an Event of Default, none of the Significant Subsidiaries shall demand or accept from the Company or any other Person any payment or collateral in respect of the Subordinated Indebtedness, nor cancel, set off or otherwise discharge any part of the Subordinated Indebtedness, and (c) neither the Significant Subsidiaries nor the Company shall otherwise take or permit any action prejudicial to or inconsistent with the terms of this agreement.

3. If an Event of Default shall have occurred and be continuing, the Agent may, by notice to the Company and the Significant Subsidiaries, demand that all payments made thereafter by the Company in respect of the Subordinated Indebtedness be made to the Agent for the benefit of the Banks in payment of the Obligations. Upon receipt of such notice from the Agent, the Company shall make all such payments in respect of the Subordinated Indebtedness directly to the Agent for application to the Obligations. Each of the Significant Subsidiaries agrees to subordinate any subrogation claims it may have in respect of any such payments until the Obligations shall have been paid in full.

4. None of the Significant Subsidiaries will commence or join with any other creditor or creditors of the Company in commencing any bankruptcy, reorganization or insolvency proceedings against the Company. At any meeting of creditors of the Company or, in the event of any proceeding, voluntary or involuntary, for the distribution, division or application of all or part of the assets or business of the Company or the proceeds thereof, whether such proceeding be for the liquidation, reorganization, dissolution or winding up of the Company or its business, a receivership, insolvency or bankruptcy proceeding, an assignment for the benefit of creditors or a proceeding by or against the Company for relief under any bankruptcy, reorganization or insolvency law or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or otherwise, if all Obligations have not been paid in full at the time, the Agent is hereby irrevocably authorized at any such meeting or in any such proceeding:

(a) To enforce claims comprising Subordinated Indebtedness either in its own name or the name of any of the Significant Subsidiaries, by proof of debt, proof of claim, suit or otherwise;

(b) To collect any assets of the Company distributed, divided or applied by way of dividend or payment, or any such securities issued, on account of the Subordinated Indebtedness and apply the same, or the proceeds of any realization upon the same that the Agent in its discretion elects to effect, to the

Obligations until all the Obligations shall have been paid in full, rendering any surplus to the applicable Significant Subsidiary;

(c) To vote claims comprising the Subordinated Indebtedness, to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension; and

(d) To take generally any action in connection with any such meeting or proceeding which any of the Significant Subsidiaries in their roles as creditors might otherwise take.

5. Except as provided in 2 hereof, should any payment on account of or any collateral for any part of the Subordinated Indebtedness be received by any of the Significant Subsidiaries, such payment or collateral shall be delivered forthwith to the Agent by such Significant Subsidiaries for application to the Obligations, in the form received except for the addition of any endorsement or assignment which may have been omitted. Until so delivered any such payment or collateral shall be held by such Significant Subsidiary in trust for the Agent and shall not be commingled with other funds or property of such Significant Subsidiary.

6. No part of the Subordinated Indebtedness is evidenced by any instrument, security or other writing (other than open-account indebtedness entries on the books of the Company or the Significant Subsidiaries) a copy of which has not previously been or is not concurrently being delivered to the Agent and the Banks; the Significant Subsidiaries are the lawful owners of the Subordinated Indebtedness and no part thereof has been assigned to or subjected to any security interest in favor of anyone. Until all the Obligations have been paid in full, the Company shall not issue any instrument, security or other writing evidencing any part of the Subordinated Indebtedness except at the request of and in the manner requested by the Agent; and none of the Significant Subsidiaries shall assign or subordinate any of the Subordinated Indebtedness except to or in favor of the Agent or upon terms satisfactory in form and substance to the Agent and the Banks.

7. The Agent is hereby authorized to demand specific performance of this agreement, whether or not the Company shall have complied with the provisions hereof applicable to it, at any time when any of the Significant Subsidiaries shall have failed to comply with any provision hereof applicable to it. Each of the Significant Subsidiaries hereby irrevocably waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance hereof in any action brought therefor by the Agent. Each of the Significant Subsidiaries further waives presentment, notice and protest in connection with all negotiable instruments evidencing the Obligations or the Subordinated Indebtedness to which it may be a party, notice of the acceptance of this agreement by the Agent, notice of any loan made, extension granted or other action taken in reliance hereon and all demands and notices of every kind (except as expressly provided in the Credit Agreements) in connection with this Subordination Agreement, the Obligations or the Subordinated Indebtedness; assent to any renewal, extension or postponement of the time of payment of the Obligations or any other indulgence with respect thereto, to any substitution, exchange or release of collateral therefor and to the addition or release of any person primarily or secondarily liable thereon; and agree to the provisions of any instrument, security or other writing evidencing the Obligations.

8. The Significant Subsidiaries shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may reasonably require more completely to vest in and assure to the Agent its rights hereunder or in any of the Subordinated Indebtedness.

9. The Company and the Significant Subsidiaries shall pay to the Agent on demand any and all expenses, including reasonable counsel fees, incurred or paid by the Agent in protecting, preserving or enforcing its rights hereunder. After deducting all of said expenses, the residue of any proceeds of collection or sale of any negotiable or non-negotiable instruments, securities or other writings evidencing any of the Subordinated Indebtedness shall be applied to the payment of the Obligations ratably among the Banks and the Agent and, while giving effect to such ratable

applications, proper allowance being made for interest on Obligations not then due, and any excess shall be returned to the applicable Significant Subsidiary.

10. If any warranty herein contained shall prove to have been materially false when made or in the event of a breach by the Company or any Significant Subsidiary in the performance of any of the terms hereof, the Agent may, at its option, declare that an Event of Default has occurred pursuant to and in accordance with the terms of 14 of the Credit Agreements (taking into account any applicable grace period provided for therein), whereupon the Agent and the Banks shall have all of the rights and remedies provided for herein and in the other Loan Documents.

11. The Company and each of the Significant Subsidiaries hereby acknowledge the agency provisions set forth in 16 of the Credit Agreements and the authority of the Agent thereunder to act for the Banks with respect to this Subordination Agreement as provided in each such 16.

12. The rights granted to the Agent hereunder are solely for the protection of the Agent and the Banks and nothing herein contained shall impose on the Agent any duties with respect to any property of the Company or any Significant Subsidiary received hereunder beyond reasonable care in its custody and preservation while in the Agent's possession. The Agent shall have no duty to preserve rights against prior parties in any instrument or chattel paper received hereunder.

13. All rights and interests of the Agent and the Banks hereunder, and all agreements and obligations of the Significant Subsidiaries and the Company under this Subordination Agreement, shall remain in full force and effect irrespective of:

- (i) any lack of validity or enforceability of the Credit Agreements, the Notes or any other agreement or instrument relating thereto;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreements or the Notes, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to the Company or any of its subsidiaries or otherwise;
- (iii) any taking, exchange, release or nonperfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;
- (iv) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Company or any of its subsidiaries; and
- (v) any other circumstances (other than payment in full of the Obligations and the termination of the Total Commitment) which might otherwise constitute a defense available to, or a discharge of, the Company or a subordinated creditor.

This Subordination Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment has not been made.

14. The Significant Subsidiaries and the Company each hereby represent and warrant as follows:

- (a) The Subordinated Indebtedness now outstanding has been duly authorized, issued and delivered by the Company and constitutes the legal, valid and binding obligations of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, marshalling or other laws relating to or affecting the enforcement generally of creditors' rights and remedies (including such as may deny giving effect to waivers of

debtors' rights). There exists no default in respect of any such Subordinated Indebtedness.

(b) The Significant Subsidiaries are the legal and beneficial owners of the Subordinated Indebtedness now outstanding, free and clear of any lien, security interest, option or other charge or encumbrance (other than Permitted Liens).

(c) There are no conditions precedent to the effectiveness of this Subordination Agreement that have not been satisfied or waived.

15. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to HII or Wizards, c/o the Company at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 and if to the Company, the Agent or any Bank, at its address specified in the Credit Agreements; or as to each party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when, respectively, deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company.

16. This Subordination Agreement is intended to take effect as a sealed instrument, shall be binding upon the Company and each of the Significant Subsidiaries and their respective successors and assigns, shall inure to the benefit of the Agent and the Banks, their successors and assigns and shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have caused this Subordination Agreement to be duly executed as of this _____ day of February, 2001.

(Corporate Seal)

HASBRO, INC.

By:
Title:

HASBRO INTERNATIONAL, INC.

By:
Title:

WIZARDS OF THE COAST, INC.

By: _____
Title: _____

FLEET NATIONAL BANK, (f/k/a BankBoston, N.A.), as Agent

By: _____
Title: _____

EXHIBIT H

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Line of Credit Agreement, dated as of February 16, 2001 (as from time to time amended and in effect, the "Credit Line Agreement"), by and among (a) Hasbro, Inc., a Rhode Island corporation (the "Company"), (b) Fleet National Bank (f/k/a BankBoston, N.A.), a national banking association and the

other lending institutions listed on Schedule 1 thereto (collectively, the "Banks"), and (c) Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Line Agreement.

_____ (the "Assignor") and _____ (the "Assignee") hereby agree as follows:

1. Assignment.

Subject to the terms and conditions of this Assignment and Acceptance, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes without recourse to the Assignor, a \$_____ interest in and to the rights, benefits, indemnities and obligations of the Assignor under the Credit Line Agreement equal to _____% in respect of the Total Commitment immediately prior to the Effective Date (as hereinafter defined).

2. Assignor's Representations.

The Assignor (i) represents and warrants that (a) it is legally authorized to enter into this Assignment and Acceptance, (b) as of the date hereof, its Commitment is \$_____, its Commitment Percentage is _____%, the aggregate outstanding principal balance of its Syndicated Loans equals \$_____, the aggregate outstanding principal balance of its Competitive Bid Loans equals \$_____ and (c) immediately after giving effect to all assignments which have not yet become effective, the Assignor's Commitment Percentage will be sufficient to give effect to this Assignment and Acceptance, (ii) makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Line Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Line Agreement, the other Loan Documents or any other instrument or document furnished pursuant thereto or the attachment, perfection or priority of any security interest or mortgage, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder free and clear of any claim or encumbrance; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Company or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations or any of the other Loan Documents or any other instrument or document delivered or executed pursuant thereto; and (iv) attaches hereto the Syndicated Note and Competitive Bid Note delivered to it under the Credit Line Agreement.

The Assignor requests that the Company exchange the Assignor's Syndicated Note for new Syndicated Notes and Competitive Bid Notes payable to the Assignor and the Assignee as follows:

Notes Payable to the Order of:	Amount of Syndicated Note	Amount of Competitive Bid Note
Assignor	\$_____	\$_____
Assignee	\$_____	\$_____

3. Assignee's Representations.

The Assignee (i) represents and warrants that (a) it is duly and legally authorized to enter into this Assignment and Acceptance, (b) the execution, delivery and performance of this Assignment and Acceptance do not conflict with any provision of law or of the charter or by-laws of the Assignee, or of any agreement binding on the Assignee, (c) all acts, conditions and things required to be done and performed and to have occurred prior to the execution, delivery and performance of this Assignment and Acceptance, and to render the same the legal, valid and binding obligation of the Assignee, enforceable against it in

accordance with its terms, have been done and performed and have occurred in due and strict compliance with all applicable laws; (ii) confirms that it has received a copy of the Credit Line Agreement, together with copies of the most recent financial statements delivered pursuant to 8.8 and 9.5 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Line Agreement; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Line Agreement and the other Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (v) agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Line Agreement are required to be performed by it as a Bank.

4. Effective Date.

The effective date for this Assignment and Acceptance shall be _____, _____ (the "Effective Date"). Following the execution of this Assignment and Acceptance, and, if required by the Credit Line Agreement, the consent of the Company hereto having been obtained, each party hereto shall deliver its duly executed counterpart hereof to the Agent for acceptance by the Agent and recording in the Register by the Agent. Schedule 1 to the Credit Line Agreement shall thereupon be replaced as of the Effective Date by the Schedule 1 annexed hereto.

5. Rights Under Credit Line Agreement.

Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Line Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder, and (ii) the Assignor shall, with respect to that portion of its interest under the Credit Line Agreement assigned hereunder, relinquish its rights and be released from its obligations under the Credit Line Agreement; provided, however, that the Assignor shall retain its rights to be indemnified pursuant to 4.7 and 18 of the Credit Line Agreement with respect to any claims or actions arising prior to the Effective Date.

6. Payments.

Upon such acceptance of this Assignment and Acceptance by the Agent and such recording, from and after the Effective Date, the Agent shall make all payments in respect of the rights and interests assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make any appropriate adjustments in payments for periods prior to the Effective Date by the Agent or with respect to the making of this assignment directly between themselves.

7. Governing Law.

THIS ASSIGNMENT AND ACCEPTANCE IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

8. Counterparts.

This Assignment and Acceptance may be executed in any number of counterparts which shall together constitute but one and the same agreement.

[Remainder of page intentional left blank]

IN WITNESS WHEREOF, intending to be legally bound, each of the undersigned has caused this Assignment and Acceptance to be executed on its behalf by its officer thereunto duly authorized, as of the date first above written.

[ASSIGNOR]

By: Title:

[ASSIGNEE]

By: Title:

CONSENTED TO:

FLEET NATIONAL BANK,
(f/k/a BankBoston, N.A.),
as Agent

By:
Name:
Title:

[HASBRO, INC.]
(required only if no
Default or Event of
Default has occurred and
is continuing)

By:
Name:
Title:

EXHIBIT I

FORM OF CONFIDENTIALITY AGREEMENT

[_____, 200__]

[Name and Address of Bank to
Provide Confidential Information
to Third Party]

Re: Hasbro, Inc.

Ladies and Gentlemen:

Reference is hereby made to the [Amended and Restated Revolving Credit Agreement] [Amended and Restated Line of Credit Agreement], dated as of February 16, 2001 (as amended and in effect from time to time, the "Credit Agreement"), by and among Hasbro, Inc., a Rhode Island corporation (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.), a national banking association and the other lending institutions listed on Schedule 1 thereto (collectively, the "Banks"), and Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to and in accordance with 9.10 and 22 of the Credit Agreement, the undersigned (the "Transaction Party"), in connection with [DESCRIBE NATURE OF TRANSACTION], hereby covenants and agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with its customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company or any of its Subsidiaries or any of the Banks that has been designated as confidential at the time such information was provided to such Bank, provided that nothing herein shall limit the disclosure of any such information:

(a) after such information shall have become public other

than through a violation of 22 of the Credit Agreement, or becomes available to the Transaction Party on a nonconfidential basis from a source other than the Company or any of its Subsidiaries without a duty of confidentiality to the Company or such Subsidiary being violated;

- (b) to the extent required by statute, rule, regulation or judicial process;
- (c) to counsel for the Transaction Party so long as the Transaction Party informs its counsel of the agreement under 22 of the Credit Agreement and the Transaction Party assumes responsibility for compliance by its counsel with such agreement;
- (d) to bank examiners or any other regulatory authority having jurisdiction over the Transaction Party, or to auditors or accountants;
- (e) to the Agent or any Bank;
- (f) in connection with any litigation to which the any one of the Banks, the Agent or the Transaction Party is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document;
- (g) to a subsidiary or affiliate of the Transaction Party so long as the Transaction Party informs the affiliate or subsidiary of the agreement under 22 of the Credit Agreement and the Transaction Party assumes responsibility for compliance by such Person with such agreement;
- (h) to any actual or prospective assignee or participant or any actual or prospective counterparty (or its advisors) to any swap or derivative transactions referenced to credit or other risks or events arising under the Credit Agreement or any other Loan Document so long as such actual or prospective assignee, participant or counterparty, as the case may be, agrees to execute and deliver an agreement in substantially the same form hereof; or
- (i) with the consent of the Company;

and provided further that, unless specifically prohibited by applicable law or court order, prior to any such disclosure, the Transaction Party shall notify the Company of any request for disclosure of such information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Transaction Party by such governmental agency) or pursuant to legal process and afford the Company the opportunity to obtain a protective order or other appropriate remedy or agreement to maintain confidentiality of such information.

This letter shall constitute a sealed instrument under and be governed by the law of the Commonwealth of Massachusetts and is binding upon the successors and assigns of the Transaction Party. Please indicate your acceptance of the above by signing and returning an executed copy of this letter to [INSERT NAME OF BANK TO PROVIDE THE CONFIDENTIAL INFORMATION].

Sincerely,

[NAME OF TRANSACTION PARTY]

By:

Name:

Title:

Accepted and Acknowledged:

[NAME OF BANK TO PROVIDE
CONFIDENTIAL INFORMATION]

By: _____

Name:

Title:

AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

Dated as of

February 16, 2001

Among

HASBRO, INC.

the BANKS party hereto

FLEET NATIONAL BANK
(f/k/a BankBoston, N.A.), AS AGENT

with

FLEET SECURITIES, INC.,
having acted as Arranger

AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

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AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT, is dated as of February 16, 2001, by and among HASBRO, INC. (the "Company"), a Rhode Island corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862, and FLEET NATIONAL BANK (f/k/a BankBoston, N.A.) and the other lending institutions listed on Schedule 1 (collectively, the "Banks") and FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), as agent for the Banks (the "Agent").

WITNESSETH:

WHEREAS, pursuant to that certain Revolving Credit Agreement, dated as of September 10, 1998 (as amended and in effect from time to time, the "Existing Credit Agreement"), by and among the Company, the Banks, and the Agent, the Banks have made available certain financing to the Company upon the terms and conditions contained therein; and

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

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

1. DEFINITIONS AND RULES OF INTERPRETATION.

1.1. Definitions.

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

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

Affected Bank. See 4.1(c).

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

Agent's Fee. See 7.2.

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

Agreement. This Amended and Restated Revolving Credit Agreement, including the Exhibits and Schedules hereto, as

originally executed, or if this Amended and Restated Revolving Credit Agreement is further amended, varied or supplemented from time to time, as so amended, varied or supplemented.

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

Arranger. Fleet Securities, Inc.

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

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

Assignment and Acceptance. See 20.1.

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

Balance Sheet Date. December 31, 2000.

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

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

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

Base Rate. A fluctuating interest rate per annum (as shall be in effect from time to time) (rounded to the nearest 1/100 of 1%) equal to the greater of: (a) the annual rate of interest announced from time to time by the Agent at the Agent's Office as its "Base Rate," and (b) the Federal Funds Effective Rate plus one-half of one percent (0.5%). If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including, without limitation, the inability or failure of the Agent to obtain sufficient bids or publications in accordance with the terms thereof, the rate announced by the Agent at its head office as its "Base Rate" shall be the Base Rate until the circumstances giving rise to such inability no longer exist.

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

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

Business Day. Any day on which banking institutions in Boston, Massachusetts and New York City, New York are open for the conduct of normal banking business, and, in addition, if Eurocurrency Rate Loans are involved, a day on

which dealings in Dollars can be carried on in the relevant Eurocurrency Interbank Market and Dollar settlements of such dealings may be effected in New York City.

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

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

Casualty Event. With respect to any property (including any interest in property) of any Hasbro Company, any loss of, damage to, or condemnation or other taking of, such property for which such Person receives insurance proceeds, proceeds of a condemnation award or other compensation.

CERCLA. See 8.23.

Change of Control. An event or series of events by which any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act), directly or indirectly, of fifty-one percent (51%) or more of the outstanding shares of Capital Stock of the Company; or, during any period of twelve (12) consecutive calendar months, individuals who were directors of the Company on the first day of such period (or whose election as directors was approved by a majority of the directors who were in office on such date or whose election previously was so approved) shall cease to constitute a majority of the board of directors of the Company.

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

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

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

Commitment Fee. See 2.2.

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

Company. See preamble.

Company Security Agreement. The Amended and Restated Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, by and between the Company and the Agent, in form and substance reasonably satisfactory to the Agent.

Company Stock Pledge Agreement. The Pledge Over A Securities Account, dated as of the Effective Date, as the same may be amended or supplemented from time to time, by and between the Company and the Agent, in form and substance reasonably satisfactory to the Agent.

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

Competitive Bid Notes. See 2.6.

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

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

Competitive Bid Quote Request. See 2.5.1(b).

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

Compliance Certificate. See 9.5(c) hereof.

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

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

Consolidated Operating Cash Flow. With respect to the Company and its Subsidiaries and for any period, an amount equal to (i) EBITDA for such period, minus (ii) Capital Expenditures made by the Company and its Subsidiaries during such period.

Consolidated Total Debt Service. With respect to the Company and its Subsidiaries and for any period, the sum, without duplication, of (a) Consolidated Total Interest Expense for such period plus (b) any and all scheduled repayments of principal during such period in respect of Consolidated Total Funded Debt that becomes due and payable or that is to become due and payable during such period but excluding any repayments of principal required under this Agreement and the Credit Line Agreement plus (c) the aggregate amount of all Distributions paid during such period.

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

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

Copyright Memorandum. The Memorandum of Grant of Security Interest in Copyrights, dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

Credit Line Agreement. The Amended and Restated Line of Credit Agreement, dated as of the date hereof, by and among the Company, the Banks party thereto and the Agent, as amended, varied or supplemented from time to time, and any agreement providing a 364-day line of credit among the Company, the Banks and the Agent as the same may be in effect from time to time.

Debt Rating. The rating issued from time to time (whether on a preliminary basis or otherwise) by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") or Moody's Investors Service, Inc. ("Moody's") or such other rating service or services as the Company may designate from time to time with the consent of the Majority Banks (each a "Successor Rating Agency") with respect to Indebtedness evidenced by this Agreement and the Credit Line Agreement.

Debt Rating Increase. See 4.9.

Default. Any Event of Default and any event which, but

for the giving of notice or the lapse of time, or both, would constitute an Event of Default.

Delinquent Bank. See 16.8.3.

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

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

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

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

EBITDA. With respect to any particular fiscal period, EBITDA shall mean the sum of (a) Consolidated Net Earnings (or Loss) for such period, plus (b) in each case without duplication, and to the extent deducted in calculating Consolidated Net Earnings (or Loss) for such period, (i) income tax expense of the Company and its Subsidiaries, (ii) interest expense of the Company and its Subsidiaries, (iii) depreciation and amortization of the Company and its Subsidiaries, (iv) other non-cash charges of the Company and its Subsidiaries, and (v) extraordinary losses of the Company and its Subsidiaries, and minus to the extent included in Consolidated Net Earnings (or Loss) for such period, (vi) extraordinary gains of the Company and its Subsidiaries for such period, all determined in accordance with GAAP, plus (c) solely for the calculation of EBITDA for the fiscal quarter ended December 31, 2000 or any period that includes such quarter, a single incremental adjustment in an amount equal to \$210,000,000.

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

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

Environmental Laws. See 8.23.

EPA. See 8.23.

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

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

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

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

Eurocurrency Interbank Market. Any lawful recognized market in which deposits of Dollars are offered by international banking units of United States banking institutions and by foreign banking institutions to each other and in which eurocurrency funding operations are customarily conducted.

Eurocurrency Offered Rate. With respect to the Interest Period of any Eurocurrency Rate Loan, the annual rate of interest determined by the Agent at or about 10:00

A.M. (Boston time) (or as soon thereafter as practicable) two (2) Business Days preceding the first day of such Interest Period, as being the average of the rates of interest per annum at which deposits in the currency of such Eurocurrency Rate Loan are offered to each of the respective lending offices of each of the Reference Banks by prime banks in the Eurocurrency Interbank Market selected by such Reference Bank in its sole discretion acting in good faith for such Interest Period, at the time of the determination and in accordance with the usual practice in such market, for delivery on the first day of such Interest Period in immediately available funds and having a maturity equal to such Interest Period and for the number of days comprised therein, in an amount equal (as nearly as may be) to such Reference Bank's Commitment Percentage of such Eurocurrency Rate Loan.

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

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

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

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

Existing Credit Agreement. See Preamble.

Event of Default. See 14.1.

Federal Funds Effective Rate. For any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or for any day on which such rate is not so published for such day by the Federal Reserve Bank of New York, the average of the quotations for such day for such transactions received by the Agent from three (3) Federal funds brokers of recognized standing selected by the Agent.

Fee Letter. The fee letter, dated as of February 16, 2001, by and between Company and the Agent.

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

Final Maturity Date. February 16, 2003.

Fixed Charge Coverage Ratio. As at any date of determination, the ratio of (i) the Consolidated Operating Cash Flow of the Company and its Subsidiaries for the Reference Period ending on such date, to (ii) the Consolidated Total Debt Service of the Company and its Subsidiaries for such Reference Period.

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

Foreign Scheduled Facilities. See 8.26.

Foreign Sublimit. An amount which is available for Borrowings in accordance with 8.22.1 equal to the aggregate amount of Indebtedness of the Company consisting of guaranties of the Foreign Scheduled Facilities, as such Foreign Sublimit may be amended from time to time with the consent of the Company and the Agent.

Foreign Subsidiary. Any Subsidiary that conducts substantially all its business (other than export sales) in countries other than the United States of America and that

is organized under the laws of a jurisdiction other than the United States of America and the states thereof.

GAAP. (i) When used in 11 hereof, whether directly or indirectly through reference to a capitalized term used therein, principles which are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, in effect for the fiscal period ended on the Balance Sheet Date, and (B) to the extent consistent with such principles, the accounting practice of the Company reflected in its financial statements for the year ended on the Balance Sheet Date; and (ii) when used in general, other than as provided above, principles which are (A) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors (or successor organizations), as in effect from time to time and (B) consistently applied with past financial statements of the Company adopting the same principles.

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

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

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

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

Hazardous Substances. See 8.23.

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

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

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

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

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

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

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

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

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

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

(h) Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor and such terms are enforceable under applicable law,

(i) every obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guarantying or otherwise acting as surety for, any obligation of a type described in any of clauses (a) through (h) (the "primary obligation") of another Person (the "primary obligor"), in any manner, whether directly or indirectly, and including, without limitation, any such obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase of) any security for the payment of such primary obligation, (ii) to purchase property, securities or services for the purpose of assuring the payment of such primary obligation, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such primary obligation.

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

Infogrames. Infogrames Entertainment S.A., a societ, anonyme organized under the laws of France.

Installment Amount. See 2.8.

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

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

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

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

Agreement.

Interest Rate Agreement. Any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate futures contract, interest rate option agreement or other similar agreement or arrangement to which the Company and any Bank is a party, designed to protect the Company against fluctuations in interest rates.

Inventory. With respect to the Company or any of the Restricted Subsidiaries, finished goods, work in progress and raw materials and component parts inventory and all "Inventory" as such term is defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts owned by such Person.

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

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

Letter of Credit. See 5.1.1.

Letter of Credit Application. See 5.1.1.

Letter of Credit Fee. See 5.6.

Letter of Credit Participation. See 5.1.4.

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

Loan Documents. Collectively, this Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit, the Security Documents, the Subordination Agreements and the Fee Letter.

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

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

Margin. (a) At any time of determination prior to a Debt Rating Increase, an annual percentage rate equal to (a) with respect to Base Rate Loans, three-quarters of one percent (0.75%), and (b) with respect to Eurocurrency Rate Loans, two and one-quarter percent (2.25%); or

(b) At any time of determination following a Debt Rating Increase, an annual percentage rate equal to (a) with respect to Base Rate Loans, one-half of one percent (0.50%), and (b) with respect to Eurocurrency Rate Loans, two percent (2.00%).

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

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

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

(c) any material impairment of (i) the validity, binding effect or enforceability of this Agreement or any of the other Loan Documents, (ii) the rights, remedies or benefits available to the Agent or any Bank under the Loan Documents or (iii) the attachment, perfection or priority of any Lien of the Agent on a material portion of the Collateral under the Security Documents.

Maximum Availability. The aggregate amount available for Borrowings and issuances, extensions or renewals of Letters of Credit under and as defined in this Agreement and the Credit Line Agreement, which shall be equal to (a) for the first fiscal quarter of 2001, \$300,000,000; (b) for the second fiscal quarter of 2001, \$500,000,000; (c) for the period from the first day of the third fiscal quarter of 2001 until December 29, 2001, \$650,000,000; and (d) from and after December 30, 2001, \$325,000,000.

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

Moody's. As defined in the definition of "Debt Rating".

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

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

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

New Loans. See 4.1(e).

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

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

Obligations. All indebtedness, obligations and liabilities to the Banks and the Agent, individually or

collectively, arising or incurred under this Agreement or any of the other Loan Documents, or in respect of Loans made and any Notes or other instruments at any time evidencing any thereof, whether such indebtedness, obligations, and liabilities exist on the date of this Agreement or arise thereafter, or are direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise of the Company.

Operating Subsidiary. As at any particular date, any Subsidiary (other than a Subsidiary engaged solely in the business of incurring Indebtedness) of the Company actively engaged in the conduct of business.

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

Participant. See 20.5.

Patent Agreements. Collectively, (a) the Patent Security Agreement (Registrations), dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent, pertaining to U.S. patent registrations, and (b) the Patent Security Agreement (Applications), dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent, pertaining to U.S. patent applications.

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

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

Permitted Liens. Liens permitted by 10.2.

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

RCRA. See 8.23.

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

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

Reemployment Period. See 2.8.

Reemployment Rate. See 2.8.

Reference Banks. Fleet, Bank of America, N.A., Citibank, N.A., Mellon Bank, N.A. and Commerzbank A.G., New York.

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

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

Replacement Bank. See 4.1(f).

Replacement Date. See 4.1(f).

Restricted Payment. In relation to the Company and its Subsidiaries, any (a) Distribution, (b) payment or prepayment by the Company or its Subsidiaries to the Company's or any Subsidiary's shareholders (or other equity holders) in their capacity as such, in each case other than (i) to the Company or any Subsidiary (or any payment or prepayment excluded from the definition of the term "Distribution") and (ii) the acquisition of the Capital Stock of any Subsidiary of the Company existing on the

Effective Date from any then existing minority holder thereof, (c) optional repayment, redemption or repurchase of long term unsecured Indebtedness of the Company existing on the Effective Date and having a maturity after the Final Maturity Date, or (d) derivatives or other transactions with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating the Company or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any Capital Stock of the Company or such Subsidiary.

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

SARA. See 8.23.

Secured Obligations. Collectively, (a) the Obligations, (b) the "Obligations" under and as defined in the Credit Line Agreement, (c) other Indebtedness of the Company consisting of guaranties of Indebtedness of Foreign Subsidiaries owing to any Bank or Bank Affiliate under the Foreign Scheduled Facilities, (d) Indebtedness of the Company under and pursuant to Letter of Credit No. 003146-793, dated September 27, 2000, in the original stated amount of \$2,199,866, as the same may be amended from time to time, issued by SanPaolo IMI S.P.A. for the account of the Company, and (e) obligations of the Company or its Subsidiaries to the Banks and the Agent (individually or collectively) arising under Interest Rate Agreements and Hedging Agreements, in each case as defined in this Agreement and the Credit Line Agreement.

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

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

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

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

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

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

Specified Sale. The sale of the Company's interactive and on-line businesses to Infogrames, and any disposition of the Capital Stock of Infogrames by the Company acquired in connection with such sale.

Standard & Poor's. As defined in the definition of "Debt Rating".

Subordinated Debt. Unsecured Indebtedness of the Company or any of its Subsidiaries that is expressly subordinated and made junior to the payment and performance in full of the Obligations (other than pursuant to the

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

Subordination Agreement. The amended and restated subordination agreement among the Company, the Significant Subsidiaries and the Agent, substantially in the form of Exhibit F hereto; and "Subordination Agreements" means the Subordination Agreement and any additional subordination agreements executed and delivered to the Agent for the benefit of the Banks pursuant to 9.14 hereof.

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

Subsidiary Security Agreement. The Amended and Restated Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, among the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

Swing Line Bank. Fleet.

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

Swing Line Loan Maturity Date. See 3.2.

Swing Line Loan Request. See 3.2.

Swing Line Note. See 3.5.

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

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

Syndicated Note(s). See 2.6.

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

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

Total Commitment. The sum of the Commitments of the Banks, as in effect from time to time, which as of the Effective Date shall be equal to the aggregate principal amount of \$325,000,000.

Trademark Agreement. The Trademark Security Agreement, dated as of the Effective Date, as the same may be amended from time to time, by and among the Company, the Restricted Subsidiaries and the Agent, in form and substance reasonably satisfactory to the Agent.

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

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

Utilization. An amount equal to the sum of (i) the outstanding amount of all Loans (after giving effect to all amounts requested), (ii) the Maximum Drawing Amount, (iii) all Unpaid Reimbursement Obligations and (iv) the amount by which the Foreign Sublimit exceeds the outstanding amount of Loans borrowed to satisfy the Company's obligations under guaranties of the Foreign Scheduled Facilities.

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

the control of the Company).

1.2. Rules of Interpretation.

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

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

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

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

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

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

(g) All terms not specifically defined herein or by GAAP, which terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, have the meanings assigned to them therein, with the term "instrument" being that defined under Article 9 of the Uniform Commercial Code.

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

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

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

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

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

2. THE SYNDICATED AND COMPETITIVE BID LOAN FACILITY.

2.1. Commitment to Lend Syndicated Loans.

(a) Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Company and the Company may borrow, repay, and reborrow from time to time between the Effective Date and the Final Maturity Date upon notice by the Company to the Agent given in accordance with 2.4 hereof, such sums, in Dollars, as requested by the Company ("Syndicated Loans") up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Commitment (as such Commitment has been deemed to be reduced by such Bank's Commitment Percentage of outstanding Competitive Bid Loans) minus such Bank's Commitment Percentage of the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations, provided that the Utilization shall not at any time exceed the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Credit Line Agreement at such time. The Syndicated Loans shall be made pro rata in accordance with

each Bank's Commitment Percentage. Each request for Syndicated Loans hereunder shall constitute a representation by the Company that the conditions set forth in 12 and 13, in the case of the initial Syndicated Loans to be converted into Syndicated Loans hereunder on the Effective Date, and 13, in the case of all other Syndicated Loans, have been satisfied on the date of such request. Each Base Rate Loan and Eurocurrency Rate Loan shall mature and become due and payable on the last day of the Interest Period relating thereto and shall be payable in the currency in which such Loan was made. Each Base Rate Loan shall be denominated in Dollars. Each Eurocurrency Rate Loan shall be denominated in Dollars.

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

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

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

2.2. Commitment Fee.

The Company agrees to pay to the Agent for the pro rata accounts of the Banks in accordance with their respective Commitment Percentages a commitment fee (the "Commitment Fee") calculated at the rate of three-eighths percent (3/8%) per annum on the average daily amount during each calendar quarter or portion thereof from the Effective Date to the Final Maturity Date by which (a) (i) the lesser of (A) the Total Commitment and (B) an amount equal to (x) the Maximum Availability minus (y) the Utilization under and as defined in the Credit Line Agreement minus (ii) the sum of (A) the Maximum Drawing Amount and (B) all Unpaid Reimbursement Obligations exceeds (b) the outstanding amount of Syndicated Loans during such calendar quarter. The Commitment Fee shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter commencing on the first such date following the Effective Date, with a final payment on the Final Maturity Date or any earlier date on which the Commitments shall terminate.

2.3. Reduction of Total Commitment.

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

applicable, with adjustments to the extent practicable to equalize any prior payments or repayments not exactly in proportion. In addition, the Total Commitment shall be reduced in accordance with 2.11.

2.4. Requests for Syndicated Loans.

(a) The Company shall give to the Agent written notice in the form of Exhibit A-2 hereto (or telephonic notice confirmed in a writing in the form of Exhibit A-2 hereto) of each Syndicated Loan requested hereunder (a "Loan Request") not later than (a) with respect to Base Rate Loans, 12 noon (Boston time) on the proposed Drawdown Date of such Base Rate Loan and (b) with respect to Eurocurrency Rate Loans, 1:00 P.M. (Boston time) on the third Business Day prior to the proposed Drawdown Date of such Eurocurrency Rate Loan. The Agent shall promptly notify the Banks of the contents of each such notice at the address or addresses for each Bank set forth on Schedule 1 hereof.

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

(c) Each request for Types of Syndicated Loans made hereunder shall be in a minimum aggregate amount of \$5,000,000 or a greater integral multiple of \$1,000,000.

(d) Any Syndicated Loans requested by the Company pursuant to this 2.4 shall be made available to the Company in accordance with the provisions of 2.9 hereof.

2.5. Competitive Bid Loans.

2.5.1. Competitive Bid Borrowings.

(a) The Competitive Bid Option. In addition to the Syndicated Loans permitted to be made hereunder pursuant to 2.1 hereof, the Company may, pursuant to the terms of this 2.5, cause the Agent to request the Banks to make offers to fund Competitive Bid Loans to the Company from time to time prior to the Final Maturity Date. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept such offers in the manner set forth in this 2.5. Notwithstanding any other provision herein to the contrary, at no time shall the Utilization exceed the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Credit Line Agreement at such time;

(b) Competitive Bid Quote Request. When the Company wishes to request offers to make Competitive Bid Loans under this 2.5, it shall transmit to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company) a Competitive Bid Quote Request substantially in the form of Exhibit B-2 hereto (a "Competitive Bid Quote Request") so as to be received no later than 11:00 a.m. (Boston time) on the first Business Day prior to the requested Drawdown Date, specifying (i) the requested Drawdown Date (which must be a Business Day) and the amount of such Competitive Bid Loan (which must be a minimum of \$5,000,000 or any greater integral multiple of \$1,000,000 and may not exceed the lesser of (A) the Total Commitment and (B) the Maximum Availability in effect from time to time during the Interest Period of such Competitive Bid Loan), and (ii) the Interest Period of such Competitive Bid Loan, subject to the provisions of the definition of Interest Period, and be accompanied by a Competitive Bid fee of \$750 payable to the Agent with respect to each Competitive Bid Quote Request. The Company may request offers to make Competitive Bid Loans for no more than one (1) amount and three (3) Interest Periods in a single Competitive Bid Quote Request. No new Competitive Bid Quote Request shall be given until the Company has notified the Agent of its acceptance or non-acceptance of the Competitive Bid Quotes relating to any outstanding

Competitive Bid Quote Request.

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

(d) Submission and Contents of Competitive Bid Quotes.

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

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

(A) the requested Drawdown Date and Interest Periods;

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

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

(D) the identity of the quoting Bank.

A Competitive Bid Quote may include up to five (5) separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Competitive Bid Quotes.

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

(A) is not substantially in the form of

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

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

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

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

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

(f) Acceptance and Notice by Company and Agent. Not later than 10:45 a.m. (Boston time) on the requested Drawdown Date, the Company shall notify the Agent of the Company's acceptance or non-acceptance of the offers of which it was notified pursuant to the preceding subsection (e) in a notice, transmitted to the Agent by telephone, telex, cable or facsimile (in each case confirmed in writing by the Company), in substantially the form of Exhibit B-5 hereto (a "Notice of Competitive Bid Borrowing"). Such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Competitive Bid Quote in whole or in part; provided that:

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

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

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

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

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

(g) Allocation by Agent; Usage of Commitments. If offers are made by two (2) or more Banks with the same Competitive Bid Rates, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in

respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in such multiples, not less than \$100,000 as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. If any such Bank has indicated a minimum acceptable Competitive Bid Loan in its Competitive Bid Request, and under the procedures of this subsection (g), the Agent would have allocated to it an amount less than such minimum, such Competitive Bid Quote will instead be deemed to have been withdrawn. Determination by the Agent of the amounts of Competitive Bid Loans and the allocation thereof shall be conclusive in the absence of manifest error.

(h) Funding of Competitive Bid Loans. If, on or prior to the Drawdown Date of any Competitive Bid Loan, the Total Commitment has not terminated in full and if, on such Drawdown Date, the applicable conditions of 12 and 13 hereof are satisfied, the Bank or Banks whose offers the Company has accepted will fund each Competitive Bid Loan so accepted. Such Bank or Banks will make such Competitive Bid Loans, by crediting the Agent for further credit to the Company's specified account, in immediately available funds not later than 1:00 p.m. (Boston time) on such Drawdown Date.

2.5.2. Repayment of Competitive Bid Loans.

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

2.6. The Notes.

(a) The Syndicated Loans shall be evidenced by separate promissory notes of the Company in substantially the form of Exhibit A-1 hereto (the "Syndicated Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to 20) with appropriate insertions; one Syndicated Note being payable to the order of each Bank in a principal amount equal to such Bank's Commitment and representing the obligation of the Company to pay to such Bank the amount of the Commitment or, if less, the aggregate unpaid principal amount of all Syndicated Loans made by such Bank hereunder, plus interest accrued thereon as set forth below. The Company hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Syndicated Loan to the Company made by such Bank, an appropriate notation on such Bank's Syndicated Note Record reflecting the unpaid principal amount of all Syndicated Loans made by such Bank, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Syndicated Note of such Bank, an appropriate notation on such Syndicated Note Record reflecting such payment. The aggregate unpaid amount of Syndicated Loans made by such Bank set forth on such Bank's Syndicated Note Record shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Syndicated Note Record shall not limit or otherwise affect the obligations of the Company hereunder or under the Syndicated Note to make payments of principal of or interest on the Syndicated Note when due.

(b) Competitive Bid Notes. The Competitive Bid Loans shall be evidenced by separate promissory notes of the Company in substantially the form of Exhibit B-1 hereto (the "Competitive Bid Notes"), dated as of the date hereof (or such other date as a Bank may become a party hereto pursuant to 20 hereof) with appropriate insertions; one Competitive Bid Note being payable to the order of each Bank in a principal amount equal to the Total Commitment and representing the obligation of the Company to pay to such Bank the aggregate unpaid principal amount of all Competitive Bid Loans made by such Bank hereunder, as set forth in 2.5 hereof, plus interest accrued thereon as set forth below. The Company hereby irrevocably authorizes each Bank to make or cause to be made, at or about the time of each Competitive Bid Loan to the Company made by such Bank, an appropriate notation on the Competitive Bid Note Record of such Bank reflecting the unpaid principal amount of all Competitive Bid Loans made by such Bank, and such Bank shall make or cause to be made, at or about the time of receipt of any payment of principal on the Competitive Bid Note of such Bank, an appropriate notation on the Competitive Bid Note Record reflecting such payment. The aggregate unpaid amount of Competitive Bid Loans made by such Bank set forth on the Competitive Bid Note Record shall be rebuttably presumptive evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Competitive Bid Note Record shall not limit or otherwise affect the obligations of the Company hereunder or under the Competitive Bid Note to make payments of principal of or interest on the Competitive Bid Note when due.

2.7. Interest on Loans.

(a) Except as provided in 4.3 hereof, Base Rate Loans outstanding from time to time shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Base Rate in effect from time to time and (ii) the applicable Margin in effect during such Interest Period. Interest on Base Rate Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

(b) Except as provided in 4.3 hereof, Eurocurrency Rate Loans shall bear interest during the Interest Period relating thereto at the annual percentage rate equal to the sum of (i) the Eurocurrency Rate and (ii) the applicable Margin in effect during such Interest Period. Interest on the Eurocurrency Rate Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

(c) Except as provided in 4.3 hereof, each Competitive Bid Loan shall bear interest at the rate per annum specified in the applicable Competitive Bid Quote with respect to such Competitive Bid Loan. Interest on Competitive Bid Loans shall be payable in Dollars and in accordance with 4.1(a) hereof.

2.8. Prepayments.

The Company shall repay Base Rate Loans or Eurocurrency Rate Loans made to the Company hereunder on the last day of the Interest Period relating thereto. As provided in 2.5.2, the Company shall repay Competitive Bid Loans made to the Company hereunder on the last day of the Interest Period relating thereto. The Company shall also have the right at any time to prepay Syndicated Loans consisting of Base Rate Loans, as a whole or in part, without premium or penalty; provided that the Company shall provide written, telegraphic or telephonic notice to the Agent not later than 11:00 a.m. (Boston time) on the proposed date of prepayment stating the aggregate principal amount of such prepayment. Each partial prepayment of any Syndicated Loan pursuant to this 2.8 shall be in a minimum aggregate principal amount of \$5,000,000 or some greater integral multiple of \$1,000,000, or, if less, the aggregate outstanding principal amount of the Syndicated Loans. Subject to the conditions of 2.1 hereof, amounts so prepaid may be reborrowed. In addition, the Company may, upon three (3) Business Days' written, telegraphic or telephonic notice to the Agent stating the proposed date and the aggregate principal amount of such prepayments, prepay all, but not less than all, of the Syndicated Loans constituting Eurocurrency Rate Loans subject to a particular Interest Period on a date other than the last day of the Interest Period relating thereto; provided, that upon any such prepayment, and except as set forth in 4.1(f) hereof, the Company shall pay to the Agent, for the respective accounts of the Banks on a pro rata basis, a sum which shall be determined by the Agent (to the

extent that the Agent is able to make such determination), which determination shall be conclusive in the absence of manifest error, in the following manner after each such payment:

(a) First, the Agent shall determine the amount (if any) (the "Installment Amount") by which (i) the total amount of interest which would have otherwise accrued hereunder on each installment of principal so prepaid during the period beginning on the date of such payment and ending on the last day of the Interest Period relating thereto (the "Reemployment Period") exceeds (ii) the total amount of interest which would accrue, during the Reemployment Period, at the annual rate of interest determined by the Agent (the "Reemployment Rate") as being the prevailing rate per annum bid at or about the time of such payment for the purchase of deposits of Dollars from prime banks in the Eurocurrency Interbank Market selected by the Agent in its sole discretion (such Reemployment Rate to be the rate payable on an amount equal (as nearly as may be) to the Eurocurrency Rate Loans so prepaid and to have a maturity (as nearly as may be) equal to the Reemployment Period);

(b) Second, each Installment Amount shall be treated as payable on the last day of the Interest Period relating to the Eurocurrency Rate Loans prepaid.

(c) Third, the amount to be paid shall be the present value of the Installment Amount determined by discounting the amount thereof from the date on which the Installment Amount is to be treated as payable, at the same annual interest rate as the Reemployment Rate designated as aforesaid by the Agent.

Each prepayment made pursuant to this 2.8 shall be accompanied by the payment of accrued interest on the principal prepaid to the date of prepayment.

2.9. Funds for Loans.

(a) Each Bank will, upon receiving notice from the Agent of any request by the Company for Syndicated Loans pursuant to 2.4, become and be obligated to make available to the Agent, on the proposed Drawdown Date of each Syndicated Loan, not later than (a) 2:30 P.M. (Boston time) for Base Rate Loans with respect to which the Agent sent notice to the Banks pursuant to 2.4 hereof no earlier than the proposed Drawdown Date of such Loan, and (b) 11:00 A.M. (Boston time) with respect to Eurocurrency Rate Loans and all other Base Rate Loans, in funds immediately available for credit to the Company's account, an aggregate amount, equal to such Bank's Commitment Percentage of the Syndicated Loan requested at the place specified in the notice delivered by the Company pursuant to 2.4. Upon satisfaction of the conditions set forth in 12 and 13, as applicable, the Agent will cause the aggregate amount of such funds actually received by the Agent from the Banks to be credited to the Company's account as soon as practicable on the date of such receipt. The failure or refusal of any Bank to make available to the Agent at the aforesaid time on any Drawdown Date the amount of the Syndicated Loan to be made by such Bank thereon shall not relieve the other Banks from their several obligations hereunder to make their respective Commitment Percentages of any requested Syndicated Loans.

(b) The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Syndicated Loans (or in the case of Competitive Bid Loans, the amount of such Bank's accepted offers of Competitive Bid Loans, if any) to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Company a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (ii) the amount of such Bank's Commitment Percentage of such Loans (or accepted offers of Competitive Bid Loans, as applicable), times (iii) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Bank's Loans shall become

immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If the amount of such Bank's Loans is not made available to the Agent by such Bank within three (3) Business Days following such Drawdown Date, the Agent shall be entitled to recover such amount from the Company on demand, with interest thereon at the rate per annum applicable to the Loans made on such Drawdown Date.

2.10. Mandatory Repayments.

(a) Promptly, but in no event later than the earlier of (a) the end of the next Interest Period and (b) seven (7) days after such receipt, following receipt by any of the Hasbro Companies of:

(i) Net Cash Sale Proceeds from Asset Sales (other than the sale, lease, license or other disposition of assets in the ordinary course of business consistent with past practices);

(ii) Net Cash Equity Issuance Proceeds from Equity Issuances by any of the Hasbro Companies;

(iii) net cash proceeds received by (A) the Company in connection with its issuance of any Indebtedness (other than purchase money Indebtedness, issuances of commercial paper or Indebtedness under any Loan Document or any "Loan Document" as defined in the Credit Line Agreement) or (B) any Operating Subsidiary of the Company in connection with its issuance of any Indebtedness permitted by 10.1(c);

(iv) net cash proceeds of income tax refunds received by any of the Hasbro Companies relating to any year beginning on or after January 1, 2001; and

(v) net cash proceeds received from Casualty Events by any of the Hasbro Companies which have not been committed (as evidenced by a binding written contract) by such Person prior to or within one hundred eighty (180) days of receipt of such proceeds to the repair or replacement of the property so damaged, destroyed or taken, or, if so committed, such repair or replacement of the property so damaged, destroyed or taken shall have not commenced prior to or within one hundred eighty (180) days of receipt of such proceeds pursuant to such binding written contract;

the Company shall pay to the Agent for the respective accounts of the Banks an amount equal to (A) one hundred percent (100%) of such net cash proceeds or (B) if less, (x) the then outstanding principal amount of the Loans and the Unpaid Reimbursement Obligations and the then outstanding principal amount of the "Loans" under and as defined in the Credit Line Agreement and (y) if an Event of Default has occurred and is continuing, the Maximum Drawing Amount of Letters of Credit then outstanding to be held by the Agent as cash collateral to secure all Reimbursement Obligations, to be applied in the manner set forth in 2.11. Notwithstanding the foregoing, no such payment shall be required unless and only to the extent that such Asset Sales, Equity Issuances, issuances of Indebtedness or Casualty Events result in net cash proceeds that otherwise would be required to be so applied equal to (x) \$5,000,000 or more in any period of thirty (30) consecutive days or (y) \$15,000,000 in any fiscal year of the Company.

(b) If at any time the Utilization exceeds the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Credit Line Agreement at such time, then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks to be applied in the manner set forth in 2.11.

(c) If at any time the outstanding amount of the Loans borrowed to satisfy the Company's obligations under guaranties of the Foreign Scheduled Facilities exceeds the Foreign Sublimit, then the Company shall immediately pay the amount of such excess to the Agent for the respective account of the Banks to be applied in the manner set forth in 2.11.

2.11. Application of Payments; Commitment Reduction.

All payments made pursuant to 2.10 shall be applied to reduce the outstanding principal amount of the Loans and Unpaid Reimbursement Obligations and the outstanding principal amount of the "Loans" under and as defined in the Credit Line Agreement by such amount pro rata based on the then outstanding principal amount of the Loans and Unpaid Reimbursement Obligations and the then outstanding principal amount of "Loans" under and as defined in the Credit Line Agreement. Such mandatory repayments shall be allocated among the Banks in proportion, as nearly as practicable, to the respective outstanding amounts of each Bank's Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion. Amounts repaid pursuant to 2.10 may be reborrowed. After all "Loans" and "Notes" outstanding under and as defined in the Credit Line Agreement are repaid in full, and no "Bank" has any obligation to make any such "Loan" and the "Total Commitment" under and in each case as defined in the Credit Line Agreement has been permanently reduced to zero, the Total Commitment shall be reduced by an amount equal to (a) one hundred percent (100%) of Net Cash Sale Proceeds from Asset Sales (other than a Specified Sale and other than the sale, lease, license or other disposition of assets in the ordinary course of business consistent with past practices) in excess of \$30,000,000 in any fiscal year, (b) one hundred percent (100%) of net cash proceeds received by the Company in connection with the issuance of Subordinated Debt or other long term unsecured indebtedness having a maturity after the Final Maturity Date (other than purchase money Indebtedness) and (c) one hundred percent (100%) of net cash proceeds received by any Operating Subsidiary of the Company in connection with the issuance of Indebtedness pursuant to 10.1(c). No reduction of the Total Commitment made pursuant to this 2.11 may be reinstated.

3. THE SWING LINE.

3.1. The Swing Line Loans.

Subject to the terms and conditions hereinafter set forth, upon notice by the Company made to the Swing Line Bank in accordance with 3.2 hereof, the Swing Line Bank agrees to lend to the Company Swing Line Loans on any Business Day prior to the Final Maturity Date in an aggregate principal amount not to exceed \$25,000,000 (the "Maximum Swing Line Loan Amount"). Each Swing Line Loan shall be in a minimum amount equal to \$1,000,000 or an integral multiple thereof. Notwithstanding any other provisions of this Agreement and in addition to the limit set forth above, at no time shall the Utilization exceed the lesser of (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Credit Line Agreement at such time; provided, however, subject to the limitations set forth in this 3.1 from time to time the sum of the aggregate outstanding Swing Line Loans plus all outstanding Syndicated Loans made by the Swing Line Bank may exceed the Swing Line Bank's Commitment Percentage of the Total Commitment then in effect.

3.2. Notice of Borrowing.

When the Company desires the Swing Line Bank to make a Swing Line Loan, the Company shall send to the Agent and the Swing Line Bank written notice in the form of Exhibit C hereto (or telephonic notice confirmed in a writing in the form of Exhibit C hereto) of each Swing Line Loan requested hereunder (a "Swing Line Loan Request") not later than 1:00 p.m. (Boston time) on the proposed Drawdown Date of any Swing Line Loan. Each such Swing Line Loan Request shall set forth the principal amount of the proposed Swing Line Loan and the date on which the proposed Swing Line Loan would mature (the "Swing Line Loan Maturity Date") which shall in no event be later than the Final Maturity Date. Each Swing Line Loan Request shall be irrevocable and binding on the Company and shall obligate the Company to borrow the Swing Line Loan from the Swing Line Bank on the proposed Drawdown Date thereof. Upon satisfaction of the applicable conditions set forth in this Agreement, on the proposed Drawdown Date the Swing Line Bank shall make the Swing Line Loan available to the Company no later than 3:00 p.m. (Boston time) on the proposed Drawdown Date by crediting the amount of the Swing Line Loan to the account(s) of the Company specified in the Swing Line Loan Request; provided that the Swing Line Bank shall not advance any Swing Line Loans after it has received notice from any Bank that a Default or Event of Default has occurred and stating that no new Swing Line Loans are to be made until such Default or Event of Default has been cured or waived in

accordance with the provisions of this Agreement. The Swing Line Bank shall not be obligated to make any Swing Line Loans at any time when any Bank is a Delinquent Bank unless the Swing Line Bank has entered into arrangements reasonably satisfactory to it to eliminate the Swing Line Bank's risk with respect to such Delinquent Bank, which may include cash collateralizing such Delinquent Bank's Commitment Percentage of the outstanding Swing Line Loans and any such additional Swing Line Loans to be made.

3.3. Interest on Swing Line Loans.

Each Swing Line Loan shall be a Base Rate Loan and, except as otherwise provided in 4.3 hereof, shall bear interest from the Drawdown Date thereof until repaid in full at the rate per annum equal to the Base Rate plus the Margin with respect to Base Rate Loans, which shall be paid on each Interest Payment Date for Base Rate Loans.

3.4. Repayment of Swing Line Loans.

The Company shall repay each outstanding Swing Line Loan on or prior to the Swing Line Loan Maturity Date. Upon notice by the Swing Line Bank on any Business Day, each of the Banks hereby agrees to make Syndicated Loans constituting Base Rate Loans to the Company having outstanding Swing Line Loans, on the next succeeding Business Day following such notice, in an amount equal to such Bank's Commitment Percentage of the aggregate amount of all Swing Line Loans outstanding to the Company. The proceeds thereof shall be applied directly to the Swing Line Bank to repay the Swing Line Bank for such outstanding Swing Line Loans. Each Bank hereby absolutely, unconditionally and irrevocably agrees to make such Syndicated Loans upon one (1) Business Day's notice as set forth above, notwithstanding (a) that the amount of such Syndicated Loan may not comply with the applicable minimums set forth herein, (b) the failure of the Company to meet the conditions set forth in 12 or 13 hereof, (c) the occurrence or continuance of a Default or an Event of Default hereunder, (d) the date of such Syndicated Loan, and (e) the Total Commitment and Maximum Availability in effect at such time. In the event that it is impracticable for such Syndicated Loan to be made for any reason on the date otherwise required above, then each Bank hereby agrees that it shall forthwith purchase (as of the date such Syndicated Loan would have been made, but adjusted for any payments received from the Company on or after such date and prior to such purchase) from the Swing Line Bank, and the Swing Line Bank shall sell to each Bank, such participations in the Swing Line Loans (including all accrued and unpaid interest thereon) outstanding as shall be necessary to cause the Bank to share in such Swing Line Loans pro rata based on their respective Commitment Percentages (without regard to any termination of the Total Commitment hereunder) by making available to the Swing Line Bank an amount equal to such Bank's participation in the Swing Line Loans; provided that (x) all interest payable on the Swing Line Loans shall be for the account of the Swing Line Bank as a funding and administrative fee until the date as of which the respective participation is purchased, and (y) at the time any purchase of such participation is actually made, the purchasing Bank shall be required to pay the Swing Line Bank interest on the principal amount of the participation so purchased for each day from and including the date such Syndicated Loan would otherwise have been made until the date of payment for such participation at the rate of interest in effect applicable to Base Rate Loans during such period.

3.5. The Swing Line Note.

The obligation of the Company to repay the Swing Line Loans made pursuant to this Agreement and to pay interest thereon as set forth in this Agreement shall be evidenced by a promissory note of the Company with appropriate insertions substantially in the form of Exhibit D attached hereto (the "Swing Line Note"), dated the Effective Date and payable to the order of the Swing Line Bank in a principal amount stated to be the lesser of (a) the Maximum Swing Line Loan Amount, or (b) the aggregate principal amount of Swing Line Loans at any time advanced by the Swing Line Bank and outstanding thereunder. The Company irrevocably authorizes the Swing Line Bank to make or cause to be made, at or about the time of the Drawdown Date of any Swing Line Loan or at the time of receipt of any payment of principal on the Swing Line Note, an appropriate notation on the Swing Line Note Record reflecting the making of such Swing Line Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Swing Line Loans set forth on such

Swing Line Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to the Swing Line Bank, but the failure to record, or any error in so recording, any such amount on such Swing Line Note Record shall not limit or otherwise affect the actual amount of the obligations of the Company hereunder or under the Swing Line Note to make payments of principal of or interest on the Swing Line Note when due.

4. INTEREST; PAYMENTS AND COMPUTATIONS.

4.1. Interest; Costs and Expenses.

(a) Elections. At the option of the Company, so long as no Default or Event of Default has occurred and is then continuing, the Company may elect from time to time to have a portion of the principal amount of the Syndicated Loans to the Company outstanding from time to time bear interest during any particular Interest Period calculated by reference to the Base Rate or the Eurocurrency Rate, provided that any portion of the Syndicated Loans selected to bear interest by reference to the Base Rate or the Eurocurrency Rate shall be in an amount not less than \$5,000,000 or some greater integral multiple of \$1,000,000 with respect to any single Interest Period. Any election by the Company to have interest calculated by reference to the Base Rate or the Eurocurrency Rate shall be made by notice (which shall be irrevocable) to the Agent as provided in 2.4. If in any such notice, the Company does not specify whether any Eurocurrency Rate Loans are requested, the Company shall be deemed to have elected that the requested Syndicated Loans bear interest at the Base Rate and be denominated in Dollars. Any election of a Eurocurrency Rate shall lapse at the end of the expiring Interest Period unless extended by a further election notice as provided in 2.4 hereof. If, on or prior to the last day of any Interest Period for Base Rate Loans or Eurocurrency Rate Loans, the Company (x) fails to deliver a further election notice with respect to such Loans pursuant to 2.4 hereof and this 4.1(a), and (y) fails to repay all or any part of such Loans as provided in 4.4 hereof, then such Syndicated Loans shall be deemed to be Base Rate Loans in accordance with the terms set forth in 4.4(b) hereof. Each Base Rate Loan or Eurocurrency Rate Loan shall bear interest during each Interest Period relating thereto at the rate set forth in 2.7 or 4.3 hereof, as the case may be. Interest on each Base Rate Loan or Eurocurrency Rate Loan shall be payable (i) on the last day of the Interest Period relating thereto or (ii) if the Interest Period is longer than ninety (90) days, on the last day of each 90-day period following the commencement of such Interest Period and on the last day of such Interest Period.

(b) Notices, etc. as to Eurocurrency Rate. Promptly after the commencement of any Interest Period for any Syndicated Loan, the Agent shall notify the Company and each of the Banks of (A) the applicable interest rate determined by the Agent hereunder with respect to any Eurocurrency Rate Loan, (B) each date on which interest is payable hereunder, and (C) the date on which the Interest Period with respect to such Syndicated Loan shall end; provided, however, that the obligations of the Company to pay to each Bank principal and interest as herein provided shall not be subject to or in any way conditional upon the giving of any such notice by the Agent. Each such notice shall, absent manifest error, be binding upon each Bank and the Company.

(c) Substitution of Base Rate. Notwithstanding any other provision of this Agreement, if (i) the introduction of, any change in, or any change in the interpretation of, any law or regulation applicable to any Bank (the "Affected Bank") shall make it unlawful, or any central bank or other Governmental Authority having jurisdiction thereof shall assert that it is unlawful, or in the reasonable judgment of such Bank, impracticable, for such Bank to perform its obligations in respect of any Loans bearing interest based on the Eurocurrency Rate or (ii) if any Affected Bank shall reasonably determine with respect to Loans bearing interest based on the Eurocurrency Rate that (A) by reason of circumstances affecting any Eurocurrency Interbank Market, adequate and reasonable methods do not exist for ascertaining the Eurocurrency Rate which would otherwise be applicable during any Interest Period, or (B) deposits of Dollars in the relevant amount for the relevant Interest Period are not available to such Bank in any Eurocurrency Interbank Market, or (C) the Eurocurrency Rate does not or will not accurately reflect the cost to such Bank of obtaining or maintaining the applicable Loans bearing interest based on the Eurocurrency Rate during any Interest

Period, then any such Affected Bank shall promptly give telephonic, telex or cable notice of such determination to the Company (which notice shall be conclusive and binding upon the Company absent manifest error), the Agent and the other Banks. Upon such notification by any Affected Bank, (x) the obligation of such Affected Bank to make Loans bearing interest based on the Eurocurrency Rate shall be suspended until such circumstances no longer exist, (y) any new Loans made by such Affected Bank on or after the date of such notification, which Loans would otherwise bear interest at the suspended rate shall be deemed to be Loans bearing interest by reference to the Base Rate and shall be denominated in Dollars, as necessary, until such suspension is no longer in effect, and (z) so long as it is not unlawful for the Affected Bank to continue carrying Outstanding Loans bearing interest at the suspended rate, Outstanding Loans of such Affected Bank bearing interest based on the Eurocurrency Rate shall continue to bear interest at the applicable rate based on the Eurocurrency Rate until the end of the applicable Interest Period. If it is unlawful for any Affected Bank to continue carrying any Outstanding Loans bearing interest at the suspended rate, such Affected Bank shall so notify the Company and the Agent and any such Outstanding Loans shall be automatically converted to Base Rate Loans at the end of the Interest Period which is current when such notice is given. Notwithstanding any provision of this 4.1(c) to the contrary, during any period in which a suspension is in effect pursuant to this 4.1(c), the Company may notify the Agent and any Affected Bank to which such suspension applies that (I) the Company shall repay, in accordance with the provisions of 4.1(f) hereof, any and all Loans made by such Affected Bank to the Company, and (II) with respect to any new Loans to be made by the Banks hereunder, the Company shall not borrow from such Affected Bank and the Commitment of such Affected Bank shall be terminated.

(d) Additional Costs and Expenses; Reserve Requirements. Anything herein to the contrary notwithstanding, if any present or future applicable law (which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank by any central bank or other fiscal, monetary or other Governmental Authority, whether or not having the force of law) shall

(A) subject such Bank to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature not now in effect, with respect to the Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or the Bank's Loans bearing interest based on the Eurocurrency Rate; or

(B) materially change the basis of taxation of payments to such Bank on the principal of, interest on or any other amounts payable in respect of the Loans bearing interest based on the Eurocurrency Rate as such (excluding changes in taxes measured by or imposed on the net income, or on the capital or net worth of such Bank; provided, however, nothing in this parenthetical shall be deemed to limit the rights of the Banks or the obligations of the Company pursuant to 4.1(e)); or

(C) impose or increase or render applicable any liquidity, capital, special deposit or reserve or similar requirements (whether or not having the force of law) not now in effect, against assets held by, or deposits in or for the account of, or loans by an office of such Bank with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate; or

(D) impose on such Bank any other condition or requirement not now in effect, with respect to such Bank's commitment to make Loans bearing interest based on the Eurocurrency Rate or such Bank's Loans bearing interest based on the Eurocurrency Rate or any class of loans of which the Loans bearing interest based on the Eurocurrency Rate forms a part, and the result of any of the foregoing is (x) to increase the cost to such Bank attributable to the making, funding or maintaining of Loans bearing interest based on the Eurocurrency Rate or its commitment therefor, (y) to reduce the amount of principal, interest, commitment fees or other

amounts payable in respect of Loans bearing interest based on the Eurocurrency Rate to such Bank hereunder or its commitment therefor, or (z) to require such Bank to make any payment or to forego any interest or other sum payable in respect of Loans bearing interest based on the Eurocurrency Rate hereunder or its commitment therefor, the amount of which payment or foregone interest or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank from the Company hereunder;

then, and in each such case, the Company will, upon demand by such Bank made by written notice to the Company from time to time as often as the occasion therefor may arise, pay to such Bank, within ten (10) days after receipt of notice of such demand, such additional amounts as will be sufficient, in the good faith opinion of such Bank, to compensate the Bank for such additional costs, reduction, payment or foregone interest or other sum in respect of Loans bearing interest based on the Eurocurrency Rate; provided, however, that the Company shall be required to pay only such additional costs or other amounts which are incurred by such Bank (i) from and after the date of such notice, with respect to Loans outstanding during Interest Periods commencing after the date on which the Company receives such notice, (ii) with respect to Loans outstanding on the date of such notice provided that (A) not less than 90 days remain in the applicable Interest Period for such Loans and (B) such costs are assessed only for the period commencing on the date of such notice to the Company, and (iii) from and after the date of such notice to the extent that the incurrence of such additional costs or amounts is unrelated to Outstanding Loans and is not otherwise covered by clauses (i) or (ii) of this paragraph. Subject to the provisions of the preceding sentence, a claim by any Bank for all or any part of any additional amount required to be paid by the Company pursuant to this 4.1(d) may be made before and/or after the end of the Interest Period to which such claim relates or during the Interest Period in which such claim has arisen and before and/or after any repayment or prepayment, to which such claim relates, of any or Eurocurrency Rate Loans owed hereunder. A certificate signed by an officer of such Bank, setting forth the amount of such loss, expense or liability required to be paid by the Company to such Bank, and the computations made by such Bank to determine such additional amount, shall be submitted by the Bank to the Company in connection with each demand made at any time by such Bank upon the Company hereunder, and shall, save for manifest or other obvious error, constitute conclusive evidence of the additional amount required to be paid by the Company to such Bank upon each such demand.

(e) Increased Capital Requirements. If any present or future, or any change in any present or future, law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) or the interpretation or administration thereof by a Governmental Authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by any of the Banks or any corporation controlling any of the Banks and such Bank determines that any of the foregoing imposes or increases a requirement by such Bank to allocate capital resources to such Bank's credit facility established hereunder or any loans made pursuant hereto, which would have the effect of reducing the return on such Bank's capital to a level below that which such Bank could have achieved (assuming full utilization of the Bank's capital) but for such increased capital requirements, then such Bank may notify the Company (with a copy to the Agent) of such fact. To the extent that the costs of such increased capital requirements are not reflected in the Base Rate, the Eurocurrency Rate or the Competitive Bid Rate, the Company and such Bank shall thereafter attempt to negotiate in good faith an adjustment to the compensation payable hereunder with respect to such Bank's Commitment and, in the case of any Loans made by such Bank after the date of the Company's receipt of such notice ("New Loans"), all such New Loans, which adjustment will adequately compensate the Bank in light of these circumstances. If the Company and such Bank are unable to agree to such adjustment within thirty (30) days of the day on which the Company receives such notice, then effective from the date on which the Company has received such notice (but not earlier than the effective day of such requirement or retroactive to any date prior to the date on which the Company has received such notice), the fees payable hereunder with respect to any New Loans made by, or the Commitment of, such Bank shall increase by an amount which will, in such Bank's reasonable determination,

provide adequate compensation. Such Bank shall allocate such cost increases among its customers in good faith and on an equitable basis.

(f) Replacement of Banks. Notwithstanding any other provision of this Agreement, in the event that (i) the obligation of any Bank to make Eurocurrency Rate Loans is suspended pursuant to 4.1(c) hereof, or (ii) any Bank makes demand upon the Company pursuant to 4.1(d) hereof for the payment of additional costs or other amounts, or (iii) any Bank makes demand upon the Company pursuant to 4.1(e) hereof for an adjustment to the compensation payable to such Bank by the Company hereunder, then, in each such case, the Company in its discretion may (A) send written notice to such Bank and the Agent advising such Bank that, subject to the provisions of this 4.1(f), its Commitment hereunder shall be terminated on a date determined by the Company (the "Replacement Date"), which Replacement Date shall be no earlier than the date on which such Bank and the Agent have received such notice from the Company, and commencing on the Replacement Date, the Commitment of such Bank hereunder shall be terminated and no Commitment Fee shall be payable by the Company to such Bank with respect to such Commitment, and (B) replace such Bank with another Bank or other commercial banking institution (the "Replacement Bank") which has been selected by the Company and approved by the Majority Banks, which approval shall not be unreasonably withheld, provided that the Company, the Banks and the Agent agree that (w) on or prior to the Replacement Date, the Company shall have paid all principal, interest, fees and other amounts owing by the Company hereunder, accruing up to and including the Replacement Date, to the Bank being replaced on such Replacement Date, (x) as of the Replacement Date, the Replacement Bank will take over the entire Commitment of the Bank being replaced, (y) on or prior to the Drawdown Date first following the Replacement Date, the Company, the Agent, the Banks (other than the Bank being replaced) and the Replacement Bank shall make such arrangements by way of new Syndicated Loans, purchases or refundings of existing Syndicated Loans or otherwise as will result thereafter in the outstanding and unpaid Syndicated Loans of each Bank being equal, as near as may practically be, to such Bank's Commitment Percentage of all of the outstanding and unpaid Syndicated Loans made to the Company, and (z) the Agent shall be entitled to receive prior to the Replacement Date from the Company and the Replacement Bank such supplemental agreements, documents, certificates and legal opinions in connection with the replacement of such Bank as the Agent and the other Banks may reasonably request to give effect to the foregoing provisions of this 4.1(f).

(g) Change of Lending Office. If a Bank changes its applicable lending office (other than pursuant to paragraph (h) below) and the effect of the change, as of the date of the change, would be to cause the Company to become obligated to pay any additional amount under this 4.1 or under 4.7, the Company shall not be obligated to pay such additional amount.

(h) Mitigation. If a condition or an event occurs which would, or would upon the passage of time or giving of notice, result in the payment of any additional amount to any Bank by the Company pursuant to this 4.1 or under 4.7, such Bank shall take such steps as may reasonably be available to it and acceptable to the Company to mitigate the effects of such condition or event (which may include efforts to rebook the Loans held by such Bank at another lending office, or through another branch or an affiliate, of such Bank); provided that such Bank shall not be required to take any step that, in its reasonable judgment, would be disadvantageous to its business or operations or would require it to incur any additional cost or expense unless the Company agrees to reimburse such Bank for such cost or expense.

4.2. Concerning Interest Periods.

No Interest Period for Loans may be selected by the Company if such Interest Period ends after the Final Maturity Date. If any Interest Period would otherwise end on a day which is not a Business Day for Base Rate, Eurocurrency Rate or Competitive Bid Rate purposes, as applicable, that Interest Period, shall end on the Business Day next preceding or next succeeding such day determined by the Agent in accordance with its usual practices. Any Interest Period relating to any Eurocurrency Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall

end on the last Business Day of a calendar month.

4.3. Interest on Overdue Amounts.

Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder shall bear interest payable on demand at a rate per annum equal to two percent (2%) above the rate otherwise in effect with respect to Base Rate Loans, whether or not any Eurocurrency Rate or Competitive Bid Rate would otherwise have been applicable thereto, until such amount shall be paid in full (whether before or after judgment).

4.4. Payments.

(a) All payments of principal of and interest on Loans made to the Company, any Fees and any other amounts due hereunder shall be made by the Company to the Agent, at or prior to 11:00 A.M., Boston time, on any payment date, in Dollars and in immediately available funds at the Agent's Office without setoff, counterclaim or deduction of any kind. The Agent shall be entitled to debit any account of the Company with the Agent in the amount of each such payment when due in order to effect timely payment thereof. Upon receipt by the Agent of any such payment, the Agent shall promptly send by wire transfer, in immediately available like funds, to each Bank, to an individual or an account designated by such Bank, such Bank's pro rata share of such payment.

(b) If any Bank makes a Syndicated Loan on a day on which the Company is to repay all or any part of any Outstanding Syndicated Loan, such Bank shall, to the extent necessary, apply the proceeds of the requested Syndicated Loan to make such repayment, and only an amount equal to (i) the excess, if any, of the amount being repaid over the amount being borrowed shall be remitted by the Company to the Agent for the account of such Bank as provided in 2.8 and (ii) the excess, if any, of the amount being borrowed over the amount being repaid shall be remitted by the Bank to the Agent for the account of the Company. If the Company fails to repay all or any part of any Outstanding Syndicated Loan denominated in Dollars on the last day of the applicable Interest Period therefor, and if the Company fails to deliver an election notice with respect to such unpaid portion of the Outstanding Syndicated Loan in accordance with the provisions of 2.4 and 4.1(a) hereof, then, subject to satisfaction of the conditions precedent set forth in 13 hereof, the Company shall be deemed to have requested that the unpaid portion of the Outstanding Syndicated Loan constitute a new Borrowing as a Base Rate Loan. Nothing contained in this 4.4(b) shall obligate the Banks in any way to make any Loans to the Company at any time from and after the Final Maturity Date.

(c) Whenever a payment hereunder or under the Notes becomes due on a day which is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension (and shall not be considered overdue during such extension), provided, however, that if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

4.5. Computations.

All computations of interest on the Loans shall be based on (a) with respect to Eurocurrency Rate Loans and Competitive Bid Loans, a 360-day year, and (b) with respect to Base Rate Loans, a 365-day year, and paid for the actual number of days elapsed.

4.6. Interest Limitation.

Notwithstanding any other term of this Agreement or any Note or any other document referred to herein or therein, the maximum amount of interest, together with any other amounts or charges which may constitute interest under applicable law, which may be charged to or collected from any Person liable hereunder or under any Note by the Banks shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America, as amended, 12 U.S.C. Section 85, as amended), so that the

maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any Person liable therefor such lawful maximum, and any term of this Agreement or any Note or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

4.7. Indemnification.

In the event that the Company shall at any time (a) repay or prepay (other than in accordance with the provisions of 2.8 hereof) any principal of any Eurocurrency Rate Loans or Competitive Bid Loans on a date other than the last day of the Interest Period with respect thereto, whether by reason of acceleration following an Event of Default or otherwise, or (b) for any reason fail to borrow any Loan with respect to which the Company gave a notice of borrowing pursuant to 2.4 or 4.1(a) hereof at an interest rate based on the Eurocurrency Rate or a Notice of Competitive Bid Borrowing pursuant to 2.5.1(f) or prepay a Loan as to which notice of prepayment has been given, the Company shall indemnify the Banks against all losses, costs or expenses incurred by the Banks in respect of the Company's payment, prepayment or failure to borrow, on the date of such payment or failure to borrow. Such losses, costs or expenses shall include, but not be limited to (i) any costs incurred by the Banks in carrying funds which were to have been borrowed by the Company or in carrying funds to cover the amount of any overdue principal of or overdue interest on any Loan, (ii) any interest payable by the Banks to Banks of the funds borrowed by the Banks in order to carry the funds referred to in the immediately preceding sub-clause (i), and (iii) any losses (including losses of anticipated interest which would otherwise have been required to be paid hereunder through the end of such then existing or, as the case may be, commencing Interest Period) incurred by the Banks in liquidating or re-employing funds acquired from third parties to effect or maintain all or any part of the Loans, provided that to the extent that the reemployment formula set forth in 2.8 hereof is capable of being employed to compute such losses, the Agent shall employ such reemployment formula to compute such losses. Any losses, costs or expenses payable by the Company to the Banks pursuant to this 4.7 shall be without duplication of any amounts paid by the Company pursuant to 2.8, 4.1 or 4.3 hereof.

4.8. Banks' Obligations Several.

The Banks' obligations hereunder shall be several and not joint, and no Bank's obligations to lend shall be affected by any other Bank's failure to make any Loan hereunder.

4.9. Debt Rating Increase.

If the Agent determines that the Debt Rating equals or exceeds "BBB-" by Standard & Poor's or "Baa3" by Moody's (a "Debt Rating Increase"), the Agent shall promptly give notice thereof to the Company and the Banks. In the event of a split Debt Rating by the two rating agencies, the Agent shall use the higher rating in its determination of a Debt Rating Increase.

5. LETTERS OF CREDIT.

5.1. Letter of Credit Commitments.

5.1.1. Commitment to Issue Letters of Credit.

Subject to the terms and conditions hereof and the execution and delivery by the Company of a letter of credit application on the Agent's customary form (a "Letter of Credit Application"), the Agent on behalf of the Banks and in reliance upon the agreement of the Banks set forth in 5.1.4 and upon the representations and warranties of the Company contained herein, agrees, in its individual capacity, to issue, extend and renew for the account of the Company one or more standby or documentary letters of credit (individually, a "Letter of Credit"), in such form as may be requested from time to time by the Company and agreed to by the Agent; provided, however, that, after giving effect to such request, (a) the sum of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed \$15,000,000 at any one time (or such other amount as may be agreed from time to time by the

Company and the Agent and notified to the Banks) and (b) the Utilization shall not exceed the lesser of the (i) the Total Commitment and (ii) an amount equal to (A) the Maximum Availability minus (B) the Utilization under and as defined in the Credit Line Agreement at such time. Notwithstanding the foregoing, the Agent shall have no obligation to issue any Letter of Credit to support or secure any Indebtedness of the Company or any of its Subsidiaries to the extent that such Indebtedness was incurred prior to the proposed issuance date of such Letter of Credit, unless in any such case the Company demonstrates to the reasonable satisfaction of the Agent that (x) such prior incurred Indebtedness was then fully secured by a prior perfected and unavoidable security interest in collateral provided by the Company or such Subsidiary to the proposed beneficiary of such Letter of Credit or (y) such prior incurred Indebtedness was then secured or supported by a letter of credit issued for the account of the Company or such Subsidiary.

5.1.2. Letter of Credit Applications.

Each Letter of Credit Application shall be completed to the reasonable satisfaction of the Agent. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Agreement, then the provisions of this Agreement shall, to the extent of any such inconsistency, govern.

5.1.3. Terms of Letters of Credit.

Each Letter of Credit issued, extended or renewed hereunder shall, among other things, (a) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein, and (b) have an expiry date no later than the date which is fourteen (14) days (or, if the Letter of Credit is confirmed by a confirmer or otherwise provides for one or more nominated persons, forty-five (45) days) prior to the Final Maturity Date. Each Letter of Credit so issued, extended or renewed shall be subject (to the extent consistent with this Agreement) to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 or any successor version thereto adopted by the Agent in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit (the "Uniform Customs") or, if agreed to by the Company, the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590, or any successor code of standby letter of credit practices among banks adopted by the Agent in the ordinary course of its business as a standby letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

5.1.4. Reimbursement Obligations of Banks.

Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage, to reimburse the Agent on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Company pursuant to 5.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank).

5.1.5. Participations of Banks.

Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Company's Reimbursement Obligation under 5.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to 5.2.

5.2. Reimbursement Obligation of the Company.

In order to induce the Agent to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Company hereby agrees to reimburse or pay to the Agent, for the account of the Agent or (as the case may be) the Banks, with respect to each Letter of Credit issued,

extended or renewed by the Agent hereunder,

(a) except as otherwise expressly provided in 5.2(b) and (c), on each date that any draft presented under such Letter of Credit is honored by the Agent after the Agent determines that the documents (including any draft) delivered in connection with such presentment are in conformity with such Letter of Credit, or the Agent otherwise makes a payment with respect thereto, (i) the amount paid by the Agent under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever reasonably incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, such Letter of Credit, other than as a result of the Agent's or any such Bank's gross negligence or willful misconduct,

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the Maximum Drawing Amount, an amount equal to such difference, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations, and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with 14, an amount equal to the then Maximum Drawing Amount on all outstanding Letters of Credit, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations.

Each such payment shall be made to the Agent at the Agent's Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Company under this 5.2 at any time from the date such amounts become due and payable (whether as stated in this 5.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent on demand at the rate specified in 4.3 for overdue principal on the Syndicated Loans.

5.3. Letter of Credit Payments.

If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Company of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Company fails to reimburse the Agent as provided in 5.2 on or before the date that such draft is paid or other payment is made by the Agent, the Agent may at any time thereafter notify the Banks of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Office, in immediately available funds, such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount equal to such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that elapse from and including the date the Agent paid the draft presented for honor or otherwise made payment to the date on which such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation shall become immediately available to the Agent, and the denominator of which is 360. The responsibility of the Agent in respect of a presentment of any Letter of Credit to the Company and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity with such Letter of Credit, provided that this 5.3 shall not relieve the Agent of any liability resulting from the gross negligence or willful misconduct of the Agent, or otherwise affect any defense or other right the Company may have as a result of any such gross negligence or willful misconduct.

5.4. Obligations Absolute.

The Company's obligations under this 5 shall be absolute and unconditional under any and all circumstances

and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Company may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. The Company further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Company's Reimbursement Obligations under 5.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Company, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Company against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Company agrees that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Company and shall not result in any liability on the part of the Agent or any Bank to the Company. Notwithstanding the foregoing, nothing in this 5.4 shall relieve the Agent or any Bank of any liability resulting from the gross negligence or willful misconduct of the Agent or such Bank, or otherwise affect any defense or other right that the Company may have as a result of any such gross negligence or willful misconduct.

5.5. Reliance by Issuer.

To the extent not inconsistent with 5.4, the Agent shall be entitled to rely, and shall be fully protected in relying, upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telecopy, telex or facsimile message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Syndicated Notes or of Letter of Credit Participations. Notwithstanding the foregoing, nothing in this 5.5 shall relieve the Agent of any liability resulting from the gross negligence or willful misconduct of the Agent, or otherwise affect any defense or other right that the Company may have as a result of any such gross negligence or willful misconduct.

5.6. Letter of Credit Fee.

The Company shall pay to the Agent, for the accounts of the Banks in accordance with their respective Commitment Percentages, a letter of credit fee (a "Letter of Credit Fee") with respect to each Letter of Credit, computed for the period from and including the date of issuance, extension or renewal of such Letter of Credit to the expiry date of such Letter of Credit, at a rate per annum equal to (a) in respect of any standby Letter of Credit, the applicable Margin per annum with respect to Eurocurrency Rate Loans on the aggregate face amount of standby Letters of Credit outstanding and (b) in respect of any documentary Letter of Credit, fifty percent (50%) of the applicable Margin per annum with respect to Eurocurrency Rate Loans on the aggregate face amount of documentary Letters of Credit outstanding. Such Letter of Credit Fee shall be payable (i) in respect of standby Letters of Credit, periodically in arrears on the last Business Day of each March, June, September and December occurring after the date of issuance, extension or renewal of each such standby Letter of Credit and on the Final Maturity Date, and (ii) in respect of documentary Letters of Credit, periodically in arrears on the last Business Day of each March, June, September and December occurring after the date of issuance, extension or

renewal of each such documentary Letter of Credit and on the Final Maturity Date. In addition, the Company shall, on the date of issuance, extension or renewal of any Letter of Credit, pay to the Agent a fronting fee for the account of the Agent equal to one-eighth of one percent (1/8%) per annum of the face amount of each such standby or documentary Letter of Credit. In respect of each Letter of Credit, the Company shall also pay to the Agent for the Agent's own account, at such other time or times as such charges are customarily made by the Agent, the Agent's customary issuance, amendment, negotiation or document examination and other administrative fees as in effect from time to time.

6. COLLATERAL SECURITY AND GUARANTIES.

6.1. Security of Company.

The Secured Obligations shall be secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether now owned or hereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) "Accounts", "Chattel paper" and "Instruments" of the Company, in each case as such terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, (b) Inventory of the Company, (c) the Company's U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, only U.S. trademarks (and U.S. applications and U.S. registrations thereof) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the Collateral), and (d) shares of Capital Stock of Infogrames owned by the Company, in each case pursuant to the terms of and as and to the extent provided in the Security Documents to which the Company is a party.

6.2. Guaranties and Security of Restricted Subsidiaries.

The Secured Obligations shall also be guaranteed pursuant to the terms of the Guaranty. The obligations of each of the Restricted Subsidiaries under the Guaranty shall be in turn secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the following, whether now owned or hereafter acquired, including all books and records and other recorded data in each case relating to the following: (a) "Accounts", "Chattel paper" and "Instruments" of each such Restricted Subsidiary, in each case as such terms are defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts, (b) Inventory of each such Restricted Subsidiary, and (c) such Restricted Subsidiary's U.S. trademarks (and U.S. applications and U.S. registrations thereof (except for "intent to use" applications for trademark registrations filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Sections 1(c) and 1(d) of the Lanham Act has been filed)), U.S. copyrights (and U.S. applications and U.S. registrations thereof) and U.S. patents and U.S. patent applications, in each case relating exclusively to the Identified Brands (but with respect to the Playskool brand, only U.S. trademarks (and U.S. applications and U.S. registrations thereof) and U.S. copyrights (and U.S. applications and U.S. registrations thereof), in each case that did not arise from particular products, shall be included in the Collateral), in each case pursuant to the terms of and as and to the extent provided in the Security Documents to which such Restricted Subsidiary is a party.

6.3. Release of Collateral.

(a) The parties hereto acknowledge and agree that the Agent, on behalf of the Banks and the Agent, shall release its Liens on the Collateral at such time as each of the following conditions are satisfied:

(i) for each of the four (4) consecutive fiscal quarters of the Company most recently ended, the ratio of Consolidated Total Funded Debt at the end of such

fiscal quarter to EBITDA for the Reference Period then ended shall be less than or equal to 3.00:1.00;

(ii) the ratio of EBITDA for the Reference Period most recently ended to Consolidated Total Interest Expense for such Reference Period shall be greater than or equal to 6.00:1.00;

(iii) the sum of (i) the Total Commitment plus (ii) the "Total Commitment" under and as defined in the Credit Line Agreement shall have been permanently reduced to an amount less than or equal to \$400,000,000; and

(iv) no Default or Event of Default shall have occurred and be continuing.

(b) Without limiting the foregoing, in the event that any part of the Collateral is sold or otherwise disposed of in connection with a sale, disposition or other transaction permitted hereunder, the Liens on such Collateral granted pursuant to any Security Document shall be automatically released and the Agent shall execute and deliver to the Company or the relevant Restricted Subsidiary, as the case may be, all releases or other documents (including without limitation, Uniform Commercial Code termination statements), and take all other actions necessary or reasonably desirable for the release of such Liens.

6.4. Limitation of Security.

Notwithstanding anything to the contrary contained in this 6 or in any of the Security Documents, no Lien shall be granted on any shares of stock of any Subsidiary of the Company or any evidences of indebtedness of any Subsidiary of the Company.

7. FEES.

7.1. Amendment Fee.

The Company agrees to pay to the Agent for the pro rata account of each Bank on the Effective Date an amendment fee (the "Closing Fee") in an amount equal to one-half of one percent (0.50%) of such Bank's Commitment.

7.2. Agent's Fee.

The Company shall pay to the Agent for the Agent's own account an Agent's fee (the "Agent's Fee") on the terms and conditions set forth in the Fee Letter.

8. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants to the Banks that:

8.1. Corporate Existence.

(a) Each of the Hasbro Companies (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all requisite corporate power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where such qualification is necessary except where a failure to be so qualified would not have a Material Adverse Effect.

(b) Each of the Hasbro Companies has adequate corporate power and authority and has full legal right to enter into each of the Loan Documents to which it is or is to become a party, to perform, observe and comply with all of its agreements and obligations under each of such documents, and, with respect to the Company, to make all of the borrowings contemplated by this Agreement.

8.2. Corporate Authority, etc.

The execution, delivery and performance by each of the Hasbro Companies of each of the Loan Documents to which it is a party, the performance by each of the Hasbro Companies of all of its agreements and obligations under each of such documents, and the making by the Company of all of the borrowings contemplated by this Agreement, have been duly authorized by all necessary corporate action on the part of each of the Hasbro Companies and their respective shareholders and do not and will not (i) contravene any provision of any of their charter or by-laws (each as from time to time in effect), (ii) conflict with, or result in a

breach of any material term, condition or provision of, or constitute a default under or result in the creation of any Lien upon any of the property of any of the Hasbro Companies under any agreement, trust deed, indenture, mortgage or other instrument to which any of the Hasbro Companies is or may become a party or by which any of the Hasbro Companies or any of the property of any of the Hasbro Companies is or may become bound or affected, the consequences of which would have a Material Adverse Effect, (iii) violate or contravene any provision of any law, regulation, order, ruling or interpretation thereunder or any decree, order or judgment of any court or governmental or regulatory authority, bureau, agency or official (all as from time to time in effect and applicable to any of the Hasbro Companies), except where such violation or contravention would not have a Material Adverse Effect, (iv) require any waivers, consents or approvals by any of the creditors of any of the Hasbro Companies which have not been obtained, (v) require any consents or approvals by any shareholders of any of the Hasbro Companies (except such as will be duly obtained on or prior to the Effective Date and will be in full force and effect on and as of the Effective Date), or (vi) require any approval, consent, order, authorization or license by, or giving notice to, or taking any other action with respect to, any governmental or regulatory authority or agency under any provision of any applicable law (other than any filings of this Agreement and the other Loan Documents with the Securities and Exchange Commission required to be made after the date hereof), except where the failure to do so would not result in a Material Adverse Effect.

8.3. Binding Effect of Documents, etc.

Each of the Hasbro Companies has duly executed and delivered each of the Loan Documents to which it is a party and each of such documents is in full force and effect. The agreements and obligations of each of the Hasbro Companies contained in each of the Loan Documents to which it is a party constitute its legal, valid and binding obligations enforceable against it in accordance with their respective terms except as enforceability is limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

8.4. Governmental Approvals.

The execution, delivery and performance by the Company and any of its Subsidiaries of this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is or is to become a party and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained or made, and except for filings in connection with the Security Documents.

8.5. No Event of Default, etc.

No Default or Event of Default has occurred and is continuing.

8.6. Chief Executive Offices.

Until the Agent receives notice of a change, the chief executive offices of the Company and the offices where substantially all of the material financial records and books of account of the Company are kept, are located in Pawtucket and/or East Providence, Rhode Island.

8.7. Title to Properties; Leases.

Except as indicated on Schedule 8.7 hereto, the Company and its Subsidiaries own all of the assets reflected in the consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), subject to no Liens except Permitted Liens.

8.8. Financial Statements and Projections.

8.8.1. Fiscal Year.

Each of the Hasbro Companies has a fiscal year

ending on the last Sunday in December of each calendar year, subject to adjustment pursuant to 9.13.

8.8.2. Financial Statements.

There has been furnished to the Banks (a) a consolidated balance sheet of the Company and its Subsidiaries as at December 26, 1999, a consolidated statement of earnings, and a consolidated statement of cash flows for the fiscal year then ended, audited by KPMG LLP, the Company's independent certified public accountants, and (b) an unaudited condensed consolidated balance sheet of the Company and its Subsidiaries as at the Balance Sheet Date and an unaudited condensed consolidated statement of earnings for the fiscal year then ended. Each such balance sheet and statement of earnings has been prepared in accordance with GAAP and fairly presents the financial condition of the Company as at the close of business on the date thereof and the results of operations for the fiscal period then ended.

8.8.3. Projections.

The Company's projections of the annual operating budgets of the Company and its Subsidiaries on a consolidated basis, balance sheets and cash flow statements for the 2001 to 2002 fiscal years have been delivered to each Bank. To the knowledge of the Company or any of its Subsidiaries as of the Effective Date, no facts exist that (individually or in the aggregate) would result in any material change in any of such projections. The projections are based upon estimates and assumptions believed to be reasonable by the management of the Company at the time of preparation thereof and reflect estimates of the Company and its Subsidiaries of the results of operations and other information projected therein believed to be reasonable by the management of the Company at the time of preparation thereof.

8.9. No Material Changes, Etc.

Since the Balance Sheet Date, there has been no event or occurrence which has had a Material Adverse Effect. Since the Balance Sheet Date, the Company has not made any Restricted Payment except as permitted by 10.4 hereof.

8.10. Franchises, Patents, Copyrights, Etc.

Each of the Hasbro Companies possesses all material franchises, patents, copyrights, trademarks, permits, service marks, trade names, domain names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted, without any known conflict or conflicts with any rights of others which would, individually or in the aggregate, have a Material Adverse Effect.

8.11. Litigation.

Except as set forth on Schedule 8.11 hereto and except as required to be disclosed pursuant to 9.6, there are no actions, suits, proceedings or investigations of any kind pending or threatened against any of the Hasbro Companies before any court, tribunal or administrative agency or board which, if adversely determined, either in any case or in the aggregate, in the opinion of management of the Company after taking into account any available insurance, could reasonably be expected to have a Material Adverse Effect.

8.12. No Materially Adverse Contracts, Etc.

None of the Hasbro Companies is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which has or is expected in the future to have a Material Adverse Effect. None of the Hasbro Companies is a party to any contract or agreement which has or is expected, in the judgment of the Company's officers, to have any Material Adverse Effect.

8.13. Compliance With Other Instruments, Laws, Etc.

None of the Hasbro Companies is in violation of any provision of its charter documents, by-laws, or, to the best of the Company's knowledge, any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, or any statute, license, rule or regulation, in any of the

foregoing cases in a manner which would result in the imposition of substantial penalties or a Material Adverse Effect.

8.14. Taxes.

Each of the Hasbro Companies has filed all federal, state and other income and all other tax returns, reports and declarations due and required by any jurisdiction to which any of them is subject. Each of the Hasbro Companies has paid, or has made reasonable provision for payment of, all material taxes (if any) which have or may become due and payable pursuant to any of the said returns or pursuant to any matters raised by audits or for other reasons known to the Company, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know no basis for any such claim, except for taxes the amount, applicability, or validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which the Company has set aside on its books, in accordance with GAAP, reserves reasonably deemed by it to be adequate with respect thereto.

8.15. Absence of Financing Statements, Etc.

Except for Permitted Liens, there is no financing statement, security agreement, chattel mortgage, real estate mortgage or other document filed or recorded with any filing records, registry, or other public office, which purports to cover, affect or give notice of any present or possible future Lien on any assets or property of the Company or any of its Subsidiaries (other than Foreign Subsidiaries) or rights thereunder.

8.16. Perfection of Security Interest.

All filings, assignments, pledges and deposits of documents or instruments have been made (or provision therefor shall have been made to the reasonable satisfaction of the Agent) and all other actions have been taken that are legally permitted and are necessary or advisable, under applicable law, to establish and perfect the Agent's security interest in the Collateral, in each case pursuant to the terms of the Security Documents. Except as permitted by the Security Documents or as set forth on Schedule 10.2, the Collateral and the Agent's rights with respect to the Collateral are not subject to any material setoff, claims, withholdings or other defenses other than reconciliations with customers and vendors in the ordinary course of business consistent with past practices. The Company or a Restricted Subsidiary, as the case may be, is the owner of the Collateral free from any Lien except for Permitted Liens.

8.17. Indebtedness.

None of the Operating Subsidiaries of the Company has any Indebtedness other than Indebtedness of the kind expressly permitted by the provisions contained in 10.1 of this Agreement. As of the Balance Sheet Date, all Indebtedness of the Company and its Subsidiaries that is required by GAAP to be shown on the consolidated balance sheet of the Company and its Subsidiaries described in 8.8.2(b) hereof is shown on such consolidated balance sheet.

8.18. True Copies of Charter and Other Documents.

The Hasbro Companies has furnished or caused to be furnished to each of the Banks true and complete copies of (a) all of the charter and other incorporation documents of each of the Hasbro Companies (together with any and all amendments thereto), and (b) the by-laws of each of the Hasbro Companies (together with any and all amendments thereto).

8.19. Employee Benefit Plans.

8.19.1. In General.

Except as would not reasonably be expected to have a Material Adverse Effect, each Employee Benefit Plan and each Guaranteed Pension Plan has been maintained

and operated in compliance in all material respects with the provisions of ERISA and all Applicable Pension Legislation and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions and the bonding of fiduciaries and other persons handling plan funds as required by 412 of ERISA. The Company has heretofore delivered to the Agent the most recently completed annual report, Form 5500, with all required attachments, and actuarial statement required to be submitted under 103(d) of ERISA, with respect to each Guaranteed Pension Plan.

8.19.2. Terminability of Welfare Plans.

Except for severance payment arrangements and except as disclosed in (i) the financial statements of the Company and its Subsidiaries described in 8.8.2 or delivered pursuant to 9.5 or (ii) the periodic and other reports of the Company filed from time to time with the Securities and Exchange Commission, no Employee Benefit Plan, which is an employee welfare benefit plan within the meaning of 3(1) or 3(2)(B) of ERISA, provides benefit coverage subsequent to termination of employment, except as required by Title I, Part 6 of ERISA or the applicable state insurance laws.

8.19.3. Guaranteed Pension Plans.

Each contribution required to be made to a Guaranteed Pension Plan, whether required to be made to avoid the incurrence of an accumulated funding deficiency, the notice or lien provisions of 302(f) of ERISA, or otherwise, has been timely made. No waiver of an accumulated funding deficiency or extension of amortization periods has been received with respect to any Guaranteed Pension Plan, and neither the Company nor any ERISA Affiliate is obligated to or has posted security in connection with an amendment to a Guaranteed Pension Plan pursuant to 307 of ERISA or 401(a)(29) of the Code. No liability to the PBGC (other than required insurance premiums, all of which have been paid) has been incurred by the Company or any ERISA Affiliate with respect to any Guaranteed Pension Plan and there has not been any ERISA Reportable Event (other than an ERISA Reportable Event as to which the requirement of thirty (30) days notice has been waived), or any other event or condition which presents a material risk of termination of any Guaranteed Pension Plan by the PBGC. As of the Effective Date, based on the latest valuation of each Guaranteed Pension Plan (which in each case occurred within twelve months of the date of this representation), and on the actuarial methods and assumptions employed for that valuation, the aggregate benefit liabilities of all such Guaranteed Pension Plans within the meaning of 4001 of ERISA did not exceed the aggregate value of the assets of all such Guaranteed Pension Plans, disregarding for this purpose the benefit liabilities and assets of any Guaranteed Pension Plan with assets in excess of benefit liabilities.

8.19.4. Multiemployer Plans.

Neither the Company nor any ERISA Affiliate has incurred any material liability that remains outstanding (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under 4201 of ERISA or as a result of a sale of assets described in 4204 of ERISA. Neither the Company nor any ERISA Affiliate has been notified that any Multiemployer Plan is in reorganization or insolvent under and within the meaning of 4241 or 4245 of ERISA or is at risk of entering reorganization or becoming insolvent, or that any Multiemployer Plan intends to terminate or has been terminated under 4041A of ERISA.

8.20. Holding Company and Investment Company Acts.

Neither the Company nor any of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

8.21. Certain Transactions.

To the best of the Company's knowledge, and except as disclosed in the Company's Forms 10-K or proxy statements (or would be so disclosed but for the fact that the filing thereof is not yet due), each as filed with the Securities and Exchange Commission, none of the officers, directors, or employees of any of the Hasbro Companies is presently a party to any transaction (other than arms-length transactions pursuant to which any of the Hasbro Companies makes payments in the ordinary course of business upon terms no less favorable than the such Person could obtain from third parties,) with the Company or any of its Subsidiaries (other than (i) for services as employees, officers and directors, or (ii) for all related transactions with any one Person, transactions involving an aggregate amount not in excess of \$60,000 at any one time), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

8.22. Use of Proceeds.

8.22.1. General.

The proceeds of the Loans shall be used for working capital and general corporate purposes; provided, however, that Borrowings made under the Foreign Sublimit may be used solely to satisfy the Company's obligations pursuant to guaranties of Foreign Scheduled Facilities. The Company will obtain Letters of Credit solely for working capital and general corporate purposes.

8.22.2. Regulations U and X.

No portion of any Loan is to be used, and no portion of any Letter of Credit is to be obtained, for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

8.23. Environmental Compliance.

The Company has taken all necessary steps to investigate the past and present condition and usage of the Real Estate and the operations conducted thereon and, based upon such diligent investigation, has determined that, except as set forth on Schedule 8.23 hereto or except as would not reasonably be expected to have a Material Adverse Effect:

(a) none of the Company, its Subsidiaries or any operator of the Real Estate or any operations thereon is in violation, or alleged violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state, local or foreign law, statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws");

(b) neither the Company nor any of its Subsidiaries has received notice within the last five (5) years from any third party including, without limitation, any Governmental Authority, (i) that any one of them has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; (ii) that any hazardous waste, as defined by 42 U.S.C. 6903(5), any hazardous substances as defined by 42 U.S.C. 9601(14), any pollutant or contaminant as defined by 42 U.S.C. 9601(33) and any toxic substances, oil or hazardous materials or other chemicals or substances regulated by

any Environmental Laws ("Hazardous Substances") which any one of them has generated, transported or disposed of has been found at any site at which a Governmental Authority has conducted or has ordered that any Company or any of its Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise) arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Substances; and

(c) none of the Company and its Subsidiaries is required under any applicable Environmental Law to perform Hazardous Substances site assessments, or to remove or remediate Hazardous Substances, or to give notice to any Governmental Authority or record or deliver to other Persons an environmental disclosure document or statement by virtue of the transactions set forth herein and contemplated hereby.

8.24. Subsidiaries.

As of December 26, 1999, the Company had no active Subsidiaries that are not listed in Exhibit 21 to the Form 10-K of the Company for the fiscal year ended December 26, 1999, as filed with the Securities and Exchange Commission, a copy of such Exhibit 21 is attached hereto as Schedule 8.24, except for certain inactive or immaterial Subsidiaries that would not, if taken as a whole, constitute a Significant Subsidiary. During the period between December 26, 1999 and the Effective Date, the Company has had no Significant Subsidiaries other than (a) Hasbro International, Inc. and Tiger Electronics, Ltd., each a Delaware corporation, and (b) Wizards of the Coast, Inc., a Washington corporation.

8.25. Disclosure.

No representation or warranty made by any of the Hasbro Companies in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or the Banks by or on behalf of the any of the Hasbro Companies in connection with any of the transactions contemplated by any of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made. Except as disclosed herein or otherwise disclosed in writing to the Agent and the Banks, there is no fact known to the Company which has a Material Adverse Effect, or which is reasonably likely in the future to have a Material Adverse Effect, exclusive of effects resulting from changes in general economic conditions, legal standards or regulatory conditions.

8.26. Indebtedness of Foreign Subsidiaries.

All Indebtedness of Foreign Subsidiaries owing to any Bank or Bank Affiliate has been incurred under the facilities described on Schedule 8.26 hereto (the "Foreign Scheduled Facilities"), as such Schedule 8.26 may be updated from time to time by the Company by delivering a copy of such updated Schedule 8.26 to the Agent and each Bank, provided that (a) no revision to Schedule 8.26 that purports to increase the aggregate amount of the Foreign Scheduled Facilities shall be effective without the prior written consent of the Agent (not to be unreasonably withheld) and (b) no revision to Schedule 8.26 that purports to decrease or eliminate a Foreign Scheduled Facility shall be effective without the consent (not to be unreasonably withheld) of the creditor under such Foreign Scheduled Facility.

8.27. Bank Accounts.

Schedule 8.27 sets forth the account numbers and location of all bank accounts of the Company or any of its Subsidiaries included in the Collateral or otherwise into which proceeds of the Collateral are paid as of the Effective Date.

9. AFFIRMATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make

any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

9.1. Punctual Payment.

The Company will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, all Fees and all other amounts provided for in this Agreement and the other Loan Documents to which the Company or any of its Subsidiaries is a party, all in accordance with the terms of this Agreement and such other Loan Documents.

9.2. Use of Loan Proceeds.

The Company shall use the proceeds of the Loans and obtain Letters of Credit solely for the purposes set forth in 8.22.

9.3. Maintenance of Office.

The Company will maintain its chief executive offices in Pawtucket and/or East Providence, Rhode Island, or at such other place or places in the United States of America as the Company shall designate upon written notice to the Agent, where notices, presentations and demands to or upon the Company in respect of the Loan Documents may be given or made.

9.4. Records and Accounts.

The Company will (a) keep, and cause each of its Subsidiaries to keep, true and accurate records and books of account in which full, true and correct entries will be made in accordance with GAAP or, in the case of Foreign Subsidiaries, statutory reporting principles, (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation, depletion, obsolescence and amortization of its properties and the properties of its Subsidiaries, contingencies, and other reserves, and (c) at all times engage KPMG LLP or other independent certified public accountants reasonably satisfactory to the Agent as the independent certified public accountants of the Company and will not permit more than thirty (30) days to elapse between the cessation of such firm's (or any successor firm's) engagement as the independent certified public accountants of the Company and the appointment in such capacity of a successor firm as shall be reasonably satisfactory to the Agent.

9.5. Financial Statements, Certificates and Information.

The Company will deliver to each of the Banks:

(a) as soon as practicable, but, in any event not later than one hundred (100) days after the end of each fiscal year of the Company, the consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, and the related consolidated and consolidating statement of earnings and the consolidated statement of cash flows, with each setting forth in comparative form the figures for the previous fiscal year and all such consolidated statements to be in reasonable detail, prepared in accordance with GAAP, and certified without qualification (except as to changes in GAAP with which such accountants concur) and without an expression of uncertainty as to the ability of the Company or any of its Subsidiaries to continue as going concerns by KPMG LLP or by other independent certified public accountants reasonably satisfactory to the Agent, together with a written statement from such accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided that such accountants shall not be liable to the Banks for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as practicable, but in any event not later than sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Company, copies of the unaudited consolidated and consolidating balance sheet of the Company and its Subsidiaries, each as at the end of such quarter, and the related consolidated and consolidating statement of earnings

and the consolidated statement of cash flows for the portion of the Company's fiscal year then elapsed, all in reasonable detail and prepared in accordance with GAAP, together with a certificate of any Authorized Financial Officer of the Company that, subject to changes resulting from audit and year-end adjustments, the information contained in such financial statements fairly presents the financial condition and results of operations of the Company and its Subsidiaries for the periods covered;

(c) simultaneously with the delivery of the financial statements referred to in (a) and (b) above, a statement, in the form attached hereto as Exhibit E (a "Compliance Certificate"), certified by any Authorized Financial Officer of the Company that the Company is in compliance with the covenants contained in 9, 10 and 11 as of the end of the applicable period and setting forth in reasonable detail computations evidencing such compliance with the financial covenants set forth in 11 and (if applicable) reconciliations to reflect changes in GAAP since the Balance Sheet Date;

(d) contemporaneously with the filing or mailing thereof, copies of all other financial statements and reports as the Company shall send to any holders of Indebtedness of the Company or the stockholders of the Company, and copies of all regular and periodic reports which the Company may be required to file with the Securities and Exchange Commission or any similar or corresponding federal or state governmental commission, department or agency substituted therefor;

(e) (i) within fifteen (15) Business Days after the end of each fiscal month (except December and January), a net accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, (ii) (A) within fifteen (15) Business Days after the end of December, a gross accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, and (B) within thirty (30) Business Days after the end of December, a net accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries, and (iii) within fifteen (15) Business Days after the end of January, a gross accounts receivable aging report with respect to the "Accounts" (as such term is defined in the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts) of the Company and the Restricted Subsidiaries;

(f) (i) within fifteen (15) Business Days after the end of each fiscal month (except December and January), an inventory designation report in form and substance reasonably satisfactory to the Agent, and (ii) within thirty (30) Business Days after the end of December and January, an inventory designation report in form and substance reasonably satisfactory to the Agent;

(g) within fifteen (15) Business Days after the end of each fiscal month, a report as to the Foreign Scheduled Facilities and outstandings thereunder by facility and in form and substance reasonably satisfactory to the Agent;

(h) as soon as practicable, but in any event not later than sixty (60) days after the end of each fiscal year, the budget of the Company for the next fiscal year, and from time to time upon the reasonable request of the Agent, projections of the Company and its Subsidiaries updating those projections delivered to the Banks and referred to in 8.8.3 or, if applicable, updating any later such projections delivered in response to this 9.5(h); and

(i) from time to time such other financial data and information as the Agent or any Bank may reasonably request.

9.6. Notices.

9.6.1. Defaults.

The Company will promptly notify the Agent and each of the Banks in writing of the occurrence of any Default or Event of Default, together with a reasonably detailed description thereof, and the actions the Company proposes to take with respect thereto. If (i)

any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under this Agreement or any other note, evidence of indebtedness, indenture or other obligation to which or with respect to which the Company or any of its Subsidiaries is a party or obligor, whether as principal, guarantor, surety or otherwise, and (ii) the aggregate amount of all of the indebtedness of the Company and its Subsidiaries in respect of such claimed defaults shall exceed \$15,000,000 at any one time, the Company shall forthwith give written notice thereof to the Agent and each of the Banks, describing the notice or action and the nature of the claimed default.

9.6.2. Environmental Events.

The Company will promptly give notice to the Agent and each of the Banks (a) of any violation of any Environmental Law that the Company or any of its Subsidiaries reports in writing or is reportable by such Person in writing (or for which any written report supplemental to any oral report is made) to any Governmental Authority that would reasonably be expected to have a Material Adverse Effect and (b) upon becoming aware thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency of potential environmental liability, of any Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

9.6.3. Notification of Claim against Collateral.

The Company will, immediately upon becoming aware thereof, notify the Agent and each of the Banks in writing of any material setoff, claims, withholdings or other defenses to which any of the Collateral, or the Agent's rights with respect to the Collateral, are subject, other than reconciliations with customers and vendors in the ordinary course of business consistent with past practices.

9.6.4. Notices Concerning Inventory Collateral.

The Company shall provide to the Agent prompt notice of any physical count of the Company's or any of the Restricted Subsidiaries' Inventory, together with a copy of the results thereof certified by the Company or such Restricted Subsidiary.

9.6.5. Notice of Litigation and Judgments.

The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks in writing within fifteen (15) days of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings affecting the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries is or becomes a party involving an uninsured claim against the Company or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect and stating the nature and status of such litigation or proceedings. The Company will, and will cause each of its Subsidiaries to, give notice to the Agent and each of the Banks, in writing, in form and detail reasonably satisfactory to the Agent, within ten (10) days of any judgment not covered by insurance, final or otherwise, against the Company or any of its Subsidiaries in an amount in excess of \$15,000,000.

9.7. Corporate Existence; Maintenance of Properties.

The Company will, and will cause each of the other Hasbro Companies to, maintain its legal existence and good standing under the laws of its jurisdiction of incorporation, maintain its qualification to do business in each state in which the failure to do so would have a Material Adverse Effect, and maintain all of its rights and franchises reasonably necessary to the conduct of its business. The Company will cause all of its properties and those of the other Hasbro Companies used or useful in the conduct of its business or the business of the Hasbro Companies to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted)

and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and will cause each of the Hasbro Companies to continue to engage primarily in the businesses now conducted by them and in related businesses; provided, however, that, subject to the provisions of 10.5.2 hereof, nothing in this 9.7 shall prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and which do not in the aggregate have a Material Adverse Effect.

9.8. Insurance.

The Company will maintain, and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies, funds or underwriters, or by reasonable self-insurance, of the kinds, covering the risks and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Company and otherwise in accordance with the terms of the Security Documents to which such Person is a party.

9.9. Taxes.

The Company will, and will cause each of the other Hasbro Companies to, duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges (other than taxes, assessments and other governmental charges imposed by foreign jurisdictions which in the aggregate are not material to the business or assets of the Company and its Subsidiaries on a consolidated basis) imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid might by law become a lien or charge upon any of its property; provided, however, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Company or such Subsidiary shall have set aside on its books, in accordance with GAAP, adequate reserves with respect thereto; and provided, further, that the Company and such Subsidiary will pay or arrange for the bonding of all such taxes, assessments, charges, levies or claims forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

9.10. Access.

The Company will, and will cause each of the other Hasbro Companies to, (a) permit the Agent, by its representatives and agents, to inspect any of the properties, including, without limitation, corporate books, computer files and tapes and financial records of each of the Hasbro Companies, to examine and make copies of the books of accounts and other financial records of each of the Hasbro Companies at such reasonable times and intervals as the Agent may determine, and (b) permit each of the Banks to discuss the affairs, finances and accounts of each of the Hasbro Companies with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Banks may designate. The Banks and the Agent agree that they will treat in confidence all financial information with respect to the Company and its Subsidiaries and all information obtained during such inspection or discussion or pursuant to 9.5 which has not become public without violation hereof, and will not, without the consent of the Company, disclose such information to any third party or any trust or investment employee or trust or investment officer of any Bank, and, if any representative or agent of the Banks or the Agent shall not be an employee of one of the Banks or the Agent or any affiliate of the Banks or the Agent, such designee shall be reputable and of recognized standing and shall agree in writing to treat in confidence the information obtained during any such inspection and, without the prior written consent of the Company, not to disclose such information to any third party or make use of

such information for personal gain. Notwithstanding the foregoing, the Company hereby authorizes the Agent and each of the Banks to disclose information obtained pursuant to this Agreement to banks or other financial institutions who are participants or potential participants in or assignees of the Loans made or to be made hereunder (provided, that prior to any such disclosure to any such participant, potential participant or assignee, such Person shall have agreed to be bound by the provisions of this 9.10 and 22 pursuant to a confidentiality agreement substantially in the form of Exhibit I hereto and provided to the Company), and where required by applicable law or required or requested by governmental or regulatory authorities.

9.11. Compliance with Laws, Contracts, Licenses, and Permits.

The Company will, and will cause each of the other Hasbro Companies to, comply with (i) all applicable laws and regulations wherever its business is conducted, including, without limitation, Environmental Laws, except where the failure to comply is not reasonably likely to have a Material Adverse Effect, (ii) the provisions of its charter documents and by-laws, and (iii) all agreements and instruments by which it or any of its properties may be bound except where the failure to comply is not reasonably likely to have a Material Adverse Effect, and (iv) all applicable decrees, orders, and judgments, except where the failure to comply is not reasonably likely to have a Material Adverse Effect. If at any time while any Loan, Note, Unpaid Reimbursement Obligation or Letter of Credit is outstanding or any Bank has any obligation to make Loans hereunder or the Agent has any obligations to issue, extend or renew any Letters of Credit, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that the Company may fulfill any of its obligations hereunder, the Company will promptly take or cause to be taken all reasonable steps within the power of the Company to obtain such authorization, consent, approval, permit or license and furnish the Banks with evidence thereof.

9.12. Employee Benefit Plans.

The Company will (a) promptly upon filing the same with the Department of Labor or Internal Revenue Service upon request of the Agent, furnish to the Agent a copy of the most recent actuarial statement required to be submitted under 103(d) of ERISA and Annual Report, Form 5500, with all required attachments, in respect of each Guaranteed Pension Plan and (b) promptly upon receipt or dispatch, furnish to the Agent any notice, report or demand sent or received in respect of a Guaranteed Pension Plan under 302, 4041, 4042, 4043, 4063, 4065, 4066 and 4068 of ERISA, or in respect of a Multiemployer Plan, under 4041A, 4202, 4219, 4242, or 4245 of ERISA.

9.13. Fiscal Year.

The Company will have a fiscal year which ends on the last Sunday in December of each calendar year. The Company may change its fiscal year upon (a) sixty (60) days prior written notice to the Agent and the Banks and (b) in the case of a change in fiscal year where the new fiscal year end is not within forty-five (45) days of the fiscal year end specified in the first sentence of this 9.13, receipt by the Company of the prior written consent of the Majority Banks, which consent shall not be unreasonably withheld, provided that the granting of such consent by the Majority Banks shall be conditioned upon the Company's entering into such appropriate amendments to this Agreement, and delivering therewith such supplemental documents, agreements, certificates, accounting reports, and legal opinions, as may be reasonably requested by the Majority Banks in order to reflect the impact of such change in fiscal year on the terms hereof.

9.14. Additional Significant Subsidiaries and Restricted Subsidiaries.

Within thirty (30) days after the formation or acquisition by the Company or its Subsidiaries of any Person which is not designated in this Agreement as a Hasbro Company and otherwise meets the conditions set forth in the definition of "Significant Subsidiary" herein for constituting a Significant Subsidiary or meets the conditions set forth in the definition of "Restricted Subsidiary" herein for constituting a Restricted Subsidiary,

such Person will be deemed to be a Hasbro Company under this Agreement and the Company will cause such Person to observe all the obligations and be bound by all the limitations set forth in this Agreement with respect to Hasbro Companies, including, without limitation, if such Subsidiary is a Significant Subsidiary, requiring the execution and delivery of a Subordination Agreement in the form of, mutatis mutandis, Exhibit F hereto; and if such Subsidiary is a Restricted Subsidiary, requiring the execution and delivery of a joinder agreement, in form and substance reasonably satisfactory to the Agent, to the Guaranty and the Subsidiary Security Agreement, together with other documents, certificates and instruments (including Perfection Certificates and UCC financing statements) required to be delivered pursuant to such Security Documents and otherwise as may be reasonably requested by the Agent. Once any Person has been so designated as a Hasbro Company hereunder, such Person shall continue to be a Hasbro Company hereunder until the earlier of (i) the date on which such Person ceases to be a Subsidiary of the Company in accordance with the terms of 10.5.2 hereof or the last sentence of 9.6 hereof, and (ii) the date on which such Person shall have performed in full its obligations under the Loan Documents and the Loan Documents to which such Person is a party have ceased to be in force and effect.

9.15. Debt Ratings.

Promptly upon the issuance of any Debt Rating or the change in any existing Debt Rating, the Company shall give written notice of such Debt Rating and of the resultant Debt Rating to the Agent. The Agent promptly shall furnish copies of each of such notices to the Banks.

9.16. Agency Account Agreements.

The Company shall maintain the lock box account maintained by the Company with Bank of America, N.A. as of the date hereof, provided, however, if the Company terminates such lock box account pursuant to 10.13 or otherwise instructs account debtors or other obligors to remit payments to an account other than such lock box account, the Company shall have established new cash management arrangements on terms reasonably satisfactory to the Agent with financial institutions which have executed agency account agreements in form and substance reasonably satisfactory to the Agent.

9.17. Further Assurances.

The Company will cooperate with the Banks and execute such further instruments and documents as the Banks shall reasonably request to carry out to their reasonable satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

10. CERTAIN NEGATIVE COVENANTS OF THE COMPANY.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

10.1. Restrictions on Indebtedness.

The Company will not permit any Operating Subsidiary of the Company to create, incur, assume, guarantee or be or remain liable with respect to, contingently or otherwise, any Indebtedness other than:

(a) Intercompany Indebtedness of Operating Subsidiaries of the Company;

(b) Indebtedness of Foreign Subsidiaries, provided that the aggregate amount of such Indebtedness of Foreign Subsidiaries guaranteed by the Company or any Hasbro Company shall not exceed the aggregate amount of the Foreign Scheduled Facilities;

(c) Subordinated Debt or other long term unsecured Indebtedness having a maturity at least one (1) year after the Final Maturity Date and providing for no payments of principal prior to the Final Maturity Date; provided that, in the case of the incurrence of additional Subordinated Debt or other long term unsecured Indebtedness by such Subsidiary after the Effective Date, (i) the Company applies the net cash proceeds of such additional Subordinated Debt

or other long term unsecured Indebtedness in accordance with 2.10(a)(iii) and (ii) no Default or Event of Default has occurred and is continuing at the time of the incurrence of such additional Indebtedness or would result after giving effect thereto;

(d) Indebtedness incurred in connection with the acquisition after the date hereof of any real or personal property by such Subsidiary or under any Capitalized Lease, provided that the aggregate principal amount of such Indebtedness of such Subsidiaries shall not exceed the aggregate amount of \$10,000,000 at any one time;

(e) Indebtedness to the Banks and the Agent arising under any of the Loan Documents and the "Loan Documents" as such term is defined in the Credit Line Agreement;

(f) sales of receivables in connection with asset dispositions permitted under 10.5.2;

(g) other Indebtedness existing on the date hereof and described on Schedule 10.1 hereto; and

(h) other Indebtedness in an aggregate principal amount not to exceed \$25,000,000 outstanding at any time.

10.2. Restrictions on Liens.

The Company will not, and will not permit any Subsidiary (other than any Foreign Subsidiary) to, (a) create or incur or suffer to be created or incurred or to exist any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (b) transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (c) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; or (d) sell, assign, pledge or otherwise transfer any "receivables" as defined in clause (g) of the definition of the term "Indebtedness," with or without recourse (except the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, or as otherwise permitted by 10.5.2); provided that the Company or any of its Subsidiaries may create or incur or suffer to be created or incurred or to exist:

(i) Liens to secure taxes, assessments and other government charges or claims for labor, material or supplies, but only to the extent that and so long as the payment thereof shall not at the time be required to be made in accordance with 9.9 hereof;

(ii) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pensions or other social security or insurance-related obligations, or to secure the performance of bids, tenders, contracts (other than those relating to borrowed money) or leases (other than Capitalized Leases), or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds or obligations required in the ordinary course of business;

(iii) Liens in respect of judgments or awards that have been in force for less than the applicable appeal period so long as execution is not levied thereunder or in respect of which the Company or the appropriate Subsidiary of the Company shall at the time in good faith be prosecuting an appeal or a proceeding for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(iv) Liens of carriers, warehousemen, mechanics and materialmen, and other like Liens arising in the ordinary course of business, in existence less than one hundred twenty (120) days from the date of creation thereof in respect of obligations not overdue or being contested in good faith by appropriate proceedings, with respect to which obligations the Company has set aside on its books reserves in accordance with GAAP;

(v) encumbrances consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Company or a Subsidiary of the Company is a party, and other minor Liens, none of which in the opinion of the Company interferes materially with the use of the property affected in the ordinary conduct of the business of the Company and its Subsidiaries, which defects do not individually or in the aggregate have a material adverse effect on the business of the Hasbro Companies, considered as a whole;

(vi) Liens consisting of purchase money security interests in or purchase money mortgages on real or personal property acquired after the date hereof to secure purchase money Indebtedness incurred in connection with the acquisition of such property or Capitalized Leases, which Liens cover only the real or personal property so acquired or leased provided that the aggregate amount of Indebtedness secured by such Liens and Capitalized Leases does not exceed \$50,000,000 outstanding at any time;

(vii) Liens existing on the date hereof and listed on Schedule 10.2 hereto;

(viii) Liens securing the Secured Obligations in favor of the Agent for the benefit of the Banks and the Agent;

(ix) Liens on the property or assets of a Person which becomes a Subsidiary of the Company after the date hereof securing Indebtedness of such Subsidiary permitted under 10.1 provided that (i) such Liens existed at the time such Person became such a Subsidiary and were not created in anticipation thereof and (ii) any such Lien is not spread to cover any property or assets of such Person after the time such person becomes a Subsidiary;

(x) Liens (not otherwise permitted hereunder) which secure obligations not exceeding \$15,000,000 in aggregate amount at any time outstanding;

(xi) Liens existing on assets or properties at the time of the acquisition thereof by the Company or any Subsidiary of the Company which were not created in anticipation of the acquisition thereof by the Company or such Subsidiary, and which do not materially interfere with the use, occupancy, operation and maintenance of the property or assets subject thereto or extend to or cover any assets or property of the Company or such Subsidiary other than the assets or property being acquired or secure any Indebtedness not permitted under 10.1;

(xii) any encumbrance or restriction (including, without limitation, put and call agreements and transfer restrictions, but not pledges) with respect to the Capital Stock of any joint venture or similar arrangement created pursuant to the joint venture or similar agreements with respect to such joint venture or similar arrangement; and

(xiii) a Lien on the shares of Capital Stock of Infogrames and other Collateral covered by the Company Stock Pledge Agreement to secure the Company's obligations under a collar or other hedging agreement between the Company and a third party reasonably satisfactory to the Agent to hedge against fluctuations in the price of such shares provided that (A) such agreement is on terms and conditions reasonably satisfactory to the Agent, (B) such Lien is limited to the Collateral covered by the Company Stock Pledge Agreement, and (C) the Agent, for the benefit of the holders of Secured Obligations, has (x) a perfected second priority security interest in and Lien upon such shares (subject to Permitted Liens entitled to priority under applicable law) and (y) a perfected security interest in the Company's rights under such agreement.

10.3. Restrictions on Investments.

The Company will not, and will not permit any of its Subsidiaries to, make or permit to exist or to remain outstanding any Investment except Investments in:

(a) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof;

(b) certificates of deposit and time deposits, bankers acceptances and overnight bank deposits of any Bank or of any commercial bank having capital and surplus in excess of \$500,000,000;

(c) repurchase obligations of any Bank or of any commercial bank having capital and surplus in excess of \$500,000,000, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States Government or any agency or instrumentality thereof;

(d) commercial paper of a domestic issuer rated at least "A2" or the equivalent thereof by Standard & Poor's or any successor rating agency or "P-2" or the equivalent thereof by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment)

(e) securities with maturities of one (1) year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least "A" by Standard & Poor's or any successor rating agency or "A" by Moody's or any successor rating agency (or if at such time neither is issuing ratings, then a comparable rating of such other nationally recognized rating agency as shall be approved by the Agent in its reasonable judgment);

(f) securities with maturities of one (1) year or less from the date of acquisition backed by standby letters of credit issued by any Bank or any commercial bank having capital and surplus in excess of \$500,000,000;

(g) shares of money market funds that are subject to the risk limiting conditions of Rule 2a-7 or any successor rule of the Securities and Exchange Commission under the Investment Company Act of 1940, as amended;

(h) investments similar to any of the foregoing denominated in foreign currencies approved by the board of directors or Treasurer of the Company, in each case provided in clauses (a), (b) and (d) above, maturing within twelve (12) months after the date of acquisition;

(i) Investments existing on the date hereof;

(j) Investments arising from payments under the Guaranty or guaranties of the Foreign Scheduled Facilities;

(k) Investments received as proceeds of asset dispositions permitted by 10.5.2;

(l) Investments consisting of loans and advances to officers, directors and employees for moving, entertainment, travel and other similar expenses and other Investments in connection with the relocation of employees in the ordinary course of business;

(m) Investments by the Company or a Subsidiary of the Company in Subsidiaries formed for the purpose of consummating Permitted Acquisitions or acquired in connection with Permitted Acquisitions;

(n) Investments in the Company or any Subsidiary of the Company, provided that neither the Company nor any Restricted Subsidiary shall make any Investment in any Foreign Subsidiary unless (i) such Investment is in the ordinary course of business or is necessary in the reasonable judgment of management of the Company for the operation of the business of any Foreign Subsidiary or Foreign Subsidiaries or (ii) after giving effect to

such Investment, all such Investments in Foreign Subsidiaries made pursuant to this subclause (ii) do not exceed \$100,000,000 outstanding at such time.

(o) Investments permitted by 10.5.

(p) Investments in the nature of pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or otherwise described under 10.2;

(q) Investments representing evidences of Indebtedness, securities or other property received from another Person in connection with any bankruptcy or proceeding or other reorganization of such other Person or as a result of foreclosure, perfection or enforcement of any Lien or exchange for evidences of Indebtedness, securities or other property of such other Person;

(r) Investments constituting Capital Expenditures, to the extent permitted by 11.4;

(s) Investments under any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices, to the extent permitted by 10.14;

(t) Investments consisting of loans and advances to officers, directors or employees relating to indemnification or reimbursement of any officers, directors or employees in respect of liabilities relating to their serving in any such capacity; and

(u) other Investments in an aggregate amount not to exceed \$15,000,000 at any one time outstanding.

10.4. Restricted Payments.

The Company will not make any Restricted Payment; provided, however, so long as no Default or Event of Default then exists or would result from such payment, the Company may:

(a) declare or pay dividends on or in respect of any shares of any class of Capital Stock of the Company in any fiscal year in an aggregate amount not to exceed the greater of the annual amount paid at the current quarterly rate of three cents (\$0.03) per share by the Company and 25% of Consolidated Net Income for the prior fiscal year; and

(b) make other Restricted Payments in any fiscal year in an aggregate amount not to exceed \$5,000,000.

10.5. Merger, Consolidation and Disposition of Assets.

10.5.1. Mergers and Acquisitions.

The Company will not, and will not permit any of its Subsidiaries to, become a party to any merger, amalgamation or consolidation, or agree to or effect any acquisition of at least a majority of the assets or Capital Stock of any Person, or any business unit or product line thereof (other than the acquisition of assets in the ordinary course of business consistent with past practices) except:

(a) the merger or consolidation of one (1) or more of the Subsidiaries of the Company with and into the Company, or the merger or consolidation of two (2) or more Subsidiaries of the Company; provided that if any of the parties to such merger or consolidation is a Restricted Subsidiary, the survivor of such merger or consolidation shall be a Restricted Subsidiary or the Company; or

(b) the acquisition of stock or other securities of, or any assets of, any Person, provided that:

(i) no Default or Event of Default has occurred and is continuing or would result from such acquisition;

(ii) not less than five (5) Business Days

prior to the consummation of such proposed acquisition, the Company shall have delivered to the Agent a Compliance Certificate demonstrating pro forma compliance with the financial covenants set forth in 11 hereof; and

(iii) the aggregate purchase price for all such acquisitions shall not exceed (A) \$15,000,000 for the period from the Effective Date up to and including the first anniversary of the Effective Date and (B) \$25,000,000 during the period from the first anniversary of the Effective Date up to the Final Maturity Date (it being understood that any earnout payments in respect of assets or business acquired prior to the Effective Date shall not be included in the calculation of such amount); or

(c) the acquisition of Capital Stock of any Subsidiary of the Company existing on the Effective Date from any then existing minority holder thereof.

10.5.2. Disposition of Assets.

The Company will not, and will not permit any of its Subsidiaries to, become a party to or agree to or effect any disposition or swap of assets, other than (a) the sale of inventory, (b) the licensing of intellectual property, (c) the disposition of obsolete or other assets not necessary for the operation of the Company's or such Subsidiary's business, in each case in the ordinary course of business, (d) Asset Sales provided that in the case of such Asset Sale, (i) no Default or Event of Default has occurred and is continuing or would result from such Asset Sale and (ii) the Net Cash Sale Proceeds are applied to the Loans as set forth in 2.10(a)(i); (e) the sale or discount by any Foreign Subsidiary with or without recourse of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable into or for notes receivable in connection with the compromise or collection thereof, (f) disposition of assets by the Company to any of its Restricted Subsidiaries or by any Subsidiary to the Company or any of its Restricted Subsidiaries, or by any Foreign Subsidiary to the Company or any Subsidiary, (g) the abandonment, sale or other disposition of intellectual property that, in the reasonable judgment of the Company, is no longer economically practicable to maintain or useful in the conduct of the business of the Hasbro Companies taken as a whole, (h) any sale or disposition of any claim as a creditor in a bankruptcy or similar proceeding in the ordinary course of business, and (i) any Specified Sale. Nothing in this 10.5.2 shall prevent the Company from discontinuing the operation and maintenance of any of its properties, or those of its Subsidiaries, or from dissolving or liquidating any Subsidiary or from consolidating or merging any Subsidiary with or into another Subsidiary or with and into the Company, if such discontinuance, dissolution or liquidation, consolidation or merger is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries on a consolidated basis and which does not in the aggregate have a Material Adverse Effect.

10.6. Sale and Leaseback.

The Company will not, and will not permit any of its Subsidiaries (other than a Foreign Subsidiary) to, enter into any arrangement, directly or indirectly, whereby the Company or any Subsidiary of the Company shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Company or any Subsidiary of the Company intends to use for substantially the same purpose as the property being sold or transferred, except in connection with any Asset Sale permitted under 10.5.2.

10.7. Compliance with Environmental Laws.

Except as would not reasonably be expected to result in a Material Adverse Effect, the Company will not, and will not permit any of its Subsidiaries to, (a) use any of the Real Estate or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances except to the extent required by its day-to-day operations and in all instances in compliance with applicable

Environmental Laws, (b) cause or permit to be located on any of the Real Estate any underground tank or other underground storage receptacle for Hazardous Substances, (c) generate any Hazardous Substances on any of the Real Estate except to the extent required by its day-to-day operations and in all instances in compliance with applicable Environmental Laws, (d) conduct any activity at any Real Estate or use any Real Estate in any manner so as to cause a release (i.e. releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping) or threatened release of Hazardous Substances on, upon or into the Real Estate or (e) otherwise conduct any activity at any Real Estate or use any Real Estate in any manner that would violate any Environmental Law or bring such Real Estate in violation of any Environmental Law.

10.8. Subordinated Debt.

The Company will not, and will not permit any of its Subsidiaries to, amend, supplement or otherwise modify (a) the subordination terms of any of the Subordinated Debt or (b) any other terms of any of the Subordinated Debt, the effect of which would be to shorten maturity or average weighted life, increase pricing or amount, make covenants or default provisions more restrictive, add covenants or default provisions, or otherwise make such Subordinated Debt materially more burdensome to the Company or such Subsidiary or in any manner be materially adverse to the interests of the Banks and the Agent, or prepay, redeem or repurchase any of the Subordinated Debt or send any irrevocable notice of prepayment, redemption or repurchase to holders of any Subordinated Debt.

10.9. Employee Benefit Plans.

Neither the Company nor any ERISA Affiliate will:

(a) engage in any "prohibited transaction" within the meaning of 406 of ERISA or 4975 of the Code which could result in a material liability for the Company or any of its Subsidiaries; or

(b) permit any Guaranteed Pension Plan to incur an "accumulated funding deficiency", as such term is defined in 302 of ERISA, whether or not such deficiency is or may be waived; or

(c) fail to contribute to any Guaranteed Pension Plan to an extent which, or terminate any Guaranteed Pension Plan in a manner which, could result in the imposition of a lien or encumbrance on the assets of the Company or any of its Subsidiaries pursuant to 302(f) or 4068 of ERISA; or

(d) amend any Guaranteed Pension Plan in circumstances requiring the posting of security pursuant to 307 of ERISA or 401(a)(29) of the Code;

(e) permit or take any action which would result in the aggregate benefit liabilities (with the meaning of 4001 of ERISA) of all Guaranteed Pension Plans exceeding the value of the aggregate assets of such Plans by more than \$15,000,000 at any time, disregarding for this purpose the benefit liabilities and assets of any such Plan with assets in excess of benefit liabilities; or

(f) permit or take any action which would contravene any Applicable Pension Legislation in the United States, except as such action would not be reasonably likely to result in a Material Adverse Effect.

10.10. Business Activities.

The Company will not, and will not permit any of its Subsidiaries to, engage directly or indirectly (whether through Subsidiaries or otherwise) in any type of business other than the businesses conducted by them on the Effective Date and in related businesses.

10.11. Transactions with Affiliates.

The Company will not, and will not permit any of its Subsidiaries to, engage in any material transaction with any Affiliate that is not the Company or a Restricted Subsidiary (other than in connection with services as employees, officers and directors), including any material

contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such Affiliate or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any such Affiliate has a substantial interest or is an officer, director, trustee or partner, on terms materially more favorable to such Person than would have been obtainable on an arm's-length basis in the ordinary course of business excluding (a) any transaction with an Affiliate controlled by the Company entered into in the ordinary course of business, (b) Restricted Payments that otherwise comply with this Agreement and (c) any transaction relating to the issuance of any class of Capital Stock of the Company.

10.12. Restrictions on Negative Pledges.

The Company will not, nor will it permit any of its Subsidiaries to, except for those existing agreements set forth and described on Schedule 10.12, enter into or permit to exist any arrangement or agreement (excluding this Agreement, the Credit Line Agreement, the Loan Documents and the "Loan Documents" under and as defined in the Credit Line Agreement and except any industrial revenue or development bonds, agreements governing any purchase money liens, acquisition agreements or Capitalized Leases or operating leases entered into in the ordinary course of business otherwise permitted hereby (in which case any prohibition or limitation shall only be effective against the assets financed, acquired or leased thereby) which directly or indirectly prohibits the Company or any of its Subsidiaries from creating, assuming or incurring any Lien in favor of the Banks or the Agent upon its properties, revenues or assets or those of any of its Subsidiaries whether now owned or hereafter acquired.

10.13. Cash Management.

The Company shall not (a) terminate its existing lock box account arrangements with Bank of America, N.A., or (b) instruct account debtors or other obligors to remit payments to an account other than the lock box account referenced in clause (a) above, in each case without providing at least thirty (30) days prior written notice to the Agent.

10.14. Hedging Arrangements.

The Company will not, and will not permit any of its Subsidiaries to, enter into any forward contract, futures contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices, other than in the ordinary course of business and not for purposes of speculation.

11. FINANCIAL COVENANTS.

The Company covenants and agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any obligation to make any Loans or the Agent has any obligation to issue, extend or renew any Letters of Credit:

11.1. Minimum EBITDA.

The Company will not permit EBITDA for any Reference Period ending with the fiscal quarter referenced in the table below to be less than the amount set forth in the table below opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	EBITDA
First Quarter 2001	\$310,000,000
Second Quarter 2001	\$270,000,000
Third Quarter 2001	\$300,000,000
Fourth Quarter 2001	\$400,000,000
First Quarter 2002	\$400,000,000
Second Quarter 2002	\$400,000,000
Third Quarter 2002	\$425,000,000
Fourth Quarter 2002	\$475,000,000

11.2. Total Funded Debt to EBITDA.

The Company will not permit the ratio of Consolidated Total Funded Debt at the end of any fiscal quarter set forth in the table set forth below to EBITDA for the Reference Period then ended to exceed the ratio set forth opposite such fiscal quarter set forth in table below:

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2000	3.25:1.00
First Quarter 2001	4.25:1.00
Second Quarter 2001	5.75:1.00
Third Quarter 2001	5.50:1.00
Fourth Quarter 2001	3.25:1.00
First Quarter 2002	3.00:1.00
Second Quarter 2002	3.15:1.00
Third Quarter 2002	3.40:1.00
Fourth Quarter 2002	2.55:1.00

11.3. Fixed Charge Coverage Ratio.

For any Reference Period ending with any fiscal quarter referenced in the table below, the Company will not permit the Fixed Charge Coverage Ratio for such Reference Period to be less than the ratio set forth opposite such fiscal quarter in such table:

Fiscal Quarter Ending:	Ratio
First Quarter 2001	1.20:1.00
Second Quarter 2001	1.10:1.00
Third Quarter 2001	1.70:1.00
Fourth Quarter 2001	2.50:1.00
First Quarter 2002	2.60:1.00
Second Quarter 2002	2.55:1.00
Third Quarter 2002	2.90:1.00
Fourth Quarter 2002	3.45:1.00

11.4. Capital Expenditures.

During any period referenced in the table set forth below, the Company will not, and will not allow any of its Subsidiaries to, make Capital Expenditures that exceed the aggregate amount set forth in the table below opposite such period in such table:

Period	Amount
First Quarter 2001	\$30,000,000
First and Second Quarter 2001	\$60,000,000
First, Second and Third Quarter 2001	\$80,000,000
First, Second, Third and Fourth Quarter 2001	\$90,000,000
First Quarter 2002	\$35,000,000
First and Second Quarter 2002	\$70,000,000
First, Second and Third Quarter 2002	\$95,000,000
First, Second, Third and Fourth Quarter 2002	\$110,000,000

12. CONDITIONS TO EFFECTIVENESS.

The obligations of the Banks to convert the outstanding Syndicated Loans to Syndicated Loans hereunder and to make the initial Syndicated Loans, the Swing Line Bank to make the initial Swing Line Loans and of the Agent to issue any initial Letters of Credit shall be subject to the satisfaction of the following conditions precedent on or prior to February 16, 2001:

12.1. Loan Documents, etc.

(a) Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of the Effective Date. The Agent (i) shall have accepted delivery in Boston, Massachusetts of

each of the duly executed Loan Documents from each of the other parties thereto, and (ii) shall have duly and properly executed each of the Loan Documents, to which it is a party, in Boston, Massachusetts.

(b) Executed original counterparts of each of the Loan Documents (other than the Notes) shall have been furnished to each Bank or the Agent in sufficient copies for each Bank and an executed copy of the Notes for each Bank shall have been delivered to such Bank.

12.2. Performance, etc.

Each of the Hasbro Companies shall have duly and properly performed, complied with and observed each of the covenants, agreements and obligations to be performed, complied with or observed by it on or prior to such date contained in the Loan Documents. No event shall have occurred on or prior to the Effective Date and be continuing on such Effective Date, and no condition shall exist on such Effective Date, which constitutes a Default or an Event of Default.

12.3. Certified Copies of Charter Documents.

Each Bank or the Agent (in sufficient copies for each Bank) shall have received from each of the Hasbro Companies a copy, each of which shall have been certified by a duly authorized officer of such respective Hasbro Company to be true and complete on and as of the Effective Date, of each of (a) the charter or other incorporation documents of each of the Hasbro Companies in effect on such date of certification, and (b) the by-laws of each of the Hasbro Companies as in effect on such date.

12.4. Proof of Corporate Action.

The Agent shall have received from each of the Hasbro Companies copies for each Bank, certified by a duly authorized officer of such respective Hasbro Company to be true and complete on and as of the Effective Date, of the records of all corporate action taken by each of the Hasbro Companies to authorize (a) its execution and delivery of each of the Loan Documents to which it is or is to become a party, (b) its performance of all of its agreements and obligations under each of the Loan Documents, and (c) the borrowings contemplated by this Agreement.

12.5. Incumbency Certificates.

The Agent shall have received from each of the Hasbro Companies copies for each Bank of an original incumbency certificate, dated as of the Effective Date signed by a duly authorized officer of each of the Hasbro Companies and giving the name and bearing a specimen signature of certain individuals who shall be authorized: (i) to sign, in the name and on behalf of such Hasbro Company, each of the Loan Documents to which it is or is to become a party; and (ii) to give notices to make application for the Loans and Letters of Credit and to take other action on behalf of such Hasbro Company under the Loan Documents.

12.6. Proceedings and Documents.

All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents, and all instruments and documents incidental thereto, shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

12.7. Validity of Liens.

The Security Documents shall be effective to create in favor of the Agent a legal, valid and enforceable first priority (except for Permitted Liens entitled to priority under applicable law) security interest in and Lien upon the Collateral, as and to the extent provided therein. All filings, recordings, deliveries of instruments and other actions necessary or desirable in the reasonable opinion of the Agent to protect and preserve such security interests shall have been duly effected or arrangements to effect the same shall have been made reasonably satisfactory to the Agent. The Agent shall have received evidence thereof in form and substance satisfactory to the Agent.

12.8. Perfection Certificates and UCC Search

Results.

The Agent shall have received from each of the Company and the Restricted Subsidiaries a completed and fully executed Perfection Certificate and the results of Uniform Commercial Code searches with respect to the Collateral, indicating no Liens other than Permitted Liens and otherwise in form and substance reasonably satisfactory to the Agent.

12.9. Certificates of Insurance.

The Agent shall have received certificates of insurance from an independent insurance broker dated as of the Effective Date, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance obtained in accordance with the provisions of the Security Agreements.

12.10. Agency Account Agreement.

The Agent shall have received an executed agency account agreement, in form and substance reasonably satisfactory to the Agent, from Bank of America, N.A., concerning the Agent's security interest in the lock box account maintained by the Company therewith.

12.11. Legal Opinions.

Each of the Banks and the Agent shall have received a favorable legal opinion addressed to the Banks and the Agent, dated as of the Effective Date, in form and substance reasonably satisfactory to the Banks and the Agent, from (a) Barry Nagler, Esq., Senior Vice President and General Counsel of the Company, and (b) Debevoise & Plimpton, special counsel to the Company.

12.12. Payment of Fees.

The Company shall have paid to the Banks or the Agent, as appropriate, the Closing Fee and the Agent's Fee pursuant to 7.1 and 7.2, respectively.

12.13. Legality of Transactions.

No change in applicable law shall have occurred as a consequence of which it shall have become and continue to be unlawful (a) for any Bank to perform any of its agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date or (b) for the Company to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on the Effective Date.

12.14. Representations and Warranties.

Each of the representations and warranties made by or on behalf of each of the Hasbro Companies to the Banks in this Agreement or any of the other Loan Documents shall be true and correct in all material respects when made, shall for all purposes of this Agreement be deemed to be repeated on and as of the Effective Date, and shall be true and correct in all material respects on and as of such date.

13. CONDITIONS TO LOANS.

The obligations of the Banks to make any Syndicated Loan, the Swing Line Bank to make any Swing Line Loan, and of the Agent to issue, extend or renew any Letter of Credit, in each case whether on or after the Effective Date, shall also be subject to the satisfaction of the following conditions precedent:

13.1. Legality of Transactions.

It shall not be unlawful (a) for any Bank to perform any of its agreements or obligations under any of the Loan Documents to which the Bank is a party on the Drawdown Date of such Loans, or (b) for any of the Hasbro Companies to perform any of its material agreements or obligations under any of the Loan Documents to which it is a party on such date.

13.2. Representations and Warranties.

Each of the representations and warranties made by or on behalf of the Company and its Subsidiaries to the Banks in this Agreement or any other Loan Document shall be true and correct in all material respects when made and shall for all purposes of this Agreement, be deemed to be repeated on

and as of the date of the Company's notice of borrowing for such Loan on and as of the Drawdown Date of such Loan, or the issuance, extension or renewal of such Letter of Credit, and shall be true and correct in all material respects on and as of each of such dates, except, in each case, as affected by the consummation of the transactions contemplated by the Loan Documents or to the extent representations and warranties expressly referring to an earlier date shall relate solely to such earlier date.

13.3. Performance, etc.

Each of the Hasbro Companies shall have duly and properly performed, complied with and observed in all material respects each of its covenants, agreements and obligations contained in 9 and 10 hereof, and shall have duly and properly performed, complied with and observed in all material respects its covenants, agreements, and obligations in all other articles of this Agreement and any of the other Loan Documents to which it is a party or by which it is bound on the Drawdown Date for such Loan or the date of the issuance, extension or renewal of such Letter of Credit. No event shall have occurred on or prior to such date and be continuing on such date, and no condition shall exist on such date, which constitutes a Default or an Event of Default.

13.4. Proceedings and Documents.

All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents and all instruments and documents incidental thereto shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested.

13.5. Loan Documents.

Each of the Loan Documents required by 9.14 hereof shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of such date.

14. EVENTS OF DEFAULT; ACCELERATION.

14.1. Remedies Upon Default.

If any of the following events ("Events of Default" or, if the giving of notice or the lapse of time or both is required, then, prior to such notice and/or lapse of time, "Defaults") shall occur:

(a) if the Company shall fail to pay any principal of the Loans when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) if the Company shall fail to pay any interest on the Loans or the Unpaid Reimbursement Obligations, any Fees hereunder, or other sums due hereunder, within three (3) Business Days after the date on which the same shall become due and payable whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(c) if the Company shall fail to comply with any of its covenants contained in 9.2, 9.5, 9.6, the first sentence of 9.7, 9.13, 9.14, 10 or 11;

(d) if the Company shall fail to comply with any of its covenants contained in 9.10 or 9.17, and such failure shall continue for a period of ten (10) days;

(e) if any of the Hasbro Companies shall fail to perform any term, covenant or agreement contained in any of the Loan Documents (other than those specified in subsections (a), (b), (c) and (d) above) for twenty (20) days after written notice of such failure has been given to the Company by the Agent;

(f) if any representation or warranty of any of the Hasbro Companies in any of the Loan Documents or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made or deemed to have been made or repeated;

(g) if any of the Hasbro Companies shall fail to pay at maturity, or within any applicable period of grace, any Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases or in respect of any guaranties by such Hasbro Company of any such Indebtedness of another Person, or fail to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof, or to rescind the purchase of any such obligations, and the aggregate amount of all of such Indebtedness for borrowed money or credit received or in respect of any Capitalized Leases of the Hasbro Companies or in respect of any guaranties by any Hasbro Company of any such Indebtedness of another Person in respect of which any one or more of such defaults or failures shall at any time be continuing under any one or more of such agreements shall exceed \$25,000,000 at any one time;

(h) if any of the Hasbro Companies makes an assignment for the benefit of creditors, or admits in writing its inability to pay or generally fails to pay its debts as they mature or become due, or petitions or applies for the appointment of a trustee or other custodian, liquidator or receiver of any of the Hasbro Companies or of any substantial part of the assets of any of the Hasbro Companies, or commences any case or other proceeding relating to any of the Hasbro Companies under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction now or hereafter in effect, or takes any action to authorize or in furtherance of any of the foregoing, or if any such petition or application is filed or any such case or other proceeding is commenced against any of the Hasbro Companies and the such Person indicates its approval thereof, consent thereto or acquiescence therein or such petition or application shall not have been dismissed within forty-five (45) days following the filing thereof;

(i) if a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any of the Hasbro Companies bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any of the Hasbro Companies in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(j) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any final judgment against any of the Hasbro Companies which, with other outstanding final judgments, undischarged, unsatisfied and unstayed, against the Hasbro Companies exceeds in the aggregate \$25,000,000;

(k) the holders of all or any part of the Subordinated Debt shall accelerate the maturity of all or any part of the Subordinated Debt, the Subordinated Debt shall be repaid, redeemed or repurchased in whole or in part or an offer to repay, redeem or repurchase the Subordinated Debt in whole or in part shall have been made;

(l) (i) if any of the Loan Documents shall be cancelled, terminated, revoked or rescinded or the Agent's Liens in a material portion of the Collateral shall cease to be perfected (other than by the Agent's failure to file Uniform Commercial Code financing statements executed and delivered by the Company or any Restricted Subsidiary, as applicable, or to make any required filings executed and delivered by the Company or any Restricted Subsidiary with the United States Patent and Trademark Office or the United States Copyright Office or to continue such Uniform Commercial Code financing statements or filings with the United States Patent and Trademark Office or United States Copyright Office in accordance with applicable law), or shall cease to have the priority contemplated by the Security Documents, in each case otherwise than in accordance with the terms thereof or with the express

prior written agreement, consent or approval of the Banks, or (ii) any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by any of the Hasbro Companies party thereto, or (iii) any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof and such judgment, order, decree or ruling shall continue in full force and effect for a period of thirty (30) days;

(m) there shall occur any loss, theft, destruction of, or material damage to the Inventory included in the Collateral resulting in an uninsured loss in excess of \$20,000,000 during any one policy period, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty, which in any such case causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any of its Subsidiaries if such event or circumstance is not covered by business interruption insurance and would have a Material Adverse Effect;

(n) the Company or any ERISA Affiliate incurs any liability to the PBGC or a Guaranteed Pension Plan pursuant to Title IV of ERISA in an aggregate amount exceeding \$15,000,000, or the Company or any ERISA Affiliate is assessed withdrawal liability pursuant to Title IV of ERISA by a Multiemployer Plan requiring aggregate annual payments exceeding \$5,000,000, or any of the following occurs with respect to a Guaranteed Pension Plan: (i) an ERISA Reportable Event, or a failure to make a required installment or other payment (within the meaning of 302(f)(1) of ERISA), provided that such event (A) would be expected to result in liability of the Company or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding \$15,000,000 and (B) would constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC, for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan or for the imposition of a lien in favor of such Guaranteed Pension Plan; or (ii) the appointment by a United States District Court of a trustee to administer such Guaranteed Pension Plan; or (iii) the institution by the PBGC of proceedings to terminate such Guaranteed Pension Plan;

(o) a Change of Control shall occur; or

(p) any "Event of Default" under and as defined in the Credit Line Agreement shall occur;

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Company declare all amounts owing with respect to this Agreement and the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; provided that in the event of any Event of Default specified in 14.1(h) or 14.1(i) hereof, all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank.

14.2. Termination of Commitments.

If any one or more of the Events of Default specified in 14.1(h) or 14.1(i) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Banks shall be relieved of all further obligations to make Loans to the Company and the Agent shall be relieved of all further obligations to issue, extend or renew Letters of Credit. If any other Event of Default shall have occurred and be continuing, the Agent may and, upon the request of the Majority Banks, shall, by notice to the Company, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Banks shall be relieved of all further obligations to make Loans and the Agent shall be relieved of all further

obligations to issue, extend or renew Letters of Credit. No termination of the credit hereunder shall relieve the Company or any of its Subsidiaries of any of the Obligations.

14.3. Remedies.

In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to 14.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may, with the consent of the Majority Banks but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

14.4. Certain Rights of Cure.

(a) Any Default or Event of Default may be waived as provided by 20 hereof. With the prior written consent of all of the Banks, any Default or Event of Default so waived shall be deemed to have been cured and not to be continuing, and upon such waiver the Company and each of the Banks shall be restored to their respective positions prior to the existence of the Default or Event of Default, whether or not acceleration of the maturity of the Loans shall have occurred pursuant to this 14. The Commitments, if terminated pursuant to this 14 by reason of any Event of Default so waived, shall be reinstated. In the event that the Commitments, once terminated, are so reinstated, the Commitment Fee shall be payable as though no termination had occurred. No such waiver shall extend to or affect any subsequent or other Default or Event of Default or impair any rights consequent thereon.

(b) Notwithstanding any other provision of this Agreement to the contrary, if a Default or Event of Default shall occur at any time when no Loans shall be outstanding and all other Obligations shall have been paid in full, the Company may give notice to the Agent and the Banks (i) of the occurrence or continuance of such Default or Event of Default, (ii) of the Company's request to terminate the Commitments in their entirety pursuant to 2.2 hereof, and (iii) subject to compliance by the Company with the provisions of 2.2 hereof and this 14.4(b), of the Company's request that the Default or Event of Default be deemed not to have occurred, and upon termination of the Commitments and payment by the Company of all Fees and other sums payable by the Company hereunder, the Company, the Agent, and the Banks shall be deemed to have agreed, by mutual consent, that no Default or Event of Default shall have occurred hereunder.

14.5. Distribution of Collateral Proceeds.

In the event that, following the occurrence or during the continuance of any Default or Event of Default, the Agent or any Bank, as the case may be, receives any monies in connection with the enforcement of any the Security Documents, or otherwise with respect to the realization upon any of the Collateral, such monies shall be distributed for application as follows:

(a) First, to the payment of, or (as the case may be) the reimbursement of the Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Agent in connection with the collection of such monies by the Agent, for the exercise, protection or enforcement by the Agent of all or any of the rights, remedies, powers and privileges of the Agent under this Agreement or any of the other Loan Documents or in respect of the Collateral or in support of any provision of adequate indemnity to the Agent against

any taxes or Liens which by law shall have, or may have, priority over the rights of the Agent to such monies;

(b) Second, to all other Secured Obligations (other than obligations of the Company and its Subsidiaries to any of the Banks and/or the Agent with respect to any Interest Rate Agreements and Hedging Agreements) in such order or preference among types of Secured Obligations as the Majority Banks may determine; provided, however, that (i) distributions shall be made (A) pari passu among Secured Obligations with respect to the Agent's Fee and all other Secured Obligations and (B) with respect to each type of Secured Obligation owing to the Banks, such as interest, principal, fees and expenses, among the Banks pro rata, based on the then outstanding amount of Secured Obligations (and on the assumption that Secured Obligations consisting of guaranties are equal to the amount of the outstanding obligations guaranteed), and (ii) the Agent may in its discretion make proper allowance to take into account any Secured Obligations not then due and payable;

(c) Third, to obligations of the Company and its Subsidiaries to any of the Banks and/or the Agent with respect to any Interest Rate Agreements and Hedging Agreements;

(d) Fourth, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Banks and the Agent of all of the Secured Obligations, to the payment of any obligations required to be paid pursuant to 9-504(1)(c) of the Uniform Commercial Code of The Commonwealth of Massachusetts; and

(e) Fifth, the excess, if any, shall be returned to the Company or to such other Persons as are entitled thereto.

15. SETOFF.

Regardless of the adequacy of any collateral, during the continuance of an Event of Default, any deposits or other sums credited by or due from any of the Banks to the Company and any securities or other property of the Company in the possession of such Bank may be applied to or set off by such Bank against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Company to such Bank. ANY AND ALL RIGHTS TO REQUIRE ANY BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE COMPANY ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Each of the Banks agree with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Company to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Company, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Company at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

16. THE AGENT.

16.1. Authorization.

(a) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, including the authority, without the necessity of any notice to or further consent of the Banks, from time to time to take any action with respect to any Collateral or the Security Documents which may be necessary to perfect, maintain perfected or insure the priority of the security interest in and liens upon the Collateral granted pursuant to the Security Documents, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent.

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks.

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to all collateral security and guaranties contemplated by the Loan Documents. Such actions include the designation of the Agent as "secured party", "mortgagee" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the Obligations, all for the benefit of the Banks and the Agent.

16.2. Employees and Agents.

The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Company.

16.3. No Liability.

Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

16.4. No Representations.

16.4.1. General.

The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Notes, the Letters of Credit, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Notes, or for the value of any such collateral security or for the validity, enforceability or collectability of any such amounts owing with respect to the Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any

certificate or instrument hereafter furnished to it by or on behalf of the Company or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Notes or to inspect any of the properties, books or records of the Company or any of its Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Company or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial conditions of the Company or any of its Subsidiaries. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

16.4.2. Closing Documentation, etc.

For purposes of determining compliance with the conditions set forth in 12, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document and matter either sent, or made available, by the Agent or the Arranger to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Bank, unless an officer of the Agent or the Arranger active upon the Company's account shall have received notice from such Bank not less than five (5) days prior to the Effective Date specifying such Bank's objection thereto and such objection shall not have been withdrawn by notice to the Agent or the Arranger to such effect on or prior to the Effective Date.

16.5. Indemnification.

Without limiting the obligations of the Company hereunder or under any other Loan Document, the Banks agree to indemnify and hold harmless the Agent and its affiliates, ratably in accordance with their respective Commitment Percentages, for any and all liabilities, obligations, losses, damages, penalties, claims, actions and suits (whether groundless or otherwise) judgments, costs, expenses (including any expenses for which the Agent or such affiliate has not been reimbursed by the Company as required by 18) or disbursements of any kind or nature whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or the Notes or any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or thereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the Agent's gross negligence or willful misconduct. The agreements in this 16.5 shall survive the payment of the Notes and all other amounts payable hereunder.

16.6. Reimbursement.

Without limiting the provisions of 16.5, the Banks and the Agent hereby agree that the Agent shall not be obliged to make available to any Person any sum which the Agent is expecting to receive for the account of that Person until the Agent has determined that it has received that sum. The Agent may, however, disburse funds prior to determining that the sums which the Agent expects to receive have been finally and unconditionally paid to the Agent, if the Agent wishes to do so. If and to the extent that the Agent does disburse funds and it later becomes apparent that the Agent did not then receive a payment in an amount equal to the sum paid out, then any Person to whom the Agent made the funds available shall, on demand from the Agent:

(a) refund to the Agent the sum paid to that Person; and

(b) reimburse the Agent for the additional amount

certified by the Agent as being necessary to indemnify the Agent against any funding or other cost, loss, expense or liability sustained or incurred by the Agent as a result of paying out the sum before receiving it.

16.7. Non-Reliance on Agent and Other Banks.

Each Bank represents that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of the financial condition and affairs of the Company and decision to enter into this Agreement and the other Loan Documents and agrees that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own appraisals and decisions in taking or not taking action under this Agreement or any other Loan Document. The Agent shall not be required to keep informed as to the performance or observance by the Company of this Agreement or any other Loan Document or any other document referred to or provided for herein or therein or by any other Person of any agreement or to make inquiry of, or to inspect the properties or books of, any Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning any Person which may come into the possession of the Agent or any of its affiliates. Each Bank shall have access to all documents relating to the Agent's performance of its duties hereunder, at such Bank's request. Unless any Bank shall object promptly after receiving notice of any action taken by the Agent hereunder, such Bank shall conclusively be presumed to have approved the same.

16.8. Payments.

16.8.1. Payments to Agent.

A payment by the Company to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

16.8.2. Distribution by Agent.

If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

16.8.3. Delinquent Banks.

Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its pro rata share of any Loan or to purchase any Letter of Credit Participation or (b) to comply with the provisions of 15 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Company, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Loans and Unpaid

Reimbursement Obligations. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans and Unpaid Reimbursement Obligations of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

16.9. Holders of Notes.

The Agent may deem and treat the payee of any Note or the purchaser of any Letter of Credit Participation as the absolute owner thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

16.10. Agent as Bank.

In its individual capacity, Fleet shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it hereunder, and as the holder of any of the Notes and as the purchaser of any Letter of Credit Participation, as it would have were it not also the Agent.

16.11. Resignation or Removal of Agent.

The Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Banks and the Company. Upon any such resignation, the Majority Banks, with the prior written consent of the Company (which consent shall not be unreasonably withheld), shall have the right to appoint a successor Agent; provided that no such consent of the Company shall be required if a Default or Event of Default has occurred and is then continuing. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a rating of not less than A or its equivalent by Standard and Poor's. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent both as Agent and Swing Line Bank (including without limitation the rights, powers, privileges and duties of the retiring Agent with respect to such Agent's commitment to issue Letters of Credit pursuant to 5), and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. In the event of a material breach of its duties hereunder, the Agent may be removed by the Banks for cause and the provisions of this 16.11 shall apply to the appointment of a successor.

16.12. Notification of Defaults and Events of Default.

Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this 16.12 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

16.13. Duties in the Case of Enforcement.

In case one of more Events of Default have occurred and shall be continuing, and whether or not acceleration of the Obligations shall have occurred, the Agent shall, if (a) so requested by the Majority Banks and (b) the Banks have provided to the Agent such additional indemnities and assurances against expenses and liabilities as the Agent may reasonably request, proceed to enforce the provisions of the Security Documents authorizing the sale or other disposition of all or any part of the Collateral and exercise all or any such other legal and equitable and other rights or remedies

as it may have in respect of such Collateral. The Majority Banks may direct the Agent in writing as to the method and the extent of any such sale or other disposition, the Banks hereby agreeing to indemnify and hold the Agent, harmless from all liabilities incurred in respect of all actions taken or omitted in accordance with such directions, provided that the Agent need not comply with any such direction to the extent that the Agent reasonably believes the Agent's compliance with such direction to be unlawful or commercially unreasonable in any applicable jurisdiction.

17. EXPENSES.

The Company agrees to pay (a) the reasonable costs of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) any taxes (including any interest and penalties in respect thereto) payable by the Agent or any of the Banks (other than taxes based upon the Agent's or any Bank's net income) on or with respect to the transactions contemplated by this Agreement (the Company hereby agreeing to indemnify the Agent and each Bank with respect thereto), (c) the reasonable fees, expenses and disbursements of the Banks' Special Counsel or any local counsel to the Agent incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, each closing hereunder, any amendments, modifications, approvals, consents or waivers hereto or hereunder, or the cancellation of any Loan Document upon payment in full in cash of all of the Obligations or pursuant to any terms of such Loan Document for providing for such cancellation, (d) the reasonable fees, expenses and disbursements of the Agent or any of its affiliates incurred by the Agent or such affiliate in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, including all reasonable collateral appraisal and examination charges, (e) all reasonable out-of-pocket expenses (including without limitation reasonable out of pocket attorneys' fees and costs, and reasonable consulting, accounting, appraisal, investment banking and similar professional fees and charges) incurred by any Bank or the Agent in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against the Company or any of its Subsidiaries, or the administration thereof after the occurrence and during the continuance of a Default or Event of Default and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Bank's or the Agent's relationship with the Company or any of its Subsidiaries relating to the Loan Documents or the transactions contemplated thereby and (f) all reasonable fees, expenses and disbursements of the Agent incurred in connection with Uniform Commercial Code searches, Uniform Commercial Code filings, intellectual property searches or intellectual property filings. The covenants contained in this 17 shall survive payment or satisfaction in full of all other Obligations.

18. INDEMNIFICATION.

The Company agrees to indemnify and hold harmless the Agent, the Banks and each of their respective affiliates, directors, officers, employees and representatives from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby including, without limitation, (a) any actual or proposed use by the Company or any of its Subsidiaries of the proceeds of any of the Loans or Letters of Credit, (b) the reversal or withdrawal of any provisional credits granted by the Agent upon the transfer of funds from lock box, bank agency, concentration accounts or otherwise under any cash management arrangements with the Company or any Subsidiary or in connection with the provisional honoring of funds transfers, checks or other items, (c) any actual or alleged infringement of any patent, copyright, trademark, service mark or similar right of the Company or any of its Subsidiaries comprised in the Collateral, (d) the Company or any of its Subsidiaries entering into or performing this Agreement or any of the other Loan Documents or (e) with respect to the Company and its Subsidiaries and their respective properties and assets, the violation of any Environmental Law, the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release or threatened release of any Hazardous Substances or any action, suit, proceeding or investigation brought or threatened with respect to any Hazardous Substances

(including, but not limited to, claims with respect to wrongful death, personal injury or damage to property), in each case including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding, but excluding (i) in the case of the Agent or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of the Agent or any of its affiliates, directors, officers, employees or representatives, (ii) in the case of any Bank or any affiliate, director, officer, employee or representative thereof, claims arising solely as a result of the gross negligence or willful misconduct of such Bank or any of its affiliates, directors, officers, employees or representatives, (iii) litigation commenced by the Company against any Bank or the Agent which (A) seeks enforcement of the Company's rights hereunder or under any of the Loan Documents and (B) is finally determined adversely to such Bank or the Agent, to the extent of such adverse determination, and (iv) claims made or legal proceedings commenced against the Agent or any Bank by any securityholder or creditor thereof arising out of and based upon rights afforded any such securityholder or creditor solely in its capacity as such. In litigation, or the preparation therefor, the Banks and the Agent and its affiliates shall be entitled to select their own counsel and, in addition to the foregoing indemnity, the Company agrees to pay promptly the reasonable fees and expenses of such counsel. If, and to the extent that the obligations of the Company under this 18 are unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law. The covenants contained in this 18 shall survive payment or satisfaction in full of all other Obligations.

19. SURVIVAL OF COVENANTS, ETC.

All covenants, agreements, representations and warranties made herein, in the Notes or in any documents or other papers delivered by or on behalf of the Company pursuant hereto shall be deemed to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by it, and shall survive the making by the Banks of the Loans and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any Letter of Credit or amount due under this Agreement or the Notes or any of the other Loan Documents remains outstanding and unpaid or any Bank has any obligation to make any Loans hereunder or the Agent has any obligation to issue, extend or renew any Letter of Credit, and for such further time as may be otherwise be expressly specified in this Agreement. All statements contained in any certificate or other paper delivered to any Bank at any time by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Company hereunder.

20. ASSIGNMENT AND PARTICIPATION.

20.1. Conditions to Assignment by Banks.

Except as provided herein, each Bank may assign to one or more commercial banks, other financial institutions or other Persons, all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit); provided that (a) each of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Company shall have given its prior written consent to such assignment, which consent, in the case of the Company and the Agent, will not be unreasonably withheld; except that the consent of the Company or the Agent shall not be required in connection with any assignment by a Bank to (i) an existing Bank or (ii) a Bank Affiliate of such Bank, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment (or, in the case of assignments by a Bank to its Bank Affiliates, the aggregate holdings of such Bank and its Bank Affiliates after giving effect to such assignments), shall be in a minimum amount equal to \$10,000,000 or a multiple of \$5,000,000 in excess thereof (or, if less, such Bank's entire Commitment), and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter

defined), an Assignment and Acceptance, substantially in the form of Exhibit H hereto (an "Assignment and Acceptance"), together with any Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (y) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (z) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in 20.3, be released from its obligations under this Agreement.

20.2. Certain Representations and Warranties; Limitations; Covenants.

By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or the attachment, perfection or priority of any security interest or mortgage,

(b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Company and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in 8.8 and 9.5 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(f) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank;

(g) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; and

(h) such assignee acknowledges that it has made arrangements with the assigning Bank satisfactory to such assignee with respect to its pro rata share of Letter of Credit Fees in respect of outstanding Letters of Credit.

20.3. Register.

The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentage of, and principal amount of the Syndicated Loans owing to and Letter of Credit Participations purchased by, the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of \$3,500.

20.4. New Notes.

Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Note subject to such assignment, the Agent shall (i) record the information contained therein in the Register, and (ii) give prompt notice thereof to the Company and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, the Company, at its own expense, shall execute and deliver to the Agent, in exchange for each surrendered Note, a new Note to the order of such Assignee in an amount equal to the amount assumed by such Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned Notes. The surrendered Notes shall be cancelled and returned to the Company.

20.5. Participations.

Each Bank may sell participations to one or more Banks or other entities in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents; provided that (a) each such participation shall be in an amount of not less than \$10,000,000, (b) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Company and (c) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any Commitment Fee or Letter of Credit Fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest (it being understood that (i) any vote to rescind any acceleration made pursuant to 14.1 of amounts owing with respect to the Loans and other Obligations and (ii) any modifications of the provisions relating to amounts, timing or application or prepayments of Loans and other Obligations shall not require the approval of such participant).

20.6. Assignee or Participant Affiliated with the Company.

If any assignee Bank is an Affiliate of the Company, then any such assignee Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to 14.1 or 14.2, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to such assignee Bank's interest in any of the Loans or Reimbursement Obligations. If any Bank sells a participating interest in any of the Loans or Reimbursement Obligations to a participant, and such participant is the Company or an Affiliate of the Company, then such transferor Bank shall promptly notify the Agent of the sale of such participation. A transferor Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to

any of the Loan Documents or for purposes of making requests to the Agent pursuant to 14.1 or 14.2 to the extent that such participation is beneficially owned by the Company or any Affiliate of the Company, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to the interest of such transferor Bank in the Loans or Reimbursement Obligations to the extent of such participation. The provisions of this 20.6 shall not apply to an assignee Bank or participant which is also a Bank on the Effective Date or to an assignee Bank or participant which has disclosed to the other Banks that it is an Affiliate of the Company and which, following such disclosure, has been excepted from the provisions of this 20.6 in a writing signed by the Majority Banks determined without regard to the interest of such assignee Bank or transferor Bank, to the extent of such participation, in Loans or Reimbursement Obligations.

20.7. Miscellaneous Assignment Provisions.

Any assigning Bank shall retain its rights to be indemnified pursuant to 18 with respect to any claims or actions arising prior to the date of such assignment. If any Reference Bank transfers all of its interest, rights and obligations under this Agreement, the Agent shall, in consultation with the Company and with the consent of the Company and the Majority Banks, appoint another Bank to act as a Reference Bank hereunder. Anything contained in this 20 to the contrary notwithstanding, any Bank may at any time pledge or assign a security interest in all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to secure obligations of such Bank, including any pledge or assignment to secure obligations to (a) any of the twelve Federal Reserve Banks organized under 4 of the Federal Reserve Act, 12 U.S.C. 341 and (b) with respect to any Bank that is a fund that invests in bank loans, to any lender or any trustee for, or any other representative of, holders of obligations owed or securities issued by such fund as security for such obligations or securities or any institutional custodian for such fund or for such lender. Any foreclosure or similar action by any Person in respect of such pledge or assignment shall be subject to the other provisions of this 20. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents, provide any voting rights hereunder to the pledgee thereof, or affect any rights or obligations of the Company or Agent hereunder.

20.8. Increased Costs.

No assignee, participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under 4.1 or 4.7 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent.

20.9. Assignment by Company.

The Company shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

21. NOTICES, ETC.

Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the Notes or any Letter of Credit Applications shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, addressed as follows:

(a) if to the Company, at 1011 Newport Avenue, Pawtucket, Rhode Island 02862-0200, Attention: David D. R. Hargreaves, Senior Vice President and Chief Financial Officer, with a copy to Phillip H. Waldoks, Senior Vice President-Corporate Legal Affairs and Secretary, Hasbro, Inc., 32 West 23rd Street, New York, New York 10010, or at such other address or addresses for notice as the Company shall last have furnished in writing to the Person giving the notice;

(b) if to the Agent, at 100 Federal Street,

Boston, Massachusetts 02110, Attention: John P. O'Loughlin, Director, or such other address for notice as the Agent shall last have furnished in writing to the Person giving the notice; and

(c) if to any Bank, at such Bank's address set forth on Schedule 1 hereto, or such other address for notice as such Bank shall have last furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage prepaid, when received by a responsible officer or employee of the party to which it is directed, provided that such receipt may be evidenced by return receipt signed by a responsible officer or employee of the party to which it is directed, and (c) if sent by telegraph, telecopy, facsimile or telex, at the time of dispatch thereof, if in normal business hours in the state where received or otherwise at the opening of business on the next Business Day.

22. TREATMENT OF CERTAIN CONFIDENTIAL INFORMATION.

22.1. Confidentiality.

Each of the Banks and the Agent agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company or any of its Subsidiaries pursuant to this Agreement that is identified by such Person as being confidential at the time the same is delivered to the Banks or the Agent, provided that nothing herein shall limit the disclosure of any such information (a) after such information shall have become public other than through a violation of this 22, or becomes available to any of the Banks or the Agent on a nonconfidential basis from a source other than the Company or any of its Subsidiaries without a duty of confidentiality to the Company or such Subsidiary being violated, (b) to the extent required by statute, rule, regulation or judicial process, (c) to counsel for any of the Banks or the Agent so long as the relevant Bank or Agent informs such counsel of the agreement under this 22.1 and such Bank assumes responsibility for compliance by such counsel with such agreement, (d) to bank examiners or any other regulatory authority having jurisdiction over any Bank or the Agent, or to auditors or accountants, (e) to the Agent or any Bank, (f) in connection with any litigation to which any one or more of the Banks or the Agent is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document, (g) to a Bank Affiliate or a Subsidiary or affiliate of the Agent so long as the relevant Bank or Agent informs such Bank Affiliate, subsidiary or affiliate of the agreement under this 22.1 and such Bank or the Agent assumes responsibility for compliance by such Person with such agreement, (h) to any actual or prospective assignee or participant or any actual or prospective counterparty (or its advisors) to any swap or derivative transactions referenced to credit or other risks or events arising under this Agreement or any other Loan Document so long as such actual or prospective assignee, participant or counterparty, as the case may be, agrees to be bound by the provisions of this 22 pursuant to an agreement in substantially the form of Exhibit I provided to the Company, or (i) with the consent of the Company.

22.2. Prior Notification.

Unless specifically prohibited by applicable law or court order, each of the Banks and the Agent shall, prior to disclosure thereof, notify the Company of any request for disclosure of any such non-public information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or pursuant to legal process and afford the Company the opportunity to obtain a protective order or other appropriate remedy or agreement to maintain confidentiality of the information.

22.3. Other.

In no event shall any Bank or the Agent be obligated or required to return any materials furnished to it by the Company or any of its Subsidiaries. The obligations of each Bank under this 22 shall supersede and replace the obligations of such Bank under any confidentiality letter in respect of this financing signed and delivered by such Bank to the Company prior to the date hereof and shall be binding upon any assignee of, or purchaser of any participation in, any interest in any of the Loans or Reimbursement Obligations from any Bank.

23. CONSENTS, AMENDMENTS, WAIVERS, ETC.

Any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement, the other Loan Documents or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Company or any of its Subsidiaries of any terms of this Agreement, the other Loan Documents or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the written consent of the Majority Banks. Notwithstanding the foregoing, no amendment, modification or waiver shall:

(a) without the written consent of the Company and each Bank directly affected thereby:

(i) reduce or forgive the principal amount of any Loans or Reimbursement Obligations, or reduce the rate of interest on the Notes or the amount of the Commitment Fee or Letter of Credit Fees;

(ii) increase the amount of the Commitments or extend the expiration date of any Bank's Commitment;

(iii) postpone or extend the Final Maturity Date or any other regularly scheduled dates for payments of principal of, or interest on, the Loans or Reimbursement Obligations or any Fees or other amounts payable to such Bank (it being understood that (A) any vote to rescind any acceleration made pursuant to 14.1 of amounts owing with respect to the Loans and other Obligations and (B) any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations shall require only the approval of the Majority Banks); and

(iv) other than pursuant to a transaction permitted by the terms of this Agreement, release all or substantially all of the Collateral or release any of the Restricted Subsidiaries from its guaranty obligations under the Guaranty (excluding, if the Company or any Restricted Subsidiary becomes a debtor under the federal Bankruptcy Code, the release of "cash collateral", as defined in Section 363(a) of the federal Bankruptcy Code pursuant to a cash collateral stipulation with the debtor approved by the Majority Banks);

(b) without the written consent of all of the Banks, amend or waive this 23 or the definition of Majority Banks;

(c) without the written consent of the Agent, amend or waive 3 or 15, the amount or time of payment of the Agent's Fee or any Letter of Credit Fees payable for the Agent's account or any other provision applicable to the Agent.

No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Company shall entitle the Company to other or further notice or demand in similar or other circumstances.

24. PROVISIONS OF GENERAL APPLICATIONS.

24.1. Governing Law.

THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE COMPANY AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE COMPANY BY MAIL AT THE ADDRESS SPECIFIED IN 21. THE COMPANY 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.

24.2. Headings.

The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

24.3. Counterparts.

This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought. Delivery by facsimile by any of the parties hereto of an executed counterpart hereof or of any amendment or waiver hereto shall be as effective as an original executed counterpart hereof or of such amendment or waiver and shall be considered a representation that an original executed counterpart hereof or such amendment or waiver, as the case may be, will be delivered.

24.4. Entire Agreement, Etc.

The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in 17.12.

24.5. Waiver of Jury Trial.

THE COMPANY HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE AGENT OR ANY BANK RELATING TO THE ADMINISTRATION OF THE LOANS OR ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. Except as prohibited by law, the Company hereby waives any right it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, consequential or punitive damages or any damages other than, or in addition to, actual damages. The Company (a) certifies that no representative, agent or attorney of any Bank or the Agent has represented, expressly or otherwise, that such Bank or the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that the Agent and the Banks have been induced to enter into this Agreement, the other Loan Documents to which it is a party by, among other things, the waivers and certifications contained herein.

24.6. Severability.

The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

25. TRANSITIONAL ARRANGEMENTS.

25.1. Existing Credit Agreement Superseded.

This Agreement shall on the Effective Date supersede the Existing Credit Agreement in its entirety, except as provided in this 25. On the Effective Date, the rights and obligations of the parties evidenced by the Existing Credit Agreement shall be evidenced by the Agreement and other Loan Documents, the "Syndicated Loans" as defined in the Existing Credit Agreement shall be converted to Syndicated Loans as defined herein, and all outstanding letters of credit issued by Fleet for the account of the Company prior to the Effective Date shall, for the purposes of this Credit Agreement, be Letters of Credit.

25.2. Return and Cancellation of Notes.

Upon receipt by any Bank of its Notes hereunder on the Effective Date, any "Notes" of the Company held by such Bank pursuant to and as defined in the Existing Credit Agreement shall be deemed to be no longer outstanding. As soon as reasonably practicable after its receipt of its Notes hereunder on the Effective Date, each Bank will promptly return to the Company, marked "Substituted" or "Cancelled", as the case may be, any notes of the Company held by such Bank pursuant to the Existing Credit Agreement.

25.3. Interest and Fees Under Superseded Agreement.

All interest and fees and expenses, if any, owing or accruing under or in respect of the Existing Credit Agreement through the Effective Date shall be calculated as of the Effective Date (prorated in the case of any fractional periods), and shall be paid as of the Effective Date. Commencing on the Effective Date, the Commitment Fee shall be payable by the Company to the Agent for the account of the Banks in accordance with 2.2.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as an agreement under seal as of the date first set forth above.

HASBRO, INC.

(Corporate Seal)

By: /s/ Martin R. Trueb
Martin R. Trueb
Senior Vice President and
Treasurer

FLEET NATIONAL BANK (f/k/a
BankBoston, N.A.), individually and as
Agent

By: /s/ John O'Loughlin
John O'Loughlin
Director

BANK OF AMERICA, N.A.

By: /s/ John W. Pocalyko
John W. Pocalyko
Managing Director

THE BANK OF NOVA SCOTIA

By: /s/ T.M. Pitcher
T.M. Pitcher
Managing Director

CITICORP USA, INC.

By: /s/ John S. Hutchins
John S. Hutchins
Managing Director

COMMERZBANK A.G., New York
Branch

By: /s/ Robert Donohue
Robert Donohue
Senior Vice President

By: /s/ Andrew P. Luck
Andrew P. Lusk
Assistant Vice President

MELLON BANK, N.A.

By: /s/ Janet R. Twomey
Janet R. Twomey
Vice President

SANPAOLO IMI S.P.A.

By: /s/ Luca Sacchi
Luca Sacchi
Vice President

By: /s/ Carlo Persico
Carlo Persico
DGM

BNP PARIBAS

By: /s/ Christopher Criswell
Christopher Criswell
Director

By: /s/ Arnaud Collin du
Bocage
Arnaud Collin du Bocage

EXHIBIT A-1

FORM OF [AMENDED AND RESTATED]* SYNDICATED NOTE

\$ _____ as of _____, 200__

FOR VALUE RECEIVED, the undersigned, HASBRO, INC., a Rhode Island corporation (hereinafter, together with its successors in title and assigns, called the "Company"), hereby absolutely and unconditionally promises to pay to the order of [INSERT NAME OF BANK] (hereinafter together with its successors in title and permitted assigns, called the "Bank") at the times and in accordance with the terms and conditions specified in the Credit Agreement (as defined below) but in no event later than the Final Maturity Date (as defined in the Credit Agreement), the principal sum of [INSERT COMMITMENT AMOUNT] (\$_____), or if less, the aggregate unpaid principal amount of all Syndicated Loans made by the Bank to the Company pursuant to the Amended and Restated Revolving Credit Agreement (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Agreement"), dated as of February 16, 2001, by and among the Company, the Bank and certain other lending institutions listed on Schedule 1 thereto and Fleet National Bank (f/k/a BankBoston, N.A.), as agent (the "Agent") for the Bank and such other lending institutions. All capitalized terms used herein which are defined in the Credit Agreement shall have the same meanings herein as therein.

[This Amended and Restated Syndicated Note (this "Note") constitutes the amendment and restatement in its entirety of the Syndicated Note, dated as of _____, issued by the Company to the Bank in the original principal amount of \$_____ (the "Original Note"), and is in substitution therefor and an amendment and replacement thereof. Nothing herein shall be construed to constitute payment of the Original Note or to release or terminate any guaranty or lien, mortgage, pledge or other security entered in favor of the Bank.]*

This Note evidences borrowings under and has been issued by the Company in accordance with the terms of the Credit Agreement. The Bank and any holder hereof are entitled to the benefits of the Credit Agreement, and may enforce the agreement of the Company contained therein,

including without limitation the Company's promise to pay interest on the Outstanding Syndicated Loans until paid in full at the rates per annum set forth in or established pursuant to the Credit Agreement. Such interest shall be payable on such dates as are determined from time to time pursuant to the Credit Agreement and shall be calculated as therein provided.

The Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule attached to this Note or a continuation of such schedule attached hereto and made a part hereof, an appropriate notation evidencing advances and repayments of principal of this Note, provided that failure by the Bank to make any such notation shall not affect any of the Company's obligations in respect of this Note.

The Company has the right in certain circumstances to prepay the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

The Company and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

This Note and the obligations of the Company hereunder shall be governed by, and interpreted and determined in accordance with, the laws of the Commonwealth of Massachusetts (excluding the laws applicable to conflicts or choice of law). This Note is a sealed instrument under the laws of the Commonwealth of Massachusetts.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officer as of the day and in the year first above written.

HASBRO, INC.

By: _____
Name:
Title:

Attest: _____
Name:
Title:

Date	Amount of Loan	Interest Rate Election	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By

EXHIBIT A-2

FORM OF SYNDICATED LOAN REQUEST

_____, ___, 20__

Fleet National Bank, (f/k/a
BankBoston, N.A.), as Agent
100 Federal Street
Boston, Massachusetts 02110

Re: Syndicated Loan Request

Ladies and Gentlemen:

Reference is hereby made to that certain Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001 (as the same may be amended and in effect from time to time, the "Credit Agreement"), by and among Hasbro, Inc. (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.) and the other lending institutions listed on Schedule 1 thereto (collectively, the "Banks") and Fleet National Bank (f/k/a BankBoston, N.A.), as agent (the "Agent") for the Banks. Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

Pursuant to 2.4 of the Credit Agreement, we hereby request that a Syndicated Loan consisting of [a Base Rate Loan in the principal amount of \$_____ or a Eurocurrency Rate Loan in the principal amount of \$_____ with an Interest Period of _____] be made on _____, 20__. We understand that this request is irrevocable and binding on us and obligates us to accept the requested Syndicated Loan on such date.

We hereby represent and warrant that all of the conditions set forth in 13 of the Credit Agreement have been satisfied on the date of this request.

We hereby certify that the borrowing requested hereby is in accordance with 2.1(a) of the Credit Agreement.

Very truly yours,

HASBRO, INC.

By:

Name:

Title:

EXHIBIT B-1

FORM OF [AMENDED AND RESTATED]* COMPETITIVE BID NOTE

\$ _____ as of _____, 200__

FOR VALUE RECEIVED, the undersigned HASBRO, INC., a Rhode Island corporation (hereinafter, together with its successors in title and assigns, called the "Company"), hereby absolutely and unconditionally promises to pay to the order of [INSERT NAME OF BANK] (the "Bank") at the times and in accordance with the terms and conditions specified in the Credit Agreement (as defined below) but in no event later than the Final Maturity Date, the principal amount of DOLLARS (\$ _____) or, if less, the aggregate unpaid principal amount of Competitive Bid Loans advanced by the Bank to the Company pursuant to the Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001 (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Agreement"), by and among the Company, the Bank, the other lending institutions which are or may become parties to the Credit Agreement and Fleet National Bank (f/k/a BankBoston, N.A.), as Agent. The Company also promises to pay to the order of the Bank interest on the principal balance hereof through and including the date on which such principal amount is paid in full, at the times and at the rates provided in the Credit Agreement. All capitalized terms used in this Amended and Restated Competitive Bid Note (this "Note") and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

[This Note constitutes the amendment and restatement in its entirety of the Competitive Bid Note, dated as of _____, issued by the Company to the Bank in the original principal amount of \$ _____ (the "Original Note"), and is in substitution therefor and an amendment and replacement thereof. Nothing herein shall be construed to constitute payment of the Original Note or to release or terminate any guaranty or lien, mortgage, pledge or other security entered in favor of the Bank.]*

This Note evidences borrowings under and has been issued by the Company in accordance with the terms of the Credit Agreement. The Bank and any holder hereof are entitled to the benefits of the Credit Agreement, and may enforce the agreements of the Company contained therein, including without limitation the Company's promise to repay each Competitive Bid Loan advanced hereunder on the last day of the applicable Interest Period with respect thereto.

The Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule attached to this Note or a continuation of such schedule attached hereto and made a part hereof, an appropriate notation evidencing advances and repayments of principal of this Note, provided that failure by the Bank to make any such notations shall not affect any of the Company's obligations in respect of this Note.

The Company has the right in certain circumstances and the obligation in certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

The Company and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other

EXHIBIT B-2

FORM OF COMPETITIVE BID QUOTE REQUEST

[INSERT DATE]

To: Fleet National Bank (f/k/a BankBoston, N.A.),
as Agent (the "Agent")

From: Hasbro, Inc. (the "Company")

Re: Amended and Restated Revolving Credit
Agreement (as amended and in effect from time to
time, the "Credit Agreement"), dated as of
February 16, 2001, among the Company, the Banks
party thereto and the Agent

We hereby give notice pursuant to 2.5.1(b) of the
Credit Agreement that we request Competitive Bid Quotes for
the following proposed Competitive Bid Loan(s):

Date of Borrowing:

Principal	Amount*	Interest	Period**
Maturity Date***			
\$			

Such Competitive Bid Quotes should offer a Competitive
Bid Rate.

Terms used herein have the meanings assigned to them in
the Credit Agreement.

HASBRO, INC.

By: _____

Title:

* Amount must be \$5,000,000 minimum, or a greater
integral multiple of \$1,000,000.

** Up to one hundred eighty (180) days; a maximum of three
(3) Interest Periods may be selected in one Competitive
Bid Quote Request.

*** Last day of Interest Period.

EXHIBIT B-3

FORM OF INVITATION FOR COMPETITIVE BID QUOTE

To: [Name of Bank]

Re: Invitation for Competitive Bid Quotes to Hasbro,
Inc. (the "Company")

Pursuant to 2.5.1(c) of the Amended and Restated
Revolving Credit Agreement, dated as of February 16, 2001
(as amended and in effect from time to time, the "Credit
Agreement"), among the Company, the Banks party thereto and
Fleet National Bank (f/k/a BankBoston, N.A.), as Agent, we
are pleased on behalf of the Company to invite you to submit
Competitive Bid Quotes to the Company for the following
proposed Competitive Bid Loan(s):

Date of Borrowing:

Principal	Amount	Interest	Period(s)*
Maturity Date**			
\$			

Such Competitive Bid Quotes should offer a Competitive Bid Rate.

Please respond to this invitation by no later than 10:00 a.m. (Boston time) on the requested Drawdown Date to the attention of [] at facsimile number [].

Capitalized terms used herein shall have the same meanings assigned to such terms in the Credit Agreement.

FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), as Agent

By: _____ Authorized Officer

- * Up to three (3) Interest Periods may be specified.
- ** Last day of Interest Period

EXHIBIT B-4

FORM OF COMPETITIVE BID QUOTE

Fleet National Bank (f/k/a BankBoston, N.A.), as Agent
100 Federal Street
Boston, Massachusetts 02110

Attention: [Insert Name]

Re: Competitive Bid Quote to Hasbro, Inc. (the "Company")

In response to your invitation on behalf of the Company, dated _____, 20__ we hereby make the following Competitive Bid Quote on the following terms:

1. _____ Quoting Bank:

2. _____ Person to contact at Quoting Bank:

3. _____ Date of Borrowing: *

4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Competitive Bid Rate(s)****	Principal Amount**	Interest Period(s)***
\$		
\$		

5. _____ Aggregate Principal Amount \$

- * As specified in the related Invitation for Competitive Bid Quotes.
- ** Principal amount bid for each Interest Period (a) may not exceed the lesser of (i) the Total Commitment and (ii) the Maximum Availability in effect from time to time during the applicable Interest Period and (b) may not exceed the aggregate principal amount of Competitive Bid Loans for which offers were requested. Bids must be made for \$5,000,000 or any larger multiple of \$1,000,000.
- *** Up to one hundred eighty (180) days, as specified in the related Invitation for Competitive Bid Quotes.
- **** Specify rate of interest per annum (each rounded to the nearest 1/1000th of 1%) for each applicable Interest Period.

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001, as amended and in effect from time to time, among the Company, the Banks party thereto and Fleet National Bank (f/k/a BankBoston, N.A.), as Agent, irrevocably obligates us to

make the Competitive Bid Loan(s) for which any offer(s) are accepted in whole or in part by the Company.

Very truly yours,

[NAME OF BANK]

Dated: _____

By: _____

Authorized Officer
EXHIBIT B-5

FORM OF NOTICE OF COMPETITIVE BID BORROWING

Fleet National Bank
(f/k/a BankBoston, N.A.), as Agent
100 Federal Street
Boston, Massachusetts 02110

Attention: [Insert Name]

Re: Amended and Restated Revolving Credit Agreement (as amended and in effect from time to time, the "Credit Agreement"), dated as of February 16, 2001, among the Company, the Banks party thereto and the Agent

We hereby give notice pursuant to 2.5.1(f) of the Credit Agreement of our acceptance of the following Competitive Bid Quote(s):

1. Bank: _____

2. _____ Date of Borrowing:
_____*

3. In the following principal amounts, for the following Interest Periods and at the following rates:

Competitive Bid Amount	Principal Period(s)	Interest Rate(s)**
\$		
\$		

[Repeat for each Bank as necessary]

* As specified in the related Invitation for Competitive Bid Quotes.

** Specify rate of interest per annum (each rounded to the nearest 1/1000th of 1%) for each applicable Interest Period.

4. The Aggregate Principal Amount for each Interest Period is:

Interest Period	Aggregate Principal Amount
	\$
	\$

5. We hereby certify (a) that the borrowing accepted hereby is in accordance with 2.5.1 of the Credit Agreement and (b) that each of the representations and warranties contained in the Credit Agreement or in any other Loan Document made by or on behalf of the Company and its Subsidiaries to the Banks delivered pursuant to or in connection with the Credit Agreement was true and correct in all material respects as of the date as of which it was made and is true and correct in all material respects at and as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties related expressly to an earlier date) and (c) that no Default or Event of Default has

occurred and is continuing.

Very truly yours,

HASBRO, INC.

Dated: _____

By: _____

Name:

Title:

EXHIBIT C

FORM OF SWING LINE LOAN REQUEST

HASBRO, INC.

1027 Newport Avenue
Pawtucket, RI 02862

_____, 20__

Fleet National Bank (f/k/a
BankBoston, N.A.), as Agent
100 Federal Street
Boston, MA 02110

Attention: John P. O'Loughlin, Director

Re: Swing Line Loan Request Under the Amended and
Restated Revolving Credit Agreement, dated as of
February 16, 2001

Ladies and Gentlemen:

Please refer to that certain Amended and Restated
Revolving Credit Agreement, dated as of February 16, 2001
(the "Credit Agreement"), by and among Hasbro, Inc. (the
"Company"), Fleet National Bank (f/k/a BankBoston, N.A.) and
the lending institutions party thereto (collectively, the
"Banks") and Fleet National Bank (f/k/a BankBoston, N.A.),
as agent for the Banks (the "Agent"). Capitalized terms
defined in the Credit Agreement and used in this letter
without definition shall have for purposes of this letter
the meanings assigned to them in the Credit Agreement.

Pursuant to 3.2 of the Credit Agreement, we hereby
request that a Swing Line Loan be made to the Company
consisting of a Base Rate Loan in the principal amount of
\$ _____ on _____, 20__ with a maturity date of
_____, 20__. We understand that this request is
irrevocable and binding on us and obligates us to accept the
requested Swing Line Loan on such date.

Very truly yours,

HASBRO, INC.

By: _____

Title: _____

EXHIBIT D

FORM OF SWING LINE NOTE

\$ _____ as of _____, 200__

FOR VALUE RECEIVED, the undersigned HASBRO, INC., a
Rhode Island corporation (hereinafter, together with its
successors in title and assigns, called the "Company"),
hereby absolutely and unconditionally promises to pay to the
order of FLEET NATIONAL BANK (f/k/a BankBoston, N.A.,
hereinafter, together with its successors in title and
permitted assigns, called the "Swing Line Bank") at the
times and in accordance with the terms and conditions
specified in the Credit Agreement (as defined below) but in
no event later than the Swing Line Loan Maturity Date (as
defined in the Credit Agreement), the principal sum of
[INSERT AMOUNT] (\$ _____), or if less, the aggregate

unpaid principal amount of all Swing Line Loans made by the Swing Line Bank to the Company pursuant to the Amended and Restated Revolving Credit Agreement (as the same may be amended, restated, modified or supplemented and in effect from time to time, the "Credit Agreement"), dated as of February 16, 2001, by and among the Company, the Swing Line Bank and certain other lending institutions listed on Schedule 1 thereto and Fleet National Bank (f/k/a BankBoston, N.A.), as agent (the "Agent") for the Bank and such other lending institutions. All capitalized terms used herein which are defined in the Credit Agreement shall have the same meanings herein as therein.

This Swing Line Note (this "Note") evidences borrowings under and has been issued by the Company in accordance with the terms of the Credit Agreement. The Swing Line Bank and any holder hereof are entitled to the benefits of the Credit Agreement, and may enforce the agreement of the Company contained therein, including without limitation the Company's promise to pay interest on the Outstanding Swing Line Loans until paid in full at the rates per annum set forth in or established pursuant to the Credit Agreement. Such interest shall be payable on such dates as are determined from time to time pursuant to the Credit Agreement and shall be calculated as therein provided.

The Swing Line Bank shall, and is hereby irrevocably authorized by the Company to, endorse on the schedule attached to this Note or a continuation of such schedule attached hereto and made a part hereof, an appropriate notation evidencing advances and repayments of principal of this Note, provided that failure by the Swing Line Bank to make any such notation shall not affect any of the Company's obligations in respect of this Note.

The Company has the right in certain circumstances to prepay the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

The Company and every endorser and guarantor of this Note or the obligation represented hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

This Note and the obligations of the Company hereunder shall be governed by, and interpreted and determined in accordance with, the laws of the Commonwealth of Massachusetts (excluding the laws applicable to conflicts or choice of law). This Note is a sealed instrument under the laws of the Commonwealth of Massachusetts.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officer as of the day and in the year first above written.

HASBRO, INC.

By: _____

Name:

Title:

Date	Amount of Swing Line Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:
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EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

HASBRO, INC.

_____, 200_

Fleet National Bank (f/k/a
BankBoston, N.A.), as Agent
100 Federal Street
Boston, MA 02110

Ladies and Gentlemen:

Reference is made to the Amended and Restated Revolving Credit Agreement (the "Credit Agreement"), dated as of February 16, 2001, by and among Hasbro, Inc. (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.) and the lending institutions party thereto (collectively, the "Banks"), and Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (the "Agent"). Capitalized terms used herein without definition shall have the respective meanings set forth in the Credit Agreement.

Pursuant to 9.5(c) of the Credit Agreement, the Company and the undersigned officer of the company (who has reviewed the Loan Documents) hereby certify that (a) the information furnished in the attached Compliance Certificate Worksheet was true and correct as of the last day of the fiscal quarter next preceding the date of this certificate, (b) as of the date hereof, no Default or Event of Default under the Credit Agreement has occurred, (c) the financial statements delivered herewith were prepared in accordance with GAAP, and (d) except as specified in the attached schedule, if any, the representations and warranties set forth in 8 of the Credit Agreement are true and correct in all material respects as of the date hereof except to the extent such representations and warranties expressly relate to an earlier date, provided, however, that the representations and warranties set forth in 8 of the Credit Agreement shall be deemed to be made with respect to the financial statements of the Company most recently delivered to the Agent and the Banks pursuant to 9.5 of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this ____ day of _____, 200_.

HASBRO, INC.

By: _____

Title:

COMPLIANCE CERTIFICATE WORKSHEET

As of _____, 20__

Section
Calculation

11.1 Minimum EBITDA

for Reference Period ended on _____, 20__

A. EBITDA

(Sum of Item A(1) plus Items A(2), A(3) A(4), A(5) and A(6), minus Item A(7), plus solely for the fiscal quarter ended December 30, 2000 or any period that includes such quarter, \$210,000,000) \$

(1) Consolidated Net Earnings (or Loss) deduction consolidated net earnings (or loss) after of all expenses, taxes and other proper charges, determined in accordance with GAAP, after eliminating all extraordinary items of income for such period: \$

(2) income tax expense for such period, to the extent deducted in calculating Item A(1): \$

(3) interest expense for such period, to the extent deducted in calculating Item A(1): \$

(4) depreciation and amortization for such period, to the extent deducted in calculating Item A(1): \$

(5) non-cash charges for such period, to the extent deducted in calculating Item A(1): \$

(6) extraordinary losses for such period, to the extent deducted in calculating Item A(1): \$

(7) extraordinary gains for such period, to the extent included in calculating Item A(1): \$

B. Minimum EBITDA permitted under the Credit Agreement

(For any Reference Period ending with the fiscal quarter referenced in the table set forth below, not to be less than the amount set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	EBITDA
First Quarter 2001	\$310,000,000
Second Quarter 2001	\$270,000,000
Third Quarter 2001	\$300,000,000
Fourth Quarter 2001	\$400,000,000
First Quarter 2002	\$400,000,000
Second Quarter 2002	\$400,000,000
Third Quarter 2002	\$425,000,000
Fourth Quarter 2002	\$475,000,000

11.2 Consolidated Total Funded Debt to EBITDA
For the fiscal quarter ended _____, 20__

A. Consolidated Total Funded Debt \$
(Sum of Item A(1) plus Item A(2) plus Item A(3) plus Item A(4))

(1) Indebtedness for borrowed money or the obtaining of credit (including the face amount of letters of credit outstanding): \$

(2) Indebtedness in respect of the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business): \$

(3) Indebtedness in respect of Capitalized Leases and

Synthetic Leases:

\$

(4) Indebtedness of the type referred to in Items A(1), A(2) and A(3) above which are guaranteed by the Company or any of its Subsidiaries

\$

B. EBITDA for the Reference Period then ended (as set forth in Item 11.1(A)):

\$

C. Ratio of Item A to Item B:

:_____
(For any fiscal quarter referenced in the table set forth below, not to exceed the ratio set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	Ratio
Fourth Quarter 2000	3.25:1.00
First Quarter 2001	4.25:1.00
Second Quarter 2001	5.75:1.00
Third Quarter 2001	5.50:1.00
Fourth Quarter 2001	3.25:1.00
First Quarter 2002	3.00:1.00
Second Quarter 2002	3.15:1.00
Third Quarter 2002	3.40:1.00
Fourth Quarter 2002	2.55:1.00

11.3 Fixed Charge Coverage Ratio

For the Reference Period ended on _____, 20__

A. Consolidated Operating Cash Flow: (Item A(1) minus Item A(2)):

\$

(1) EBITDA for such period (as set forth in Item 11.1(A)): \$

(2) Capital Expenditures made during such period: \$

B. Consolidated Total Debt Service

(Sum of Item B(1) plus Item B(2) plus Item B(3)):

\$

(1) Consolidated Total Interest Expense for such period: \$

(2) scheduled repayments of principal during such period in respect of Consolidated Total Funded Debt (set forth

in Item 11.2(A)) that becomes due and payable during such period or is to become due and payable during such period (excluding any repayments of principal required under the Credit Agreement and the Credit

Line Agreement): \$

(3) Distributions paid during such period: \$

C. Ratio of Item A to Item B:

:
(For any Reference Period ending with any fiscal quarter referenced in the table below, not to be less than the ratio set forth opposite such fiscal quarter in such table)

Fiscal Quarter Ending:	Ratio
First Quarter 2001	1.20:1.00
Second Quarter 2001	1.10:1.00
Third Quarter 2001	1.70:1.00
Fourth Quarter 2001	2.50:1.00
First Quarter 2002	2.60:1.00
Second Quarter 2002	2.55:1.00
Third Quarter 2002	2.90:1.00
Fourth Quarter 2002	3.45:1.00

11.4 Capital Expenditures

For the period from _____ to _____:

A. Capital Expenditures made during such period:

\$

B. Maximum amount of Capital Expenditures permitted under the Credit Agreement

(For any period referenced in the table below, not to exceed

the aggregate amount set forth in the table below opposite

such period in such table)

Period	Amount
First Quarter 2001	\$30,000,000
First and Second Quarter 2001	\$60,000,000
First, Second and Third Quarter 2001	\$80,000,000
First, Second, Third and Fourth Quarter 2001	\$90,000,000
First Quarter 2002	\$35,000,000
First and Second Quarter 2002	\$70,000,000
First, Second and Third Quarter 2002	\$95,000,000
First, Second, Third and Fourth Quarter 2002	\$110,000,000

EXHIBIT F

FORM OF SUBORDINATION AGREEMENT

This AMENDED AND RESTATED SUBORDINATION AGREEMENT, dated as of February 16, 2001 (as amended and in effect from time to time, this "Subordination Agreement"), is by and among (a) HASBRO, INC., a Rhode Island corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 (the "Company"), (b) HASBRO INTERNATIONAL, INC., a Delaware corporation having its principal place of business at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 ("HII"), (c) WIZARDS OF THE COAST, INC., a Washington corporation having its principal place of business at 1801 Lind Ave SW, Renton, Washington 98055 ("Wizards" and together with HII, the "Significant Subsidiaries") and (d) FLEET NATIONAL BANK (f/k/a BankBoston, N.A.), a national banking association having an office at 100 Federal Street, Boston, Massachusetts 02110, as agent for (in such capacity, the "Agent") the Banks (as such term is hereinafter defined directly or by reference).

WHEREAS, the Company is the direct or indirect legal and beneficial owner of all the issued and outstanding shares of each class of the capital stock of each of the Significant Subsidiaries;

WHEREAS, the Significant Subsidiaries are members of a group of related corporations, the success of any one of which is dependent in part on the success of the other members of such group;

WHEREAS, the Company, the Agent, and the Banks are entering into an (a) Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001 (as amended and in effect from time to time, the "Revolving Credit Agreement") and (b) Amended and Restated Line of Credit Agreement, dated as of February 16, 2001 (as amended and in effect from time to time, the "Credit Line Agreement", and together with the Revolving Credit Agreement, the "Credit Agreements") which amend and restate, respectively, the (i) Revolving Credit Agreement, dated as of September 10, 1998 (as amended and in effect from time to time, the "Existing Revolving Credit Agreement") and (ii) Line of Credit Agreement, dated as of June 28, 2000 (as amended and in effect from time to time, the "Existing Credit Line Agreement", and together with the Existing Revolving Credit Agreement, the "Existing Credit Agreements").

WHEREAS, in connection with the Existing Credit Agreements, (a) the Company, HII and the Agent, for the benefit of the Banks and the Agent, entered into a Subordination Agreement, dated as of September 10, 1998 and (b) the Company, the Significant Subsidiaries and the Agent, for the benefit of the Banks and the Agent, entered into a Subordination Agreement, dated as of June 28, 2000 (as each

has been amended, supplemented or otherwise modified from time to time, the Subordination Agreements referred to in clauses (a) and (b) are hereinafter collectively referred to as the "Existing Subordination Agreements");

WHEREAS, it is a condition precedent to the amendment and restatement of the Existing Credit Agreements and to the Banks' making any loans or otherwise extending credit to the Company under the Credit Agreements that the Company and each of the Significant Subsidiaries execute and deliver to the Agent, for the benefit of the Banks and the Agent, an amended and restated subordination agreement substantially in the form hereof;

WHEREAS, the Significant Subsidiaries will receive substantial direct and indirect benefit from the loans and extension of credit by the Banks and the Agent to the Company pursuant to the Credit Agreements (which benefits are hereby acknowledged); and

WHEREAS, the Company and each of the Significant Subsidiaries wish to amend and restate the Existing Subordination Agreements as provided herein;

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 agree as follows:

1. All capitalized terms used herein without definitions shall have both the respective meanings provided therefor in the Credit Agreements, provided that if the Credit Agreements provide different meanings for any capitalized term used herein without definition, such capitalized term shall have both such meanings.

2. The Company and each of the Significant Subsidiaries covenant and agree with the Agent that all of the Subordinated Indebtedness (as hereinafter defined) of the Company to the Significant Subsidiaries is hereby expressly subordinated and made junior, to the extent and in the manner hereinafter set forth in this agreement, in right of payment to the prior payment in full of all the Obligations. Until all the Obligations shall have been paid in full and the Total Commitment shall have been terminated, (a) the Company shall not, directly or indirectly, make any payment of principal or interest on account of or transfer any collateral for any part of any and all indebtedness of the Company to each of the Significant Subsidiaries, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising (referred to herein as the "Subordinated Indebtedness"), whether evidenced by negotiable or non-negotiable instruments, securities or other writings, book entries or otherwise, provided that prior to the occurrence of an Event of Default, the Company may make payments of principal and interest on account of the Subordinated Indebtedness, (b) upon the occurrence, and during the continuance of, an Event of Default, none of the Significant Subsidiaries shall demand or accept from the Company or any other Person any payment or collateral in respect of the Subordinated Indebtedness, nor cancel, set off or otherwise discharge any part of the Subordinated Indebtedness, and (c) neither the Significant Subsidiaries nor the Company shall otherwise take or permit any action prejudicial to or inconsistent with the terms of this agreement.

3. If an Event of Default shall have occurred and be continuing, the Agent may, by notice to the Company and the Significant Subsidiaries, demand that all payments made thereafter by the Company in respect of the Subordinated Indebtedness be made to the Agent for the benefit of the Banks in payment of the Obligations. Upon receipt of such notice from the Agent, the Company shall make all such payments in respect of the Subordinated Indebtedness directly to the Agent for application to the Obligations. Each of the Significant Subsidiaries agrees to subordinate any subrogation claims it may have in respect of any such payments until the Obligations shall have been paid in full.

4. None of the Significant Subsidiaries will commence or join with any other creditor or creditors of the Company in commencing any bankruptcy, reorganization or insolvency proceedings against the Company. At any meeting of creditors of the Company or, in the event of any proceeding, voluntary or involuntary, for the distribution, division or application of all or part of the assets or business of the Company or the proceeds thereof, whether such proceeding be for the liquidation, reorganization, dissolution or winding

up of the Company or its business, a receivership, insolvency or bankruptcy proceeding, an assignment for the benefit of creditors or a proceeding by or against the Company for relief under any bankruptcy, reorganization or insolvency law or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or otherwise, if all Obligations have not been paid in full at the time, the Agent is hereby irrevocably authorized at any such meeting or in any such proceeding:

(a) To enforce claims comprising Subordinated Indebtedness either in its own name or the name of any of the Significant Subsidiaries, by proof of debt, proof of claim, suit or otherwise;

(b) To collect any assets of the Company distributed, divided or applied by way of dividend or payment, or any such securities issued, on account of the Subordinated Indebtedness and apply the same, or the proceeds of any realization upon the same that the Agent in its discretion elects to effect, to the Obligations until all the Obligations shall have been paid in full, rendering any surplus to the applicable Significant Subsidiary;

(c) To vote claims comprising the Subordinated Indebtedness, to accept or reject any plan of partial or complete liquidation, reorganization, arrangement, composition or extension; and

(d) To take generally any action in connection with any such meeting or proceeding which any of the Significant Subsidiaries in their roles as creditors might otherwise take.

5. Except as provided in 2 hereof, should any payment on account of or any collateral for any part of the Subordinated Indebtedness be received by any of the Significant Subsidiaries, such payment or collateral shall be delivered forthwith to the Agent by such Significant Subsidiaries for application to the Obligations, in the form received except for the addition of any endorsement or assignment which may have been omitted. Until so delivered any such payment or collateral shall be held by such Significant Subsidiary in trust for the Agent and shall not be commingled with other funds or property of such Significant Subsidiary.

6. No part of the Subordinated Indebtedness is evidenced by any instrument, security or other writing (other than open-account indebtedness entries on the books of the Company or the Significant Subsidiaries) a copy of which has not previously been or is not concurrently being delivered to the Agent and the Banks; the Significant Subsidiaries are the lawful owners of the Subordinated Indebtedness and no part thereof has been assigned to or subjected to any security interest in favor of anyone. Until all the Obligations have been paid in full, the Company shall not issue any instrument, security or other writing evidencing any part of the Subordinated Indebtedness except at the request of and in the manner requested by the Agent; and none of the Significant Subsidiaries shall assign or subordinate any of the Subordinated Indebtedness except to or in favor of the Agent or upon terms satisfactory in form and substance to the Agent and the Banks.

7. The Agent is hereby authorized to demand specific performance of this agreement, whether or not the Company shall have complied with the provisions hereof applicable to it, at any time when any of the Significant Subsidiaries shall have failed to comply with any provision hereof applicable to it. Each of the Significant Subsidiaries hereby irrevocably waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance hereof in any action brought therefor by the Agent. Each of the Significant Subsidiaries further waives presentment, notice and protest in connection with all negotiable instruments evidencing the Obligations or the Subordinated Indebtedness to which it may be a party, notice of the acceptance of this agreement by the Agent, notice of any loan made, extension granted or other action taken in reliance hereon and all demands and notices of every kind (except as expressly provided in the Credit Agreements) in connection with this Subordination Agreement, the Obligations or the Subordinated Indebtedness; assent to any renewal, extension or postponement of the time of payment of the Obligations or any other indulgence with respect thereto, to any substitution, exchange or release of collateral therefor and to the addition or release of any

person primarily or secondarily liable thereon; and agree to the provisions of any instrument, security or other writing evidencing the Obligations.

8. The Significant Subsidiaries shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may reasonably require more completely to vest in and assure to the Agent its rights hereunder or in any of the Subordinated Indebtedness.

9. The Company and the Significant Subsidiaries shall pay to the Agent on demand any and all expenses, including reasonable counsel fees, incurred or paid by the Agent in protecting, preserving or enforcing its rights hereunder. After deducting all of said expenses, the residue of any proceeds of collection or sale of any negotiable or non-negotiable instruments, securities or other writings evidencing any of the Subordinated Indebtedness shall be applied to the payment of the Obligations ratably among the Banks and the Agent and, while giving effect to such ratable applications, proper allowance being made for interest on Obligations not then due, and any excess shall be returned to the applicable Significant Subsidiary.

10. If any warranty herein contained shall prove to have been materially false when made or in the event of a breach by the Company or any Significant Subsidiary in the performance of any of the terms hereof, the Agent may, at its option, declare that an Event of Default has occurred pursuant to and in accordance with the terms of 14 of the Credit Agreements (taking into account any applicable grace period provided for therein), whereupon the Agent and the Banks shall have all of the rights and remedies provided for herein and in the other Loan Documents.

11. The Company and each of the Significant Subsidiaries hereby acknowledge the agency provisions set forth in 16 of the Credit Agreements and the authority of the Agent thereunder to act for the Banks with respect to this Subordination Agreement as provided in each such 16.

12. The rights granted to the Agent hereunder are solely for the protection of the Agent and the Banks and nothing herein contained shall impose on the Agent any duties with respect to any property of the Company or any Significant Subsidiary received hereunder beyond reasonable care in its custody and preservation while in the Agent's possession. The Agent shall have no duty to preserve rights against prior parties in any instrument or chattel paper received hereunder.

13. All rights and interests of the Agent and the Banks hereunder, and all agreements and obligations of the Significant Subsidiaries and the Company under this Subordination Agreement, shall remain in full force and effect irrespective of:

- (i) any lack of validity or enforceability of the Credit Agreements, the Notes or any other agreement or instrument relating thereto;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreements or the Notes, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to the Company or any of its subsidiaries or otherwise;
- (iii) any taking, exchange, release or nonperfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;
- (iv) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Company or any of its subsidiaries; and
- (v) any other circumstances (other than payment in full of the Obligations and the termination of the Total Commitment) which might otherwise constitute a defense available to, or a discharge of, the

Company or a subordinated creditor.

This Subordination Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment has not been made.

14. The Significant Subsidiaries and the Company each hereby represent and warrant as follows:

(a) The Subordinated Indebtedness now outstanding has been duly authorized, issued and delivered by the Company and constitutes the legal, valid and binding obligations of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, marshalling or other laws relating to or affecting the enforcement generally of creditors' rights and remedies (including such as may deny giving effect to waivers of debtors' rights). There exists no default in respect of any such Subordinated Indebtedness.

(b) The Significant Subsidiaries are the legal and beneficial owners of the Subordinated Indebtedness now outstanding, free and clear of any lien, security interest, option or other charge or encumbrance (other than Permitted Liens).

(c) There are no conditions precedent to the effectiveness of this Subordination Agreement that have not been satisfied or waived.

15. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to HII or Wizards, c/o the Company at 1027 Newport Avenue, Pawtucket, Rhode Island 02862 and if to the Company, the Agent or any Bank, at its address specified in the Credit Agreements; or as to each party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when, respectively, deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company.

16. This Subordination Agreement is intended to take effect as a sealed instrument, shall be binding upon the Company and each of the Significant Subsidiaries and their respective successors and assigns, shall inure to the benefit of the Agent and the Banks, their successors and assigns and shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have caused this Subordination Agreement to be duly executed as of this _____ day of February, 2001.

(Corporate Seal)

HASBRO, INC.

By:
Title:

HASBRO INTERNATIONAL, INC.

By:
Title:

WIZARDS OF THE COAST, INC.

By:
Title:

By:
Title:

EXHIBIT H

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Revolving Credit Agreement, dated as of February 16, 2001 (as from time to time amended and in effect, the "Credit Agreement"), by and among (a) Hasbro, Inc., a Rhode Island corporation (the "Company"), (b) Fleet National Bank (f/k/a BankBoston, N.A.), a national banking association and the other lending institutions listed on Schedule 1 thereto (collectively, the "Banks"), and (c) Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

_____ (the "Assignor") and _____
(the "Assignee") hereby agree as follows:

1. Assignment.

Subject to the terms and conditions of this Assignment and Acceptance, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes without recourse to the Assignor, a \$_____ interest in and to the rights, benefits, indemnities and obligations of the Assignor under the Credit Agreement equal to _____% in respect of the Total Commitment immediately prior to the Effective Date (as hereinafter defined).

2. Assignor's Representations.

The Assignor (i) represents and warrants that (a) it is legally authorized to enter into this Assignment and Acceptance, (b) as of the date hereof, its Commitment is \$_____, its Commitment Percentage is _____%, the aggregate outstanding principal balance of its Syndicated Loans equals \$_____, the aggregate outstanding principal balance of its Competitive Bid Loans equals \$_____, and the aggregate amount of its participations in respect of Swing Line Loans equals \$_____ and (c) immediately after giving effect to all assignments which have not yet become effective, the Assignor's Commitment Percentage will be sufficient to give effect to this Assignment and Acceptance, (ii) makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant thereto or the attachment, perfection or priority of any security interest or mortgage, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder free and clear of any claim or encumbrance; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Company or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of its obligations under the Credit Agreement or any of the other Loan Documents or any other instrument or document delivered or executed pursuant thereto; and (iv) attaches hereto the Syndicated Note and Competitive Bid Note delivered to it under the Credit Agreement.

The Assignor requests that the Company exchange the Assignor's Syndicated Note for new Syndicated Notes and Competitive Bid Notes payable to the Assignor and the Assignee as follows:

Notes Payable	Amount of	Amount	of
to the Order	Syndicated Note	Competitive	Bid

of:		Note
Assignor	\$ _____	\$ _____
	_____	_____
Assignee	\$ _____	\$ _____
	_____	_____

3. Assignee's Representations.

The Assignee (i) represents and warrants that (a) it is duly and legally authorized to enter into this Assignment and Acceptance, (b) the execution, delivery and performance of this Assignment and Acceptance do not conflict with any provision of law or of the charter or by-laws of the Assignee, or of any agreement binding on the Assignee, (c) all acts, conditions and things required to be done and performed and to have occurred prior to the execution, delivery and performance of this Assignment and Acceptance, and to render the same the legal, valid and binding obligation of the Assignee, enforceable against it in accordance with its terms, have been done and performed and have occurred in due and strict compliance with all applicable laws; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to 8.8 and 9.5 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (v) agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

4. Effective Date.

The effective date for this Assignment and Acceptance shall be _____, _____ (the "Effective Date"). Following the execution of this Assignment and Acceptance, and, if required by the Credit Agreement, the consent of the Company hereto having been obtained, each party hereto shall deliver its duly executed counterpart hereof to the Agent for acceptance by the Agent and recording in the Register by the Agent. Schedule 1 to the Credit Agreement shall thereupon be replaced as of the Effective Date by the Schedule 1 annexed hereto.

5. Rights Under Credit Agreement.

Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder, and (ii) the Assignor shall, with respect to that portion of its interest under the Credit Agreement assigned hereunder, relinquish its rights and be released from its obligations under the Credit Agreement; provided, however, that the Assignor shall retain its rights to be indemnified pursuant to 4.7 and 18 of the Credit Agreement with respect to any claims or actions arising prior to the Effective Date.

6. Payments.

Upon such acceptance of this Assignment and Acceptance by the Agent and such recording, from and after the Effective Date, the Agent shall make all payments in respect of the rights and interests assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make any appropriate adjustments in payments for periods prior to the Effective Date by the Agent or with respect to the making of this assignment directly between themselves.

7. Governing Law.

THIS ASSIGNMENT AND ACCEPTANCE IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

8. Counterparts.

This Assignment and Acceptance may be executed in any number of counterparts which shall together constitute but one and the same agreement.

[Remainder of page intentional left blank]

IN WITNESS WHEREOF, intending to be legally bound, each of the undersigned has caused this Assignment and Acceptance to be executed on its behalf by its officer thereunto duly authorized, as of the date first above written.

[ASSIGNOR]

By: Title:

[ASSIGNEE]

By: Title:

CONSENTED TO:

FLEET NATIONAL BANK,
(f/k/a BankBoston, N.A.),
as Agent

By: Name:
Title:

[HASBRO, INC.]
(required only if no
Default or Event of
Default has occurred and
is continuing)

By: Name:
Title:

EXHIBIT I

FORM OF CONFIDENTIALITY AGREEMENT

[_____, 200__]

[Name and Address of Bank to
Provide Confidential Information
to Third Party]

Re: Hasbro, Inc.

Ladies and Gentlemen:

Reference is hereby made to the [Amended and Restated Revolving Credit Agreement] [Amended and Restated Line of Credit Agreement], dated as of February 16, 2001 (as amended and in effect from time to time, the "Credit Agreement"), by and among Hasbro, Inc., a Rhode Island corporation (the "Company"), Fleet National Bank (f/k/a BankBoston, N.A.), a national banking association and the other lending institutions listed on Schedule 1 thereto (collectively, the "Banks"), and Fleet National Bank (f/k/a BankBoston, N.A.), as agent for the Banks (in such capacity, the "Agent").

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to and in accordance with 9.10 and 22 of the Credit Agreement, the undersigned (the "Transaction Party"), in connection with [DESCRIBE NATURE OF TRANSACTION], hereby covenants and agrees, on behalf of itself and each of its affiliates, directors, officers, employees and representatives, to use reasonable precautions to keep confidential, in accordance with its customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company or any of its Subsidiaries or any of the Banks that has been designated as confidential at the time such information was provided to such Bank, provided that nothing herein shall limit the disclosure of any such information:

- (a) after such information shall have become public other than through a violation of 22 of the Credit Agreement, or becomes available to the Transaction Party on a nonconfidential basis from a source other than the Company or any of its Subsidiaries without a duty of confidentiality to the Company or such Subsidiary being violated;
- (b) to the extent required by statute, rule, regulation or judicial process;
- (c) to counsel for the Transaction Party so long as the Transaction Party informs its counsel of the agreement under 22 of the Credit Agreement and the Transaction Party assumes responsibility for compliance by its counsel with such agreement;
- (d) to bank examiners or any other regulatory authority having jurisdiction over the Transaction Party, or to auditors or accountants;
- (e) to the Agent or any Bank;
- (f) in connection with any litigation to which the any one of the Banks, the Agent or the Transaction Party is a party, or in connection with the enforcement of rights or remedies hereunder or under any other Loan Document;
- (g) to a subsidiary or affiliate of the Transaction Party so long as the Transaction Party informs the affiliate or subsidiary of the agreement under 22 of the Credit Agreement and the Transaction Party assumes responsibility for compliance by such Person with such agreement;
- (h) to any actual or prospective assignee or participant or any actual or prospective counterparty (or its advisors) to any swap or derivative transactions referenced to credit or other risks or events arising under the Credit Agreement or any other Loan Document so long as such actual or prospective assignee, participant or counterparty, as the case may be, agrees to execute and deliver an agreement in substantially the same form hereof; or
- (i) with the consent of the Company;

and provided further that, unless specifically prohibited by applicable law or court order, prior to any such disclosure, the Transaction Party shall notify the Company of any request for disclosure of such information by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Transaction Party by such governmental agency) or pursuant to legal process and afford the Company the opportunity to obtain a protective order or other appropriate remedy or agreement to maintain confidentiality of such information.

This letter shall constitute a sealed instrument under and be governed by the law of the Commonwealth of Massachusetts and is binding upon the successors and assigns of the Transaction Party. Please indicate your acceptance of the above by signing and returning an executed copy of this letter to [INSERT NAME OF BANK TO PROVIDE THE CONFIDENTIAL INFORMATION].

Sincerely,

[NAME OF TRANSACTION PARTY]

By:

Name:
Title:

Accepted and Acknowledged:

[NAME OF BANK TO PROVIDE
CONFIDENTIAL INFORMATION]

By: _____
Name:
Title:

FIRST AMENDMENT TO RIGHTS AGREEMENT

FIRST AMENDMENT, dated as of December 4, 2000, to the Rights Agreement, dated as of June 16, 1999 (the "Rights Agreement"), between Hasbro, Inc., a Rhode Island corporation (the "Company"), and Fleet National Bank (formerly known as BankBoston N.A.), as Rights Agent (the "Rights Agent").

The Company and the Rights Agent have heretofore executed and entered into the Rights Agreement. Pursuant to Section 27 of the Rights Agreement, the Company and the Rights Agent may from time to time supplement or amend the Rights Agreement in accordance with the provisions of Section 27 thereof. All acts and things necessary to make this First Amendment a valid agreement, enforceable according to its terms, have been done and performed, and the execution and delivery of this First Amendment by the Company and the Rights Agent have been in all respects duly authorized by the Company and the Rights Agent.

In consideration of the foregoing and the mutual agreements set forth herein, the parties hereto agree as follows:

1. Section 23(c) of the Rights Agreement is hereby deleted in its entirety from the Rights Agreement.
2. This First Amendment to the Rights Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.
3. This First Amendment to the Rights Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument. Terms not defined herein shall, unless the context otherwise requires, have the meanings assigned to such terms in the Rights Agreement.
4. In all respects not inconsistent with the terms and provisions of this First Amendment to the Rights Agreement, the Rights Agreement is hereby ratified, adopted, approved and confirmed. In executing and delivering this First Amendment, the Rights Agent shall be entitled to all the privileges and immunities afforded to the Rights Agent under the terms and conditions of the Rights Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and attested, all as of the date and year first above written.
Attest: HASBRO, INC.

By: /s/ Phillip H. Waldoks	By: /s/ Alan G. Hassenfeld
-----	-----
Secretary	Chairman and Chief Executive Officer

Attest: FLEET NATIONAL BANK

By: /s/ Stephen M. Plefka	By: /s/ Katherine Anderson
-----	-----

[Hasbro Logo]

December 13, 2000

Salvatore Meli, Esq.
189-05 Crocheron Avenue
Flushing, NY 11358
U.S.A.

Dear Sal,

Further to our conversations and the telephone conversation I had today with Donald Bezahler please be advised that we have agreed that the total rent for the lease with Central Toy Manufacturing Inc. which was extended to January 31, 2004 in July will be as follows:

February 1, 2001 to January 31, 2002	\$579,382.77
February 1, 2002 to January 31, 2003	\$589,382.77
February 1, 2003 to January 31, 2004	\$599,382.77

We request that you indicate your consent to the aforesaid by executing and returning to us a duplicate of this letter.

Yours very truly,

/s/ Avrum Stark

Avrum Stark
Senior Vice President
Finance and Operations

Receipt acknowledged and agreed to this 29th day of December, 2000.

Per: Central Toy Manufacturing Inc.

Signature: /S/ SALVATORE MELI

Name: Salvatore Meli

cc: Donald Bezahler

HASBRO CANADA CORPORATION / CORPORATION HASBRO CANADA 2350
de la Province, Longueuil, Quebec J4G 1G2, 450-570-9820,
Fax 450-351-4531

HASBRO SALES CORPORATION / CORPORATION LES VENTES HASBRO
2605 Skymark Avenue, Mississauga, Ontario L4W 4L5 905-238-
3374 Fax 905-238-2860

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT, entered into as of the Grant Date (as defined in paragraph 1), by and between the Participant (as defined in paragraph 1) and Hasbro, Inc. (the "Company");

WITNESSETH THAT:

WHEREAS, the Company maintains the Employee Non-Qualified Stock Plan (the "Plan"), a copy of which is annexed hereto as Exhibit A and the provisions of which are incorporated herein as if set forth in full, and the Participant has been selected by the Compensation and Stock Option Committee of the Board of Directors of the Company (the "Committee"), which administers the Plan, to receive an award of restricted stock under the Plan;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Participant, as follows:

1. Terms of Award. The following terms used in this Agreement shall have the meanings set forth in this paragraph 1:

A. The "Participant" is NAME -----.

B. The "Grant Date" is DATE -----.

C. The "Restricted Period" is the period beginning on the Grant Date and ending on DATE *

D. The number of shares of "Restricted Stock" awarded under this Agreement shall be ----- shares. Shares of "Restricted Stock" are shares of the Company's common stock, par value \$.50 per share ("Common Stock") granted under this Agreement and subject to the terms of this Agreement and the Plan.

Other terms used in this Agreement are defined pursuant to paragraph 8 or elsewhere in this Agreement.

2. Award. The Participant is hereby granted the number of shares of Restricted Stock set forth in paragraph 1.

*Restricted Period is generally three years

3. Dividends and Voting Rights. The Participant shall be entitled to receive any dividends paid with respect to shares of Restricted Stock that become payable during the Restricted Period; provided, however, that no dividends shall be payable to or for the benefit of the Participant with respect to record dates occurring prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock. The Participant shall be entitled to vote the shares of Restricted Stock during the Restricted Period to the same extent as would have been applicable to the Participant if the Participant was then vested in the shares; provided, however, that the Participant shall not be entitled to vote the shares with respect to record dates for such voting rights arising prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock.

4. Escrow of Shares of Restricted Stock; Restrictive Legends. Each certificate issued in respect of shares of Restricted Stock granted under this Agreement shall be registered in the name of the Participant and shall be deposited in escrow in accordance with this paragraph 4. The Participant shall, upon the execution of this Agreement, execute Joint Escrow Instructions in the form attached to this agreement as Exhibit B. The Joint Escrow Instructions shall be delivered to the Secretary of the Company, as escrow agent thereunder. The Participant shall deliver to such escrow agent a stock transfer form duly endorsed in blank and hereby instructs the Company to deliver to such escrow agent, on behalf of the Participant, the certificate(s) evidencing the shares issued hereunder. Such materials shall be held by such escrow agent pursuant to the terms of the Joint Escrow Instructions.

All certificates representing shares of Restricted Stock

shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

"THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS, INCLUDING FORFEITURE PROVISIONS AND RESTRICTIONS AGAINST TRANSFER (THE "RESTRICTIONS"), CONTAINED IN THE HASBRO, INC. EMPLOYEE NON-QUALIFIED STOCK PLAN AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND HASBRO, INC. ANY ATTEMPT TO DISPOSE OF THESE SHARES IN CONTRAVENTION OF THE RESTRICTIONS, INCLUDING BY WAY OF SALE, ASSIGNMENT, TRANSFER, PLEDGE, HYPOTHECATION OR OTHERWISE, SHALL BE NULL AND VOID AND WITHOUT EFFECT."

5. Transfer and Forfeiture of Shares. If the Participant's Date of Termination (as defined below) does not occur during the Restricted Period, then, at the end of the Restricted Period, the Participant shall become vested in the shares of Restricted Stock, and shall own the shares free of all restrictions otherwise imposed by this Agreement. The Participant shall become vested in the shares of Restricted Stock, and become owner of the shares free of all restrictions otherwise imposed by this Agreement, prior to the end of the Restricted Period, as follows:

A. The Participant shall become vested in the shares of Restricted Stock as of the Participant's Date of Termination prior to the date the Restricted Stock would otherwise become vested, if the Participant's Date of Termination occurs by reason of (i) the Participant's retirement at his or her normal Retirement Date (as defined below), (ii) the Participant's retirement at an Early Retirement Date (as defined below), subject to the discretion of the Committee based, among other things, upon the execution by the Participant of a "covenant not to compete" in a form approved by the Board or the Committee, or (iii) if the Participant has at least one year of Credited Service (as defined below), the Participant's death or Participant's suffering a Permanent Physical or Mental Disability (as defined below).

B. The Participant shall become vested in the shares of Restricted Stock as of the date of a Change in Control (as defined below), if the Change in Control occurs prior to the end of the Restricted Period, and the Participant's Date of Termination does not occur before the Change in Control date.

Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered until the expiration of the Restricted Period or, if earlier, until the Participant is vested in the shares. Except as otherwise provided in this paragraph 5, if the Participant's Date of Termination occurs prior to the end of the Restricted Period, the Participant shall forfeit the Restricted Stock as of the Participant's Date of Termination.

6. Income Taxes. The Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the Restricted Stock (or, if the Participant makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), in connection with such grant), an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Stock. Such payment shall be made in the form of cash, shares of Common Stock already owned or otherwise issuable upon the lapse of restrictions, or in a combination of such methods. The Participant shall promptly notify the Company of any election made pursuant to Section 83(b) of the Code.

7. Non-Competition/Non-Solicitation**.

(a) In consideration for the award of the shares of Restricted Stock to the Participant pursuant to this Agreement, the Participant agrees that while employed by the Company and for a period of one (1) year after termination or cessation of such employment for any reason, the Participant will not directly or indirectly:

(1) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than one percent (1%) of the combined voting power of the outstanding stock of a publicly held company) that is competitive with the Company's business; including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any toy or game.

(2) Either alone or in association with others solicit, or permit any person or organizations directly or indirectly to solicit, any individual who at the time of the solicitation is, or who within the six (6) month period prior to such solicitation was, an employee of the Company to leave the employ of the Company or terminate his/her relationship with the Company.

** Applicable only to grants of 5,000 or more shares of Restricted Stock. Mr. Goldner's non-competition/non-solicitation obligations are set forth in his employment agreement.

(b) The geographic scope of this Section 7 shall extend to anywhere the Company or any of its subsidiaries or affiliates is doing business at the time of the Participant's termination or cessation of employment with the Company.

(c) The Participant acknowledges that the restrictions set forth in this Section 7 are necessary for the protection of the business and goodwill of the Company and considers the restrictions to be reasonable for such purpose. The Participant agrees that any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and that any breach of this Section 7 would entail the inevitable use and or disclosure of proprietary information. Therefore, the Participant agrees that in the event of any breach of Section 7(a)(1), the Participant shall immediately return to the Company all shares of Restricted Stock granted hereby. In the event that any of such shares of Restricted Stock have been sold or transferred by the Participant, Participant shall pay to the Company as liquidated damages all Net Proceeds (as defined below) Participant realized on the sale or transfer of any such shares in lieu of returning such shares. With respect to a sale of shares, "Net Proceeds" shall be calculated by multiplying the number of shares of Restricted Stock sold times the sales price, without regard to any subsequent market price increase or decrease, less commission, if any. With respect to a transfer of shares, "Net Proceeds" shall be calculated by multiplying the number of shares of Restricted Stock transferred times the closing price of the shares on the day of the transfer. The Company and Participant agree that either the return to the Company of the shares of Restricted Stock or the Net Proceeds from any sale or transfer made by Participant shall be the Company's sole and exclusive remedy for any breach by the Participant of Section 7(a)(1). The Participant further agrees that in the event of any breach of Section 7(a)(2), the Company, in addition to such other remedies which may be available, shall be entitled to specific performance and other injunctive relief without posting a bond.

8. Definitions. For purposes of this Agreement, the terms used in this Agreement shall be subject to the following:

A. Change in Control. The term "Change in Control" shall have the meaning ascribed to it in the Plan.

B. Credited Service. The term "Credited Service" shall mean the period of the employee's employment considered in determining whether the employee is eligible to receive benefits under the Company's Pension Plan (or any successor plan) upon termination of employment.

C. Date of Termination. The Participant's "Date of Termination" shall be the first day occurring on or after the Grant Date on which the Participant is not employed by the Company or any entity directly or indirectly controlled by the Company (a "Subsidiary"), regardless of the reason for the termination of employment; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Subsidiary approved by the

Participant's employer. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Subsidiary (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

D. Early Retirement Date. The term "Early Retirement Date" shall mean the day on which a Participant who has attained age fifty-five (55), but has not reached age sixty-five (65), with ten (10) or more years of Credited Service, retires. A Participant is eligible for early retirement on the first day of the calendar month coincident with or immediately following the attainment of age fifty-five (55) and the completion of ten (10) years of Credited Service, and "early retirement" shall mean retirement by an eligible Participant at the Early Retirement Date.

E. Normal Retirement Date. The term "Normal Retirement Date" shall mean the day on which a Participant who has attained age sixty-five (65), with five (5) years of Credited Service, retires. A Participant is eligible for normal retirement on the first day of the calendar month coincident with or immediately following the Participant's attainment of age sixty-five (65) and completion of five (5) years of Credited Service, and "normal retirement" shall mean the retirement by an eligible Participant at the Normal Retirement Date.

F. Permanent Physical or Mental Disability. The term "Permanent Physical or Mental Disability" shall mean the Participant's inability to perform his or her job or any position which the Participant can perform with his or her background and training by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long, continued and indefinite duration.

G. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

9. Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business and the Participant and the successors and permitted assigns of the Participant, including but not limited to, the estate of the Participant and the executor, administrator or trustee of such estate, the guardian or legal representative of the Participant.

10. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

11. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan.

12. Amendment. This Agreement may be amended by written Agreement of the Participant and the Company, without the consent of any other person.

13. Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect of the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereof.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law and any court determining the unenforceability of any provisions shall have the power to reduce the scope or duration of such provision to render such provision enforceable.

IN WITNESS WHEREOF, the Participant has executed this Agreement, and the Company has caused these presents to be

executed in its name and on its behalf, all as of the Grant Date.

Participant

Signature

Print Name

HASBRO, INC.

By: -----

Exhibit B
Hasbro, Inc.
Joint Escrow Instructions
DATE

Barry Nagler
Senior Vice President and General Counsel
Hasbro, Inc.
1027 Newport Avenue
Pawtucket, RI 02862

Dear Sir:

As Escrow Agent for Hasbro, Inc. a Rhode Island corporation (the "Company"), and the undersigned person ("Participant"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Agreement (the "Agreement") of even date herewith, to which a copy of these Joint Escrow Instructions is attached, in accordance with the following instructions (Terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement):

(1) Appointment. The Participant irrevocably authorizes the Company to deposit with you any certificates evidencing shares of Restricted Stock (the "Shares") to be held by you hereunder and any additions and substitutions to said Shares. The Participant does hereby irrevocably constitute and appoint you as his or her attorney-in-fact and agent for the term of this escrow to complete any documents necessary to comply with the terms hereof. Subject to the provisions of this paragraph 1 and the terms of the Agreement, Participant shall exercise all rights and privileges of a shareholder of the Company while the Shares are held by you.

(2) Release of Shares.

(a) Upon receipt from the Company of written notice of the Participant's Date of Termination (other than as a result of the occurrence of one of the events described in Section 5(A) of the Agreement (a "Section 5A Event")) prior to the expiration of the Restricted Period, the Participant and the Company hereby irrevocably authorize and direct you

(i) to fill in and date the stock transfer form or forms necessary for the transfer of the Shares to the Company and
(ii) deliver same, together with the certificate or certificates evidencing the Shares, to the Company.

(b) Upon receipt from the Company of written notice of (i) the occurrence of a Section 5A Event, (ii) a Change in Control or (iii) the expiration of the Restricted Period, the Participant and the Company hereby irrevocably authorize and direct you to deliver the certificates or certificates evidencing the Shares, together with the stock transfer form or forms signed by the Participant in blank, to the Participant.

(3) Duties of Escrow Agent.

(a) Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

(b) You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for

any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact of Participant while acting in good faith and in the exercise of your own good judgment, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

(c) You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree of any court, you shall not be liable to any of the parties hereto or to any other person, by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

(d) You shall not be liable in any respect on account of the identity, authority or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

(e) You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder and may rely upon the advice of such counsel.

(f) Your rights and responsibilities as Escrow Agent hereunder shall terminate if (i) you cease to be Secretary of the Company or (ii) you resign by written notice to each party. In the event of a termination under clause (i), your successor as Secretary shall become Escrow Agent hereunder; in the event of a termination under clause (ii), the Company shall appoint a successor Escrow Agent hereunder.

(g) If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

(h) It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

(i) These Joint Escrow Instructions set forth your sole duties with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into these Joint Escrow Instructions against you.

(j) The Company shall indemnify you and hold you harmless against any and all damages, losses, liabilities, costs, and expenses, including attorneys' fees and disbursements, for anything done or omitted to be done by you as Escrow Agent in connection with this Agreement or the performance of your duties hereunder, except such as shall result from your gross negligence or willful misconduct.

(4) Notice. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses, or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto.

COMPANY: Hasbro, Inc.
1027 Newport Avenue
Pawtucket, RI 02861

PARTICIPANT: Notices to Participant shall be sent to the address set forth below Participant's signature below.

ESCROW
AGENT:
Barry Nagler, Senior Vice President and General
Counsel
Hasbro, Inc.
1027 Newport Avenue
Pawtucket, RI 02862

(5) Miscellaneous.

(a) By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions, and you do not become a party to the Agreement.

(b) This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Very truly yours,

HASBRO, INC.

By: -----

PARTICIPANT:

- ----- (Signature)

- -----

Print Name

Address

- -----

- -----

Date

Signed:-----

ESCROW AGENT:

- -----

Barry Nagler, Senior Vice President
and General Counsel

DEFERRED RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, entered into as of the Grant Date (as defined in paragraph 1), by and between the Participant (as defined in paragraph 1) and Hasbro, Inc. (the "Company");

WITNESSETH THAT:

WHEREAS, the Company maintains the Employee Non-Qualified Stock Plan (the "Plan"), a copy of which is annexed hereto as Exhibit A and the provisions of which are incorporated herein as if set forth in full, and the Participant has been selected by the Compensation and Stock Option Committee of the Board of Directors of the Company (the "Committee"), which administers the Plan, to receive an award of deferred restricted stock units under the Plan;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Participant, as follows:

1. Terms of Award. The following terms used in this Agreement shall have the meanings set forth in this paragraph 1:

A. The "Participant" is NAME.

B. The "Grant Date" is DATE.

C. The "Vesting Period" is the period beginning on the Grant Date and ending on DATE.*

D. The number of deferred restricted stock units ("Stock Units") awarded under this Agreement shall be Stock Units. Stock Units are fictional shares of the Company's common stock, par value \$.50 per share ("Common Stock") granted under this Agreement and subject to the terms of this Agreement and the Plan.

E. For record-keeping purposes only, the Company shall maintain an account (a "Stock Unit Account") for the Participant where Stock Units shall be accumulated and accounted for. Without limiting the provisions of Section 6 of the Plan, in the event the Company pays a stock dividend or reclassifies or divides or combines its outstanding Common Stock then an appropriate adjustment

* Vesting period is generally three years

shall be made in the hypothetical number of shares of Common Stock held in the Stock Unit Account. The Stock Unit Account will reflect fictional fractional shares of Common Stock to the nearest hundredth of a share.

Other terms used in this Agreement are defined pursuant to paragraph 8 or elsewhere in this Agreement.

2. Award. The Participant is hereby granted the number of Stock Units set forth in paragraph 1.

3. No Dividends and No Voting Rights. The Participant shall not be entitled to any dividends or voting rights with respect to the Stock Units or Stock Unit Account.

4. Vesting and Forfeiture of Units. If the Participant's Date of Termination (as defined below) does not occur during the Vesting Period, then, at the end of the Vesting Period, the Participant shall become vested in the Stock Units and the Stock Unit Account. The Participant shall become vested in the Stock Units and the Stock Unit Account, prior to the end of the Vesting Period, as follows:

A. The Participant shall become vested in the Stock Units and the Stock Unit Account as of the Participant's Date of Termination prior to the expiration of the Vesting Period, if the Participant's Date of Termination occurs by reason of (i) the Participant's retirement at his or her normal Retirement Date (as defined below), (ii) the Participant's retirement at an Early Retirement Date (as defined below), subject to the discretion of the Committee based, among other things, upon the execution by the Participant of a "covenant not to compete" in a form approved by the Board or the Committee, or (iii) if the Participant has at least one year of Credited Service (as defined below), the Participant's death or Participant's suffering a Permanent Physical or Mental Disability (as

defined below).

B. The Participant shall become vested in the Stock Units and the Stock Unit Account as of the date of a Change in Control (as defined below), if the Change in Control occurs prior to the end of the Vesting Period, and the Participant's Date of Termination does not occur before the Change in Control date.

The Stock Units and the Stock Unit Account may not be sold, assigned, transferred, pledged or otherwise encumbered. Except as otherwise provided in this paragraph 4, if the Participant's Date of Termination occurs prior to the end of the Vesting Period, the Participant shall forfeit the Stock Units and the Stock Unit Account as of the Participant's Date of Termination.

5. Settlement in Shares of Common Stock. Provided that the Participant's interest in the Stock Units and the Stock Unit Account has vested as provided in Section 4 above, the Participant's Stock Unit Account, or a portion thereof, shall be converted into actual shares of Common Stock on the earlier to occur of (i) the Participant's Date of Termination and (ii) any date prior to the last day of any fiscal year that the Company reasonably determines that it will not be denied a deduction under Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), as amended, for the compensation deemed to be paid to the Participant under the Code by virtue of the delivery of such actual shares to the Participant. If the Company would be denied a full deduction under Section 162(m) of the Code for the delivery of actual shares to the Participant representing the value of the Participant's full Stock Unit Account, the Company shall deliver such number of actual shares as is equal in value to the deduction it can receive and the Stock Unit Account shall continue to reflect the balance thereof not so converted and delivered. Such shares of Common Stock shall be registered in the name of the Participant as of the date of conversion and the actual stock certificate representing such actual shares shall be delivered to the Participant within a reasonable time thereafter. To the extent that there are fictional fractional shares of Common Stock in a Stock Unit Account upon settlement, such fictional fractions shares shall be rounded to the nearest whole share.

6. Income Taxes. The Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the shares of Common Stock received by the Participant upon the conversion of the Participant's Stock Unit Account, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the such shares of Common Stock. Such payment shall be made in the form of cash, the delivery of shares of Common Stock already owned or by withholding such number of actual shares otherwise deliverable pursuant to this Agreement as is equal to the withholding tax due, or in a combination of such methods.

7. Non-Competition/Non-Solicitation.

(a) In consideration for the award of the Stock Units to the Participant pursuant to this Agreement, the Participant agrees that while employed by the Company and for a period of one (1) year after termination or cessation of such employment for any reason, the Participant will not directly or indirectly:

(1) Engage in any business or enterprise (whether as an owner, partner, officer, employee, director, investor, lender, consultant, independent contractor or otherwise, except as the holder of not more than one percent (1%) of the combined voting power of the outstanding stock of a publicly held company) that is competitive with the Company's business; including but not limited to, any business or enterprise that develops, designs, produces, markets, sells or renders any toy or game.

(2) Either alone or in association with others solicit, or permit any person or organizations directly or indirectly to solicit, any individual who at the time of the solicitation is, or who within the six (6) month period prior to such solicitation was, an employee of the Company to leave the employ of the Company or terminate his/her relationship with the Company.

(b) The geographic scope of this Section 7 shall extend to anywhere the Company or any of its subsidiaries or affiliates is doing business at the time of Participant's termination or cessation of employment with the Company.

(c) The Participant acknowledges that the restrictions set forth in this Section 7 are necessary for the protection of the business and goodwill of the Company and considers the restrictions to be reasonable for such purpose. The Participant agrees that any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and that any breach of this Section 7 would entail the inevitable use and or disclosure of proprietary information. Therefore, the Participant agrees that in the event of any breach of Section 7(a)(1), the Participant shall forfeit all rights and interest the Participant had in the Stock Units or, if the Stock Units have been converted to shares of Common Stock of the Company pursuant to Paragraph 5 above, Participant shall immediately return to the Company all such shares of Common Stock. In the event that any of such shares of Common Stock have been sold or transferred by the Participant, Participant shall pay to the Company as liquidated damages all Net Proceeds (as defined below) Participant realized on the sale or transfer of any such shares in lieu of returning such shares. With respect to a sale of shares, "Net Proceeds" shall be calculated by multiplying the number of shares of Common Stock sold times the sales price, without regard to any subsequent market price increase or decrease, less commission, if any. With respect to a transfer of shares, "Net Proceeds" shall be calculated by multiplying the number of shares of Restricted Stock transferred times the closing price of the shares on the day of the transfer. The Company and Participant agree that either the return to the Company of the shares of Common Stock or the Net Proceeds from any sale or transfer made by Participant shall be the Company's sole and exclusive remedy for any breach by the Participant of Section 7(a)(1). The Participant further agrees that in the event of any breach of Section 7(a)(2), Company, in addition to such other remedies which may be available, shall be entitled to specific performance and other injunctive relief without posting a bond.

8. Definitions. For purposes of this Agreement, the terms used in this Agreement shall be subject to the following:

A. Change in Control. The term "Change in Control" shall have the meaning ascribed to it in the Plan.

B. Credited Service. The term "Credited Service" shall mean the period of the employee's employment considered in determining whether the employee is eligible to receive benefits under the Company's Pension Plan (or any successor plan) upon termination of employment.

C. Date of Termination. The Participant's "Date of Termination" shall be the first day occurring on or after the Grant Date on which the Participant is not employed by the Company or any entity directly or indirectly controlled by the Company (a "Subsidiary"), regardless of the reason for the termination of employment; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Subsidiary approved by the Participant's employer. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Subsidiary (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

D. Early Retirement Date. The term "Early Retirement Date" shall mean the day on which a Participant who has attained age fifty-five (55), but has not reached age sixty-five (65), with ten (10) or more years of Credited Service, retires. A Participant is eligible for early retirement on the first day of the calendar month coincident with or immediately following the attainment of age fifty-five (55) and the completion of ten (10) years of Credited Service, and "early retirement" shall mean retirement by an eligible Participant at the Early Retirement Date.

E. Normal Retirement Date. The term "Normal Retirement Date" shall mean the day on which a Participant who has attained age sixty-five (65), with five (5) years of Credited Service, retires. A Participant is eligible for normal retirement on the first day of the calendar month coincident with or immediately following the Participant's attainment of age sixty-five (65) and completion of five (5) years of Credited Service, and "normal retirement" shall mean the retirement by an eligible Participant at the Normal Retirement Date.

F. Permanent Physical or Mental Disability. The term "Permanent Physical or Mental Disability" shall mean the Participant's inability to perform his or her job or any position which the Participant can perform with his or her background and training by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long, continued and indefinite duration.

G. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

9. Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business and the Participant and the successors and permitted assigns of the Participant, including but not limited to, the estate of the Participant and the executor, administrator or trustee of such estate, the guardian or legal representative of the Participant.

10. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

11. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan.

12. Amendment. This Agreement may be amended by written Agreement of the Participant and the Company, without the consent of any other person.

13. Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect of the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereof.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law and any court determining the unenforceability of any provisions shall have the power to reduce the scope or duration of such provision to render such provision enforceable.

IN WITNESS WHEREOF, the Participant has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Participant

- -----
Signature

- -----
Print Name

HASBRO, INC.

By: -----

RELEASE AND SETTLEMENT AGREEMENT

This Release and Settlement Agreement ("Settlement Agreement") is dated this 31st day of January, 2001 by and between Hasbro, Inc. ("Hasbro"), the Dial Corporation ("Dial") and Herbert M. Baum ("Baum").

WHEREAS, Baum and Hasbro entered into an Employment Agreement dated January 5, 1999 (the "Employment Agreement");

WHEREAS, Baum was employed by Hasbro commencing January 5, 1999 until he resigned from Hasbro on or about August 5, 1999 and accepted a position as Chief Executive Officer with Dial;

WHEREAS, a dispute arose between Hasbro, Dial and Baum with respect to a certain payment by Hasbro to Baum pursuant to Section 6.3 of the Employment Agreement; and

WHEREAS, the parties hereto desire to resolve all disputes arising between themselves including, but not limited to, all disputes relating to the Employment Agreement, the employment relationship between Baum and Hasbro and the offer of employment made to Baum by Dial;

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. In exchange for (i) a payment to Baum by Hasbro in the amount of Seven Hundred Fifty Thousand Dollars (\$750,000), which payment shall be made eight (8) days after receipt by Hasbro of this fully executed Settlement Agreement, provided that Baum does not revoke his acceptance of this Settlement Agreement within the seven day revocation period, and (ii) Hasbro's forbearance of asserting claims against Baum, Baum hereby fully, forever, irrevocably and unconditionally releases, remises and discharges Hasbro and its subsidiaries and affiliates and each of their current or former officers, directors, stockholders, attorneys, agents, or employees (collectively, the "Hasbro Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs), of every kind and nature, known or unknown, which he ever had or now has against the Hasbro Released Parties including, but not limited to, all claims arising out of Baum's employment with or separation from Hasbro, the Employment Agreement, all claims and damages relating to race, sex, national origin, handicap, religious, sexual orientation, benefits and age discrimination, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000 et. seq., the Age Discrimination in Employment Act, 29 U.S.C. Section 621 et. seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. Section 1001, et. seq., and the Americans with Disabilities Act, 42 U.S.C. Section 12101 et. seq., and similar state or local statutes including but not limited to the R.I. Fair Employment Practices Act, R.I., Gen. Laws Section 28-5-1, et. seq., all wrongful discharge claims, all common law claims including, but not limited to, actions in tort, defamation, breach of contract and any claims under any other federal, state or local statutes or ordinances not expressly referenced above. Notwithstanding the foregoing, in no event shall Baum be deemed by this Paragraph 1 to have released any rights to indemnification or contribution as provided by law or to any protection provided to Baum under Hasbro's directors' and officers' liability insurance policies. In addition, a deferred compensation payment of Seven Hundred Thirteen Thousand One Hundred Thirty Six Dollars and Twenty Five Cents (\$713,136.25) was made to Baum on January 19, 2001 pursuant to the Hasbro Deferred Compensation Plan and a pension payment of Four Hundred Eighty One Thousand Four Hundred Twenty Six Dollars and Eleven Cents (\$481,426.11) will be paid to Baum in accordance with the Employment Agreement.

2. In exchange for Hasbro's forbearance of asserting claims against Dial and each of Dial's subsidiaries and affiliates and their current or former officers, directors, stockholders, attorneys, agents or employees (collectively, the "Dial Released Parties"), Dial hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Hasbro Released Parties from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants,

contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs) of every kind and nature, known or unknown, which Dial has against the Hasbro Released Parties including, but not limited to, all claims arising out of Baum's employment with or separation from Hasbro, the Employment Agreement, and all common law claims including, but not limited to, actions in tort, defamation, and breach of contract and any claims under any other federal, state or local statutes or ordinances.

3. In exchange for Baum's forbearance of asserting certain claims against Hasbro, Hasbro hereby fully, forever, irrevocably and unconditionally releases, remises and discharges Baum from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs) of every kind and nature, known or unknown, which Hasbro has against Baum including, but not limited to, all claims arising out of Baum's employment with or separation from Hasbro, the Employment Agreement, Dial's offer of employment to Baum and all common law claims including, but not limited to, actions in tort, defamation, and breach of contract and any claims under any other federal, state or local statutes or ordinances.

4. In exchange for a payment to Hasbro by Dial in the amount of Three Hundred Seventy Five Thousand Dollars (\$375,000) (the "Dial Payment"), which payment shall be wire transferred to Hasbro on the eighth (8th) day after receipt by Hasbro of this fully executed Settlement Agreement provided that Baum did not revoke his acceptance of the Settlement Agreement during the seven day revocation period, Hasbro hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Dial Released Parties from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs) of every kind and nature, known or unknown, which Hasbro has against the Dial Released Parties including, but not limited to, all claims arising out of Baum's separation from Hasbro, the Employment Agreement, Dial's offer of employment to Baum and all common law claims including, but not limited to, actions in tort, defamation and breach of contract and any claims under any other federal, state or local statutes or ordinances.

5. Confidentiality. The parties hereto understand and agree that the terms and contents of this Agreement, and the contents of the negotiations and discussions resulting in this Agreement, shall be maintained as confidential, and none of the above shall be disclosed except to the extent required by federal or state law.

6. Amendment. This Agreement shall be binding upon the parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This agreement is binding upon and shall inure to the benefit of the parties and their respective agents, assigns, heirs, executors, successors and administrators.

7. Entire Agreement and Applicable Law. This Agreement contains and constitutes the entire understanding and agreement between the parties hereto with respect to the settlement of claims the parties have against each other. This Agreement cancels all previous oral and written negotiations, agreements, commitments, and writings in connection therewith. This Agreement shall be governed by the laws of the State of Rhode Island to the extent not preempted by federal law.

8. Acknowledgments and Assent. Baum acknowledges that he has been given at least twenty-one (21) days to consider this Letter Agreement and that he was advised to consult with an attorney prior to signing this letter and has in fact consulted with counsel of his own choosing prior to executing this Settlement Agreement. Baum may revoke this agreement for a period of seven (7) days after signing this letter, and the agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. Baum agrees that he has read this letter and understands the content herein, and freely and voluntarily assents to all of the terms herein.

IN WITNESS WHEREOF, the parties hereto have executed this Release and Settlement Agreement as of the date set forth above.

HASBRO, INC.

By: /s/ Harold J. Gordon

Title: Vice Chairman

THE DIAL CORPORATION

By: /s/ Christopher J. Littlefield

Title: Senior Vice President & General Counsel

/s/ Herbert M. Baum

Herbert M. Baum

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is effective as of March 18, 2000, by and between Tiger Electronics, Ltd., a Delaware corporation with a principal place of business at 980 Woodlands Parkway, Vernon Hills, IL 60061-3103 ("Tiger"), Hasbro, Inc., a Rhode Island corporation with a principal place of business at 1027 Newport Avenue, Pawtucket, RI 02862 ("Hasbro"), and Brian Goldner, an individual with a residence at 3104 Laurel Avenue, Manhattan Beach, CA 90266 (the "Employee").

WHEREAS, Tiger desires to employ Employee; and

WHEREAS, Employee desires to be employed by Tiger;

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

1. Term of Employment. Tiger hereby agrees to employ Employee and Employee hereby accepts employment with Tiger for the period commencing on or about March 18, 2000 (the "Commencement Date") and ending on March 17, 2003, (the "Term") unless otherwise terminated in accordance with the provisions of Section 4. The Term shall be extended by mutual agreement.

2. Title; Reporting Employee. Employee shall serve as Chief Operating Officer of Tiger until January 1, 2001, at which time Tiger shall elect Employee to the position of President and Chief Operating Officer of Tiger. . In accepting such employment, Employee agrees to undertake the duties and responsibilities described herein and such other duties and responsibilities as are assigned to Employee. Employee agrees to devote his entire business time, attention and energies to the business and interests of Tiger during the Term. Employee agrees to comply with all Tiger and applicable Hasbro policies that are in effect during the Term.

3. Compensation and Benefits.

3.1 Salary. Tiger shall pay to Employee, an annual base salary of Five Hundred Thousand Dollars (\$500,000) in biweekly installments, less all applicable taxes and withholdings. Provided Employee remains employed by Tiger in the capacity noted in 2, above, Employee's salary shall be adjusted to Five Hundred Twenty Five Thousand Dollars (\$525,000) on or about March 19, 2001 and to Five Hundred Fifty Thousand Dollars (\$550,000) on or about March 19, 2002.

3.2 Sign-On Bonus. Employee will receive a sign-on bonus of Two Hundred Fifty Thousand Dollars (\$250,000), payable in two equal installments. The first installment shall be paid to Employee as soon as practicable after March 18, 2000 and the second installment shall be paid to Employee as soon as practicable after March 18, 2001. If Employee (i) voluntarily leaves the employ of Tiger or (ii) is terminated by Tiger pursuant to Paragraph 4.1 below, prior to March 18, 2001, Employee shall repay the entire first installment of such sign-on bonus to Tiger on the date Employee terminates his employment with Tiger. If Employee (i) voluntarily leaves the employ of Tiger or (ii) is terminated by Tiger pursuant to Paragraph 4.1 below, prior to March 18, 2002, Employee shall repay the entire second installment of such sign-on bonus to Tiger on the date Employee terminates his employment with Tiger. Employee shall be entitled to retain any bonus previously paid if Employee's termination is for any reason other than Employee voluntarily leaving the employ of Tiger or Employee is terminated pursuant to Paragraph 4.1.

3.3 Management Incentive Plan Bonus.

(a) During the Term, Employee will be eligible to receive a Management Incentive Plan bonus based on a target of fifty percent (50%) of Employee's earned base salary for the incentive year. Actual bonus awards may vary depending on Tiger, Hasbro or Employee's performance and are discretionary.

(b) Notwithstanding the foregoing, Employee will receive, at the time Management Incentive Plan Bonuses are customarily paid by Tiger, a minimum Management Incentive Plan Bonus for calendar year 2000 of Two Hundred Fifty Thousand Dollars (\$250,000) (the "2000 MIP Bonus"). If Employee terminates his employment pursuant to Paragraph 4.5 below prior to March 18, 2001, no 2000 MIP Bonus shall be payable to Employee. If Employee terminates his employment pursuant to Paragraph 4.5 below between March 19, 2001 and March 18, 2002, Employee shall repay Tiger two-thirds (2/3) of the 2000 MIP Bonus paid. If Employee terminates his employment pursuant to Paragraph 4.5 below between March 19, 2002 and March 18, 2003, Employee shall repay Tiger one-third (1/3) of the 2000 MIP Bonus paid. All repayments of the 2000 MIP Bonus shall be made on the date Employee terminates his employment with Tiger. Employee shall be entitled to retain any of the 2000 MIP Bonus if termination is for any reason other

than pursuant to Paragraph 4.1 or 4.5 below.

3.4 Stock Option and Restricted Stock Grants.

(a) Prior to March 18, 2000, Hasbro agrees to obtain the approval of the Hasbro Compensation and Stock Option Committee to grant Employee a non-qualified stock option for the purchase of 50,000 shares of common stock of Hasbro. Such option shall have an exercise price equal to the mean of the high and low prices of the shares on March 20, 2000 and shall vest in three equal annual installments commencing March 18, 2001. Such option shall be granted pursuant to Hasbro's standard form of Stock Option Agreement, as modified to reflect the last sentence of Section 5.3 below.

(b) Prior to March 18, 2000, Hasbro agrees to obtain the approval of the Hasbro Compensation and Stock Option Committee to grant Employee a non-qualified stock option grant for the purchase of 100,000 shares of common stock of Hasbro. Such option shall have an exercise price equal to ten percent (10%) higher than the mean of the high and low prices of the shares on March 20, 2000. Such options shall vest in five equal annual installments commencing March 18, 2001. Such option shall be granted pursuant to Hasbro's standard form of Stock Option Agreement. for premium priced options, as modified to reflect the last sentence of Section 5.3 below.

(c) Prior to March 18, 2000, Hasbro agrees to obtain the approval of the Hasbro Compensation and Stock Option Committee to grant Employee 61,000 restricted shares of Hasbro common stock, to be awarded to Employee on March 18, 2000. Such restricted shares shall vest in one installment on March 18, 2003 and certificate(s) for such restricted shares shall be held in escrow and shall contain legends, which indicate the shares are subject to forfeiture and transfer restrictions. The grant of restricted shares of common stock shall be granted pursuant to Hasbro's standard form of Restricted Stock Agreement.

(d) Fringe Benefits. Employee shall be entitled to participate in benefit programs that Tiger establishes and makes available to its senior officers to the extent that Employee's position, tenure, salary and other qualifications make Employee eligible to participate, including but not limited to Tiger's group life insurance, short and long term disability insurance, medical, dental, pension, 401(k) savings, stock incentive programs and deferred compensation programs for salaried employees, as in effect from time-to-time. Employee shall be entitled to 4 weeks paid vacation per year, in accordance with Tiger's vacation policy and to be taken at a mutually agreeable time.

3.5 Air Travel. All air travel by Employee for business or relocation purposes shall be at business class level and if business class is not available, first class provided that first class is approved by Employee's immediate supervisor.

3.6 Company Car Allowance/Lease. During the Term of the Agreement, Employee shall receive, at Employee's option, a monthly car allowance of Eight Hundred Sixty Dollars (\$860.00) or the equivalent in an automobile leased by Tiger for Employee.

3.7 Relocation. Employee shall be entitled to relocation assistance pursuant to Hasbro's Relocation Expenses for Transferred Employees and Executive New Hires (the "Relocation Policy"), a copy of which Employee acknowledges he has received and reviewed. Tiger and the Employee agree that Sections 2.4, 4.2, 9.2, 9.3 and 11 of the Relocation Policy shall not apply; however, Employee agrees that Employee will use reasonable efforts to relocate to the Vernon Hills, Illinois area within six (6) months from commencing employment. Tiger and Employee further agree: (a) that Section 5.1 of the Relocation Policy is amended to provide Employee with suitable housing at Tiger's expense for up to six (6) months; (b) Section 6.2 of the Relocation Policy shall be construed to mean that insurance on household goods will be for full replacement value; and (c) Section 7.1 of the Relocation Policy will be modified such that the miscellaneous expenses maximum shall be Ten Thousand Dollars (\$10,000).

3.8 Change of Control Agreement. Hasbro and the Employee shall enter into Hasbro's standard form of Change of Control Agreement as amended.

4. Employment Termination. Employee's employment by Tiger pursuant to this Agreement shall terminate upon the occurrence of any of the following:

4.1 At the election of Tiger, for cause, immediately upon written notice to Employee by Tiger. For the purposes of this Section 4.1, for cause termination shall be deemed to exist upon (a) Employee's material failure to perform (i) Employee's assigned duties for Tiger; or (ii) Employee's obligations under this Agreement; (b) conduct of the Employee involving fraud, gross negligence or willful misconduct or other action which damages the reputation of Tiger or Hasbro; (c) Employee's indictment for or conviction of, or the entry of a pleading of guilty or nolo contendere by Employee to, any crime involving moral turpitude or any felony; (d) Employee's fraud, embezzlement or other intentional misappropriation from Tiger or Hasbro; or (e) Employee's material breach of any material

policies, rules or regulations of employment which may be adopted or amended from time to time by Tiger or Hasbro. Tiger shall provide Employee in writing of any alleged violation of (a) or (b) above, after which Employee shall have thirty (30) days to cure such violation.

4.2 Thirty days after Employee's death or disability. As used in this Agreement, the term "disability" shall mean Employee's inability, due to a physical or mental disability, for a period of 180 consecutive days, to perform the services contemplated under this Agreement, with or without reasonable accommodation. A determination of disability shall be made by a physician satisfactory to both Employee and Tiger, provided that if Employee and Tiger do not agree on a physician, Employee and Tiger shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties.

4.3 At the election of Tiger without cause and not because of a "Change of Control."

4.4 At Employee's election for "good reason", defined as the failure of Tiger to elect Employee to the position of President and Chief Operating Officer on or about January 1, 2001.

4.5 At Employee's election without cause or good reason, as defined above, upon not less than thirty (30) days notice.

5. Effect of Termination.

5.1 Termination for Cause or at Employee's Election. In the event Employee's employment is terminated for cause pursuant to Section 4.1 or at Employee's election pursuant to Section 4.5, Tiger shall pay Employee the compensation and benefits otherwise payable to Employee under Section 3 through the last day of Employee's actual employment by Tiger.

5.2 Termination for Death or Disability. If Employee's employment is terminated by death or because of disability pursuant to Section 4.2, Tiger shall pay to Employee's estate or to Employee, as the case may be, the compensation which would otherwise be payable to Employee up to the end of the month in which the termination of Employee's employment because of death or disability occurs. All stock options and restricted stock granted to Employee shall vest and be exercisable in accordance with the relevant agreements and plans.

5.3 Termination at the Election of Tiger or for Good Reason. If Employee's employment is terminated at the election of Tiger pursuant to Section 4.3 or at Employee's election for "good reason" as defined in Section 4.4, and provided Employee executes a full and complete release in a form prepared by Tiger, then Employee shall be entitled to the greater of Employee's base salary at the times and in the amounts that would have been paid to Employee had Employee remained in the employ of the Company for the balance of the Term or twelve (12) months of base salary continuation. Such base salary continuation shall be less all applicable taxes and withholdings, and shall be paid in accordance with the applicable severance plan for Hasbro Salaried Employees (the "Severance Plan"). Notwithstanding the provisions of the Severance Plan or this Paragraph 5.3, provided that Employee executes a full and complete release in a form prepared by Tiger, if Employee's employment is terminated pursuant to Section 4.3 or 4.4, all unvested stock options and restricted stock will become vested and any bonus repayment obligations of Employee, as set forth in paragraphs 3.2 or 3.3 above, will terminate.

5.4 Survival. The provisions of Sections 6 and 7 below shall survive the termination of this Agreement.

6. Non-Solicitation.

(a) During the Employment Period and for a period of one (1) year after the termination or expiration thereof, for any reason, Employee will not directly or indirectly:

(i) either alone or in association with others, solicit, or permit any person or organizations directly or indirectly to solicit, any individual who at the time of the solicitation is, or who within the six (6) month period prior to such solicitation was an employee of Tiger or Hasbro to leave the employ of Tiger or Hasbro or terminate his or her employment relationship with either Tiger or Hasbro, or hire or attempt to hire or induce, any employee or employees of Tiger or Hasbro to terminate their employment with, or otherwise cease their relationship with, Tiger or Hasbro; or

(ii) solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of Tiger or Hasbro;

(b) The geographic scope of this Section 6 shall extend to anywhere Tiger or Hasbro or their respective subsidiaries is doing business at the time of termination or expiration. If any restriction set forth in this Section 6 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time,

range of activities or geographic area as to which it may be enforceable.

(c) Employee acknowledges that the restrictions contained in this Section 6 are necessary for the protection of the business and goodwill of Tiger and Hasbro and are considered by Employee to be reasonable for such purpose. Employee agrees that any breach of this Section 6 will cause Tiger and Hasbro substantial and irrevocable damage, and therefore, in the event of any such breach, in addition to such other remedies which may be available, Tiger and Hasbro shall have the right to obtain and receive specific performance and injunctive relief without posting a bond or other security.

7. Other Agreements.

(a) Employee hereby represents that Employee is not bound by the terms of any agreement with any previous employer or other party, which would impair Employee's right or ability to enter the employ of Tiger or perform fully Employee's obligations pursuant to this Agreement. Employee further represents and warrants that Employee's performance of all the terms of this Agreement and as an Employee of Tiger does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Employee in confidence or in trust prior to Employee's employment with Tiger.

(b) Employee agrees that upon the Commencement of Employee's employment with Tiger he shall execute Hasbro's Invention Assignment and Proprietary Information Agreement.

8. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Mail, by registered or certified mail, postage prepaid, addressed to Hasbro at 1027 Newport Avenue, Pawtucket, RI 02862 Attention: General Counsel and to Employee at 2323 Sheridan Road, Highland Park, IL and to Employee's attorney, Robert F. Krug, Jr., Carponelli & Krug, Suite 2350, 55 W. Monroe Street, Chicago, IL 60603 or at such other address or addresses as either party shall designate to the other in accordance with this Section 8.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

10. Amendment. This Agreement may be amended or modified only by a written instrument executed by Employee, Tiger and Hasbro.

11. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Rhode Island and Employee consents to the exclusive jurisdiction of the Federal District Court for the District of Rhode Island to resolve all disputes arising out of Employee's employment relationship with the Company.

12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which Tiger may be merged or which may succeed to its assets or business, provided, however, that Employee's obligations are personal and shall not be assigned by Employee.

13. Miscellaneous.

13.1 No delay or omission by Tiger in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by Tiger on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

13.2 The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Section of this Agreement.

13.3 In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

13.4 IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year set forth above.

Tiger Electronics, Ltd.

/s/ Alfred J. Verrecchia

Hasbro, Inc.

/s/ Alfred J. Verrecchia

Title: President and Chief Operating Officer

/s/ Brian Goldner

Brian Goldner

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings (Loss) Per Share

(Thousands of Dollars and Shares Except Per Share Data)

	2000		1999		1998	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings (loss)	\$(144,631)	(144,631)	188,953	188,953	206,365	206,365
Weighted average number of shares outstanding:						
Outstanding at beginning of year	192,984	192,984	196,175	196,175	200,162	200,162
Exercise of stock options and warrants:						
Actual	128	128	3,382	3,382	2,214	2,214
Assumed	-	-	-	7,186	-	7,493
Purchase of common stock	(16,675)	(16,675)	(4,640)	(4,640)	(4,449)	(4,449)
Equivalent shares	176,437	176,437	194,917	202,103	197,927	205,420
Earnings (loss) per share	\$ (.82)	(.82)	.97	.93	1.04	1.00

HASBRO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges
Fiscal Years Ended in December

(Thousands of Dollars)

	2000	1999	1998	1997	1996
	----	----	----	----	----
Earnings available for fixed charges:					
Net earnings (loss)	(\$144,631)	188,953	206,365	134,986	199,912
Add:					
Fixed charges	135,302	88,456	53,209	43,893	47,174
Taxes on income	(81,355)	84,892	97,113	69,539	106,981
Total	(\$90,684)	362,301	356,687	248,418	354,067
	=====	=====	=====	=====	=====
Fixed charges:					
Interest on long-term debt	\$ 74,206	25,068	9,688	7,348	9,258
Other interest charges	40,215	44,272	26,423	20,138	22,207
Amortization of debt expense	1,724	425	121	377	339
Rental expense representative of interest factor	19,157	18,691	16,977	16,030	15,370
Total	\$135,302	88,456	53,209	43,893	47,174
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	(0.67)	4.10	6.70	5.66	7.51
	=====	=====	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES

Selected Information Contained in
Annual Report to Shareholders

for the Year Ended December 31, 2000

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock, par value \$.50 per share (the "Common Stock"), is traded on the New York and London Stock Exchanges. Prior to June 23, 1999, the Common Stock was traded on the American and London Stock Exchanges. The following table sets forth the high and low sales prices as reported on the Composite Tape of the New York Stock Exchange and the American Stock Exchange, as applicable, and the cash dividends declared per share of Common Stock for the periods listed.

Period	Sales Prices		Cash Dividends Declared
	High	Low	
1999			
1st Quarter	\$30 1/8	21 13/16	\$.06
2nd Quarter	37	27	.06
3rd Quarter	28 5/8	21 15/16	.06
4th Quarter	24 1/4	16 7/8	.06
2000			
1st Quarter	\$19 1/8	13 3/4	\$.06
2nd Quarter	18 9/16	15	.06
3rd Quarter	17 13/16	10 3/16	.06
4th Quarter	12 15/16	8 3/8	.03

The approximate number of holders of record of the Company's Common Stock as of February 28, 2001 was 8,650.

Dividends

Declaration of dividends is at the discretion of the Company's Board of Directors and will depend upon the earnings, financial condition of the Company and such other factors as the Board of Directors deems appropriate. Payment of dividends is further subject to restrictions contained in agreements relating to the Company's outstanding short-term and long-term debt. Under the most restrictive agreement, dividend payments are restricted to the greater of \$.03 per share quarterly or 25% of prior fiscal year consolidated net income.

SELECTED FINANCIAL DATA

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

	Fiscal Year				
	2000	1999	1998	1997	1996
Statement of Earnings Data:					
Net revenues	\$3,787,215	4,232,263	3,304,454	3,188,559	3,002,370
Net earnings (loss)	\$(144,631)	188,953	206,365	134,986	199,912
Per Common Share Data:					
Earnings (loss)					
Basic	\$ (.82)	.97	1.04	.70	1.02
Diluted	\$ (.82)	.93	1.00	.68	.98
Cash dividends declared	\$.21	.24	.21	.21	.18
Balance Sheet Data:					
Total assets	\$3,828,459	4,463,348	3,793,845	2,899,717	2,701,509
Long-term debt	\$1,167,838	420,654	407,180	-	149,382
Ratio of Earnings to Fixed Charges(1)	(.67)	4.10	6.70	5.66	7.51
Weighted Average Number of Common Shares:					
Basic	176,437	194,917	197,927	193,089	195,061
Diluted	176,437	202,103	205,420	206,353	209,283

(1) For purposes of calculating the ratio of earnings to fixed charges,

fixed charges include interest, amortization of debt expense and one-third of rentals; earnings available for fixed charges represent earnings before fixed charges and income taxes. Earnings for 2000 were insufficient to cover fixed charges by \$225,986.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

A percentage analysis of results of operations follows:

	2000	1999	1998
	----	----	----
Net revenues	100.0%	100.0%	100.0%
Cost of sales	44.2	40.1	41.3
	-----	-----	-----
Gross profit	55.8	59.9	58.7
Amortization	4.2	4.1	2.2
Royalties, research and development	16.8	16.8	12.9
Advertising	12.0	10.8	13.3
Selling, distribution and administration	22.7	19.0	19.8
Restructuring charge and acquired in-process research and development	1.7	1.5	.6
Loss on sale of business units	1.2	-	-
Interest expense	3.0	1.6	1.1
Other (income) expense, net	.2	(.4)	(.4)
	-----	-----	-----
Earnings (loss) before income taxes	(6.0)	6.5	9.2
Income taxes	(2.2)	2.0	2.9
	-----	-----	-----
Net earnings (loss)	(3.8)%	4.5%	6.3%
	=====	=====	=====

(Thousands of Dollars Except Share Data)

Results of Operations

Net earnings (loss) for the three fiscal years ended December 31, 2000 were \$(144,631), \$188,953 and \$206,365, respectively. Diluted earnings (loss) per share was \$(.82) in 2000, \$.93 in 1999 and \$1.00 in 1998. Net revenues and operating profit, excluding charges relating to the Company's consolidation programs, decreased from 1999 levels in the U.S. Toy and International segments. In U.S. Toys, the decline in revenues resulted from a decline in sales of product related to STAR WARS: EPISODE 1: THE PHANTOM MENACE, POKEMON toys and TELETUBBIES preschool products, offset in part by the United States introduction of ACTION MAN. Coupled with the decline in revenues, lower gross profit margins on product sold in 2000, and early 2000 higher administrative overhead and expenditures for items such as advertising resulted in an operating loss. In the International segment, the decline in sales of STAR WARS product was largely offset by shipments of POKEMON toy and non-trading card game related products. The decline in revenues was due primarily to the unfavorable impact of currency. Higher product costs on items sold in 2000 contributed to the decline in operating profit. The Company's Other segments had an operating loss in 2000 compared to operating profit in 1999 due to reduced revenues from sales of seasonal outdoor play products, combined with decreased shipments of KOOSH and candy products. In the Company's Games segment, revenues increased while operating profits, before consolidation program charges and loss on sale of business units, decreased. The increased revenues are due in large part to the full year inclusion of trading cards games from Wizards of the Coast, Inc. (Wizards), acquired in the fourth quarter of 1999, while decreased operating profits result from a significant decline in sales of FURBY and related lost profit. Included in the results of the Games segment are revenues and operating profits derived from sales of interactive software games, and costs associated with development of an online interactive game initiative, Games.com. In December 2000, the Company announced it had entered into an agreement with Infogrames Entertainment S.A. (Infogrames) to sell the business units which make up Hasbro Interactive as well as Games.com. This sale closed in January 2001. Net revenues from the business units held for sale, including revenues from affiliated companies, for the three fiscal years ended December 31, 2000 were \$194,300, \$237,200 and \$197,000, respectively. Operating losses of the business units to be sold, including consolidation program charges and discontinued development charge, were \$(104,200) in 2000, \$(124,300) in 1999 and \$(2,100) in 1998.

Net revenues for 2000 were \$3,787,215 compared to \$4,232,263 and \$3,304,454 for 1999 and 1998, respectively. This 11% decrease in net revenues from 1999 levels includes an approximate \$129,800 worldwide unfavorable impact of foreign currency translation rates. Decreased revenues of 47% in the U.S. Toy segment resulted primarily from decreased sales of product relating to STAR WARS: EPISODE 1: THE PHANTOM MENACE. It is expected that revenues and related expenses of entertainment based products are higher in the year of a theatrical release. STAR WARS: EPISODE 1: THE PHANTOM MENACE was released theatrically in the United States in May 1999, and throughout international markets thereafter. In the International segment, net revenues decreased 12%

from 1999 levels, 10% of which is due to the unfavorable impact of currency noted above, and the remainder to a combination of reduced sales of STAR WARS, FURBY and ACTION MAN products, offset in part by increased sales of POKEMON toy related products. Reduced revenues of these segments over the prior year were offset in part by increased revenues of the Games segment, which experienced an 11% growth in revenues over the prior year. This increase was driven primarily by trading card game revenues from Wizards, which was acquired in the fourth quarter of 1999. While the most significant contribution from trading card games came from sales of POKEMON card games, other staple products from Wizards, including MAGIC: THE GATHERING, accounted for 30% of the increase attributable to trading card games. Partly offsetting this increase was an approximate 86% decrease in sales of FURBY and FURBY related product, and a 22% decrease in revenues from interactive software games.

In comparing 1999 to 1998, the Games segment led revenue growth during the year, accounting for approximately 71% of the increase, followed by U.S. Toys and International, contributing 18% and 13% of revenue growth, respectively. Increased Games segment revenue was primarily driven by FURBY, which accounted for 24% of segment revenue in 1999 compared to 7% in 1998. Revenues from Wizards, acquired in the fourth quarter of 1999, accounted for 14% of Games segment revenues. Increased activity in hand-held electronic games utilizing Company and licensed brands, interactive CD-ROM games and traditional board games such as MONOPOLY and TRIVIAL PURSUIT also contributed to Games segment growth. U.S. Toy segment revenues were boosted by sales of STAR WARS product associated with the theatrical release of STAR WARS: EPISODE 1: THE PHANTOM MENACE. Revenues from this line accounted for 36% of segment revenues in 1999 compared to 13% in 1998. This, as well as the popular POKEMON line, traditional toy offerings such as EASY BAKE and LITE BRITE and the full year inclusion of the MICRO MACHINES line acquired with Galoob Toys, Inc. (Galoob) in the fourth quarter of 1998, also contributed to revenue growth over 1998 by the U.S. Toy segment. The International segment contribution to revenue growth was primarily driven by sales of STAR WARS, POKEMON, TELETUBBIES and FURBY and hand-held electronic products in certain markets, all partly offset by decreased volume in traditional board games and puzzles as well as the negative impact of foreign currency translation. The results of Other segments negatively affected revenue by approximately 3%, primarily due to decreased revenues of KOOSH and candy product.

The Company's gross profit margin decreased to 55.8% in 2000 from 59.9% in 1999 and 58.7% in 1998. The decrease in margin primarily reflects product mix, with lower revenues generated from FURBY and entertainment based properties, such as STAR WARS related products, which carry higher gross margins. Partially offsetting this decrease is the higher gross margin associated with trading card games from Wizards. Moderating this higher anticipated gross margin in 2000 was the impact of obsolescence costs associated with overproduction of certain trading card games, primarily POKEMON related. The increase in margin in 1999 from 1998 principally reflects the increased revenues in the Games segment, where many product lines carry a higher gross margin.

Amortization expense of \$157,763 includes amortization of both property rights and cost in excess of net assets acquired. This compares with \$173,533 in 1999 and \$72,208 in 1998. Impairment charges of \$25,046 were recognized in 2000 resulting from discontinued product line offerings arising from the Company's decision to focus on developing its core brands. In 1999, as part of its consolidation program, the Company recognized \$38,449 in impairment charges arising from decisions to discontinue or significantly reduce product line offerings. The remaining increases in all years were attributable to the acquisitions made during the period.

Expenditures for royalties, research and development decreased 11% to \$635,366 from \$711,790 in 1999, which had increased from \$424,673 in 1998. Included in these amounts are expenditures for research and development of \$208,485 in 2000, \$254,599 in 1999 and \$184,962 in 1998. As percentages of net revenues, research and development was 5.5% in 2000, down from 6.0% in 1999 and 5.6% in 1998. In 1999, contractual development commitments recognized for discontinued product lines in connection with the 1999 consolidation program amounted to \$10,992. The decrease in 2000 reflects reduced spending on development of interactive software game titles, the primary reason for the increase in 1999 over 1998, and reduced product development in the U.S. Toy group as the Company focuses its efforts on developing its core brands. Revenues derived from entertainment based properties, such as STAR WARS and POKEMON, and resultant royalties, while continuous over the life of a contract, are generally higher in amount in the year a theatrical release takes place. It is anticipated that operating profit will also generally be higher in these years. The degree to which revenues, royalties and operating profits fluctuate is dependent not only on theatrical release dates, but video release dates as well. Excluding charges of \$42,270 in 2000 and \$15,300 in 1999 relating to royalty commitments on discontinued product lines and product lines with significantly reduced expectations recognized in connection with the Company's consolidation programs, royalty expenditures decreased by approximately \$57,000 and .2% as a percent of net revenues from 1999. Excluding consolidation program charges, the increase in 1999 over 1998 reflects the increased percentage of 1999 revenues obtained from licensed product carrying higher royalty rates, primarily STAR WARS.

Advertising expense increased to 12.0% of net revenues, compared to 10.8% of

net revenues in 1999 and the 1998 level of 13.3%. Included in 2000 expense is \$3,155 related to contractual commitments on discontinued product lines arising from the Company's 2000 consolidation program. This charge, combined with expenditures committed to early in the year, contributed to the increased percentage of lower 2000 net revenue. The percentage decrease in 1999 from 1998 levels primarily reflects the mix of more entertainment based properties, such as STAR WARS and POKEMON, marketed throughout our segments, which tend to carry a lower advertising to revenue ratio. Increased 1999 revenues in the Games segment from FURBY and trading card games also contributed to the decrease from 1998, as these lines do not carry as great of an advertising spend ratio as other products.

Selling, distribution and administration costs increased in both dollars and as a percentage of net revenues in 2000 from 1999 levels. The increase results from marketing, selling and administrative costs in the Games segment associated with Wizards. Costs associated with tournament sponsorship and retail operations of Wizards result in higher selling, distribution and administrative costs than historically found in the Games segment. The increase in the Games segment was offset in part by lower administrative costs in the remainder of the Games segment and in the US Toy segment relating to a significant decrease or elimination of performance based bonus accruals existing in 1999. Comparing 1999 to 1998, selling, distribution and administration costs increased in dollars but decreased as a percentage of net revenues to \$799,919, or 19.0% of revenues, from \$655,938, or 19.9% in 1998. Of the increase in dollars, approximately 25% of the increase reflects the Games segment's 1999 acquisition of Wizards and approximately 31% of the increase reflects higher performance based bonus accruals. The remainder of the increase in dollars primarily reflects costs associated with the higher level of activity in 1999. The decreased percentage reflects higher 1999 revenues as well as the Company's commitment to control these costs, and the benefit received from the 1997 global integration and profit enhancement program.

The Company recognized \$63,951 of restructuring expense in 2000. This amount reflects charges under the 2000 restructuring plan of \$70,079 and adjustments to the 1999 plan of \$(6,128). The pretax impact of consolidation program charges and adjustments for the fiscal year ended December 31, 2000 was \$146,142.

On October 12, 2000, the Company announced a plan approved by its Board of Directors (Board) to consolidate its U.S. Toy group in Rhode Island, significantly reduce overhead through reductions in product development, sales and marketing, and administrative functions across the Company and to increase its focus on development of the Company's core brands. The impact of this plan was recorded in the fourth quarter as follows:

Restructuring charge	\$ 70,079

Other operating expenses:	
Cost of sales	6,625
Amortization	25,046
Royalties, research and development	42,270
Advertising	3,155
Selling, distribution and administration	5,095

	82,191

Total 2000 consolidation program cost	\$ 152,270
	=====

The significant components of the 2000 plan include the closing of offices in Cincinnati, Ohio, the Napa, California office and warehouse and a small office in San Francisco, California, thereby essentially consolidating the U.S. Toy group in Rhode Island. These actions were substantially completed at December 31, 2000. Additionally, the plan includes the reduction of overhead, particularly in marketing and sales, product development and administration. This includes a curtailment of expansion of the retail business of Wizards, the further consolidation of certain international operating offices into regional centers and consolidation and streamlining of the Company's marketing activities. The Company is also increasing its focus on developing and marketing its core brands and reducing its reliance on licenses. This focus has resulted in product lines which will be discontinued or for which the Company has significantly reduced expectations.

Together, the components of this plan anticipate the redundancy of approximately 850 employees, including 125 in manufacturing and sourcing activities and 725 worldwide in research and product development, marketing, sales and administration. Employee redundancies by area are as follows:

	Opening Balance	Activity	Balance at December 31, 2000
	-----	-----	-----
Manufacturing activities	125	(98)	27
Research, product development, sales marketing and administration	725	(403)	322
	-----	-----	-----
	850	(501)	349

Total charges under the 2000 plan represent cash charges of \$89,400, comprised of approximately \$31,800 for severance benefits which will be disbursed over the employee's entitlement period, \$5,100 in related charges paid in 2000 to relocate certain U.S. Toy group employees to Rhode Island, \$21,400 for lease costs to be expended over the contractual lease term of the closed facilities and approximately \$31,100 of contractual commitments on exited product lines and certain other licensed product lines with reduced expectations due to the Company's enhanced focus on its core brands. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Total non-cash charges were \$62,900 of which charges of \$16,900 were for fixed asset write-offs relating primarily to Corporate and the U.S. Toy segment. The remaining approximate \$46,000 relates to asset write-offs and a write-down of assets impaired due to the Company's enhanced focus on its core brands. This includes impairment of intangible assets arising from the decision to discontinue product line offerings. Non-cash charges relating to asset write-offs have been credited to the respective line items on the balance sheet. The components of the plan included in the restructuring charge in the statement of operations are severance costs of \$31,800, lease costs of \$21,400 and fixed asset write-offs of \$16,900. Included in accrued liabilities at December 31, 2000 is \$53,200 relating to amounts due to terminated employees over their severance entitlement period and costs associated with lease costs. The Company anticipates pretax savings under the restructuring plan of \$49,000 in 2001 and \$53,000 in 2002. The restructuring plan is expected to be completed in fiscal 2001. Third party actions and the impact of competition could delay or increase the cost of implementation of the Company's consolidation program or alter the Company's actions and reduce actual results.

In December 1999, the Company commenced a program to consolidate manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. Costs associated with this program in 1999 amounted to \$141,575, and were recorded \$64,232 in restructuring, \$8,740 in cost of sales, \$38,449 in amortization, \$26,292 in royalties, research and development and \$3,862 in advertising. Adjustments to the 1999 restructuring plan of \$(6,128) were recorded in 2000.

The significant components of the 1999 restructuring plan included the closing of factories in Mexico and in the United Kingdom, reducing capacity at the remaining three factories, shifting production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. Actions under the plan commenced in December 1999 and were completed in fiscal 2000. There were no material changes to the plan, however adjustments were recognized in 2000 reflecting the reversal of excess restructuring accruals due to lower than previously estimated costs to achieve the overall objectives of the plan, primarily in the consolidation and regionalization of the International marketing and sales structure. The 1999 restructuring charge of \$64,232 represented approximately \$38,700 of cash charges for severance benefits for termination of approximately 2,200 employees, which will be disbursed over the employee's entitlement period, \$14,300 of cash charges for lease and facility closing costs to be expended over the contractual lease terms and closing process and non-cash charges of \$11,200 for fixed asset write-offs, arising primarily in the manufacturing area. Of the cash amount, approximately \$4,700 was paid prior to December 26, 1999 for severance benefits relating to approximately 200 employees terminated prior to that date. Non-cash charges relating to fixed asset write-offs were credited to the respective line items on the balance sheet. Details of

activity in the restructuring plan for fiscal 2000 follow:

	Balance at Dec. 26, 1999	Adjustments	Activity	Balance at Dec. 31, 2000
Severance	\$ 34,000	(4,800)	(25,200)	4,000
Lease and facility closing costs	14,300	(1,300)	(9,100)	3,900
	\$ 48,300	(6,100)	(34,300)	7,900
	=====	=====	=====	=====
Employee redundancies by area:				
Manufacturing and sourcing activities	1,700	-	(1,700)	-
Research, product development, marketing and administration	300	(40)	(260)	-
	2,000	(40)	(1,960)	-
	=====	=====	=====	=====

The remaining severance liability represents cash charges for severance benefits for employees made redundant which will be disbursed over the employee's entitlement period. The balance in lease and facility closing costs will be expended over the contractual lease term. The Company generated pre-tax savings of approximately \$15,900 from this plan in 2000.

The components of the 1999 program included in other operating expenses represented costs associated with exiting certain product lines and reevaluating other product lines which resulted in reduced expectations. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Approximately \$12,000 represents cash charges that will be incurred on contractual royalty, product development and advertising commitments associated with the discontinued product lines. Non-cash charges of approximately \$65,000 relate to asset write-offs and write-downs of underutilized assets. This includes impairment of intangible assets arising from the decision to discontinue or significantly reduce product line offerings. The resulting sum of undiscounted future cash flows of these assets was not sufficient to cover the carrying amount of the assets, and as such, they were written down to their fair market value. Items relating to property rights and licenses, goodwill, inventory, prepaid and other current assets have been credited to the respective asset in the balance sheet.

As noted above, in December 2000, the Company entered into an agreement to sell certain business units comprising Hasbro Interactive, as well as its internet portal, Games.com, to Infogrames for Infogrames securities and cash. The sale of the business units closed in January 2001. Net assets of the business units to be sold have been written down to estimated fair value as of December 31, 2000, resulting in the recognition of a pretax loss of \$43,965. In addition, the Company entered into an agreement with Infogrames, whereby Infogrames will develop interactive games based on the Company's properties. The Company will receive annual royalties including a minimum guarantee from Infogrames based on sales generated from the licensing agreement.

During the third quarter of 1998, the Company incurred a one-time charge to write-off the \$20,000 appraised value of acquired in-process research and development of MicroProse, Inc., which was acquired for a total purchase price of approximately \$70,000 on September 14, 1998.

Interest expense was \$114,421 in 2000, compared to \$69,340 in 1999 and \$36,111 during 1998. The increase largely reflects the costs associated with funding the Company's recent acquisitions and the Company's stock repurchase program. Under the terms of the Company's amended and restated credit facility agreements, coupled with the increased amount of long-term debt of the Company, Hasbro expects interest expense to increase in 2001.

Other expense of \$7,288 in 2000 compares with income of \$15,616 in 1999 and \$14,707 in 1998. Expense in 2000 relates primarily to the write down of investments held for sale which have experienced a non-temporary decline in value, coupled with a higher level of transactional losses resulting from an unfavorable movement in foreign currency.

Income tax benefit on the pre-tax loss was 36.0% in 2000. This compares with income tax expense of 31.0% in 1999 and 32.0% in 1998. This year's higher rate reflects the tax benefit of operating losses in jurisdictions with higher statutory tax rates.

Liquidity and Capital Resources

Cash and cash equivalents were \$127,115 at December 31, 2000 compared to \$280,159 and \$177,748 at December 26, 1999 and December 27, 1998, respectively.

Hasbro generated approximately \$163,000 of net cash from its operating activities in 2000, compared with approximately \$392,000 in 1999 and \$127,000 in 1998. The 58% decrease in cash provided by operating activities from 1999 is due primarily to the approximate \$145,000 net loss incurred in 2000. Coupled with cash utilized to reduce accounts payable and accrued liabilities, the decrease was partially offset by a 37% decrease in accounts receivable. The decrease in accounts receivable results from a 27% decrease in revenues for the fourth quarter of 2000 and a greater proportion of cash collected on sales during the year. Inventories decreased as a result of both lower production in anticipation of reduced shipments in the first quarter of 2001 and the write-down of excess inventory, particularly trading card games, in the fourth quarter. Conversely, prepaid expenses and other current assets increased in large part as a result of inclusion of assets held for sale in regards to the Company's sale of Hasbro Interactive and Games.com to Infogrames.

Hasbro generated approximately \$392,000 of net cash from its operating activities in 1999, compared with approximately \$127,000 in 1998. The significant change between the 1999 and 1998 amounts results from a combination of factors. Included in the 1999 amount was \$38,361 utilized by changes in operating assets and liabilities, compared with \$267,231 utilized in 1998. Full year accounts receivable for 1999 increased at a rate significantly below that of the increase in fourth quarter revenues. Reflecting the acquisition of Wizards made during the fourth quarter and growth in inventory levels in the International segment for 2000 product introduction, 1999 inventories increased over prior year levels. Prepaid and other current assets also increased from the prior year, in part due to the acquisition of Wizards and the increased spending on product development. Reflecting amounts payable in 2000 for the Wizards acquisition, the remaining unpaid amounts from the 1999 consolidation program and increased bonus accruals in high performing segments, accounts payable and accrued

liabilities increased by 35% over prior year levels. Royalty advances made in connection with the STAR WARS license that apply to future years have been included in long-term assets. During 1998, \$267,231 was utilized by changes in operating assets and liabilities. With the \$170,723 increase in fourth quarter revenues from the comparable period of 1997, most of which, under Hasbro's normal trading terms, became due after the end of the Company's fiscal year, accounts receivable increased. Inventories also increased, in part reflecting acquisitions made during the year, as did prepaid expenses and other current assets, largely reflecting higher advance royalty payments. Partially offsetting these utilizations of funds was a small increase in accounts payable and other accrued liabilities.

Cash flows from investing activities were a net utilization of \$180,710, \$429,092 and \$792,700 in 2000, 1999 and 1998, respectively. During 2000, the Company expended approximately \$125,000 on additions to its property, plant and equipment while during 1999 and 1998 it expended approximately \$107,000 and \$142,000, respectively. Of these amounts, 33% in 2000, 53% in 1999 and 38% in 1998 were for purchases of tools, dies and molds related to the Company's products. Under the terms of the Company's amended and restated credit facilities, the Company is restricted in the amount it can expend on additions to property, plant and equipment. The 1998 additions also include the expenditures associated with the consolidation of its Spanish manufacturing and marketing operations into one facility. During the three years, depreciation and amortization of plant and equipment was \$106,458, \$103,791 and \$96,991, respectively.

During 2000, the Company made several small acquisitions for approximately \$58,000 in total, net of cash acquired, none of which were considered individually significant. An additional post closing adjustment payment made and contingent payments accrued in 2000 with relation to the September 1999 acquisition of Wizards totaled approximately \$79,800, bringing the total acquisition cost to date to \$492,574. On September 30, 1999, the Company acquired the outstanding shares of Wizards, for an initial purchase price of \$325,000, subject to additional payments based upon the closing balance sheet and future payments contingent upon achieving certain operating objectives. The Company also made other smaller acquisitions and investments in 1999, none of which were significant. Hasbro made three major acquisitions during 1998, having an aggregate purchase price of \$669,737. On April 1, 1998, it acquired substantially all of the business and operating assets of Tiger Electronics, Inc. and certain affiliates. On September 14, 1998, it acquired the outstanding shares of MicroProse Inc. through a cash tender offer of \$6.00 for each outstanding share. On October 30, 1998, it acquired the outstanding shares of Galoob through a cash tender offer of \$12.00 for each outstanding share. Other investing activities in 2000 largely reflects a reduction in intangible and other long-term assets of Hasbro Interactive and Games.com, which were sold to Infogrames. Under the terms of the Company's amended and restated credit facilities, the Company is restricted in the amount it can expend on future acquisitions.

The Company commits to inventory production, advertising and marketing expenditures prior to the peak third and fourth quarter retail selling season. In addition, accounts receivable, which increase with customer purchases, are also closer to this selling season and are generally not due for payment until the fourth quarter or early in the first quarter of the subsequent year. This timing difference between expenses paid and revenues collected makes it necessary for the Company to borrow significant amounts during the year. During 2000, the Company borrowed through the issuance of commercial paper and against short-term lines of credit to fund its seasonal working capital requirements in excess of funds available from operations and the issuance of long-term debt. In February 2001, the Company entered into amended and restated secured revolving and line of credit facility agreements with its existing lenders. These committed lines include long-term and short-term secured credit agreements of \$325,000 each. The facilities are secured by substantially all domestic accounts receivable and inventory, as well as certain investments and intangible assets of the Company. The Company is not required to maintain compensating balances under the agreements. The agreements contain certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments. During 2001, the Company expects to fund its seasonal working capital needs through operations and these lines of credit and believes that the funds available to it are adequate to meet its needs. Amounts available for borrowing under the committed revolving and line of credit facilities are \$325,000 (long-term) and \$325,000 (short-term) and vary by quarter, with availability at its lowest point of \$300,000 in the first quarter of 2001. Of this amount available, \$213,000 is unused at March 4, 2001. Amounts available and unused under uncommitted lines at March 4, 2001 were \$143,000.

During 2000, net financing activities utilized approximately \$128,000 of funds of the Company, primarily as a result of the completion on March 27 of a "Modified Dutch Auction" tender offer, pursuant to which the Company accepted for payment 18,085,578 shares of common stock, representing approximately 9.5% of outstanding shares, at a purchase price of \$17.25 per share. The aggregate purchase, including fees and expenses associated with the tender offer, was approximately \$313,000. Offsetting this utilization was net borrowing activities in 2000 which included the issuance of \$550,000 of 7.95% notes due March 15, 2003 and \$200,000 of 8.50% notes due March 15, 2006. During 1999, net financing activities provided approximately \$145,000

of funds to the Company, primarily through the use of short-term borrowings. Net financing activities during 1998 provided approximately \$490,000, principally through the issuance of \$100,000 of 5.60% notes due November 1, 2005, \$150,000 of 6.15% notes due July 15, 2008 and \$150,000 of 6.6% debentures due July 15, 2028.

On December 9, 1997, the Board cancelled all prior share repurchase authorizations and authorized the purchase of up to an additional \$500,000 of the Company's common stock. On December 6, 1999, the Board authorized an additional common stock repurchase program up to \$500,000. As a result of the "Modified Dutch Auction" tender offer, the repurchase authorization of 1997 has been completed while \$204,500 remains under the 1999 authorization. The shares acquired under these programs are being used for corporate purposes including issuance upon the exercise of stock options and warrants. Under terms of the current bank agreements, the Company is limited in its repurchase of its shares in the future to \$5,000 per year. During 1999, the Company also invested approximately \$240,000 to repurchase its common stock in the open market. This compares with approximately \$180,000 repurchased in the open market in 1998.

At December 31, 2000, under the most restrictive bank credit agreement covenant, dividend payments are restricted to the greater of \$.03 per share quarterly or 25% of prior fiscal year consolidated net income.

Financial Risk Management

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as a result of sourcing products in four currencies while marketing those products in more than thirty currencies. Results of operations will be affected primarily by changes in the value of the U.S. dollar, Hong Kong dollar, British pound, Euro, Canadian dollar and Mexican peso versus other currencies, principally in Europe and the United States.

To manage this exposure, as of December 31, 2000, the Company has hedged a portion of its estimated fiscal 2001 foreign currency transactions using a combination of forward foreign exchange contracts and purchased foreign currency options. The Company estimates that a hypothetical immediate 10% unfavorable movement in the currencies involved could result in an approximate \$13.7 million decrease in the fair value of these instruments. The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in other than the U.S. dollar. The Company believes, however, that the risk on this net exposure would not be material to its financial condition. In addition, the Company's revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. The Company does not speculate in and other than set forth above, the Company does not hedge foreign currencies.

At December 31, 2000, the Company had fixed rate long-term debt of \$1,167,838. Interest rate changes affect the fair value of this fixed rate debt but do not impact earnings or cash flows. The Company estimates that a hypothetical one percentage point decrease or increase in interest rates would increase or decrease the fair value of this debt by approximately \$31,000 or \$29,000, respectively.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 was amended during 1999, requiring the Company to adopt SFAS 133 effective January 1, 2001. SFAS 133 will require that the Company record all derivatives, such as foreign exchange contracts, in the balance sheet at fair value. Changes in derivative fair values will either be recognized in earnings as an offset to the changes in the fair value of the related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other shareholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings.

The one-time effect of adopting SFAS 133 on the Company's assets, liabilities, other comprehensive income and net income will be less than \$1,000 for the fiscal quarter ending April 1, 2001.

The Economy and Inflation

The Company continued to experience difficult economic environments in some parts of the world during 2000. The principal market for the Company's products is the retail sector where certain customers have experienced economic difficulty. The Company closely monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The effect of inflation on the Company's operations during 2000 was not significant and the Company will continue its policy of monitoring costs and adjusting prices accordingly.

Euro Conversion

Certain member countries of the European Union established fixed conversion

rates between their existing currencies and the European Economic Monetary Union common currency, or Euro. While the Euro was introduced on January 1, 1999, member countries will continue to use their existing currencies through January 1, 2002, with the transition period for full conversion to the Euro ending June 30, 2002. Transition to the Euro creates certain issues for the Company with respect to upgrading information technology systems for 2002 full use requirements, reassessing currency risk, product pricing, amending business and financial contracts as well as processing tax and accounting records. The Company has and will continue to address these transition issues and does not expect the Euro to have a material effect on the results of operations or financial condition of the Company.

Other Information

The Company's revenue pattern continues to show the second half of the year more significant to its overall business. The trend of retailers over the past few years has been to make a higher percentage of their purchases within or close to the fourth quarter holiday consumer selling season, which includes Christmas.

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

In May 2000, the Emerging Issues Task Force reached a consensus on issue No. 00-14, Accounting for Coupons, Rebates, and Discounts (Issue 00-14). Issue 00-14 requires that all expenses relating to sales incentives such as coupons, rebates and discounts be reported as a reduction of sales. Issue 00-14 will be effective for the Company not later than the second quarter of 2001. The Company currently estimates the impact of adopting Issue 00-14 on net revenues and selling, distribution and administration expense would not have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See attached pages.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2000 and December 26, 1999 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 31, 2000 and December 26, 1999 and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Providence, Rhode Island

February 7, 2001

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2000 and December 26, 1999

(Thousands of Dollars Except Share Data)

Assets	2000	1999
-----	----	----
Current assets		
Cash and cash equivalents	\$ 127,115	280,159
Accounts receivable, less allowance for doubtful accounts of \$55,000 in 2000 and \$65,000 in 1999	685,975	1,084,118
Inventories	335,493	408,571
Prepaid expenses and other current assets	431,630	358,804
	-----	-----
Total current assets	1,580,213	2,131,652
Property, plant and equipment, net	296,729	318,825
	-----	-----
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of \$225,770 in 2000 and \$193,947 in 1999	803,189	806,092
Other intangibles, less accumulated amortization of \$347,149 in 2000 and \$300,632 in 1999	902,893	949,789
Other	245,435	256,990
	-----	-----
Total other assets	1,951,517	2,012,871
	-----	-----
Total assets	\$3,828,459	4,463,348
	=====	=====

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets, Continued
December 31, 2000 and December 26, 1999

(Thousands of Dollars Except Share Data)

Liabilities and Shareholders' Equity	2000	1999
-----	----	----
Current liabilities		
Short-term borrowings	\$ 228,085	714,669
Accounts payable	191,749	284,772
Accrued liabilities	789,128	983,280
Income taxes	30,850	88,606
	-----	-----
Total current liabilities	1,239,812	2,071,327
Long-term debt	1,167,838	420,654
Deferred liabilities	93,403	92,392
	-----	-----
Total liabilities	2,501,053	2,584,373
	-----	-----
Shareholders' equity		
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-
Common stock of \$.50 par value. Authorized 600,000,000 shares; issued 209,694,630 shares in 2000 and 1999	104,847	104,847
Additional paid-in capital	464,084	468,329
Deferred compensation	(6,889)	-
Retained earnings	1,583,394	1,764,110
Accumulated other comprehensive earnings	(44,718)	(32,982)
Treasury stock, at cost, 37,253,164 shares in 2000 and 16,710,620 shares in 1999	(773,312)	(425,329)
	-----	-----
Total shareholders' equity	1,327,406	1,878,975
	-----	-----
Total liabilities and shareholders' equity	\$3,828,459	4,463,348
	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Fiscal Years Ended in December

(Thousands of Dollars Except Share Data)

	2000	1999	1998
	----	----	----
Net revenues	\$3,787,215	4,232,263	3,304,454
Cost of sales	1,673,973	1,698,242	1,366,061
Gross profit	2,113,242	2,534,021	1,938,393
Expenses			
Amortization	157,763	173,533	72,208
Royalties, research and development	635,366	711,790	424,673
Advertising	452,978	456,978	440,692
Selling, distribution and administration	863,496	799,919	655,938
Restructuring charge	63,951	64,232	-
Loss on sale of business units	43,965	-	-
Acquired in-process research and development	-	-	20,000
Total expenses	2,217,519	2,206,452	1,613,511
Operating profit (loss)	(104,277)	327,569	324,882
Nonoperating (income) expense			
Interest expense	114,421	69,340	36,111
Other (income) expense, net	7,288	(15,616)	(14,707)
Total nonoperating expense	121,709	53,724	21,404
Earnings (loss) before income taxes	(225,986)	273,845	303,478
Income taxes	(81,355)	84,892	97,113
Net earnings (loss)	\$ (144,631)	188,953	206,365
	=====	=====	=====
Per common share			
Net earnings (loss)			
Basic	\$ (.82)	.97	1.04
	=====	=====	=====
Diluted	\$ (.82)	.93	1.00
	=====	=====	=====
Cash dividends declared	\$.21	.24	.21
	=====	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows Fiscal Years Ended in December

(Thousands of Dollars)

	2000	1999	1998
	----	----	----
Cash flows from operating activities			
Net earnings (loss)	\$(144,631)	188,953	206,365
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	106,458	103,791	96,991
Other amortization	157,763	173,533	72,208
Deferred income taxes	(67,690)	(38,675)	1,679
Compensation earned under restricted stock programs	2,754	-	-
Loss on sale of business units	43,965	-	-
Acquired in-process research and development	-	-	20,000
Change in operating assets and liabilities (other than cash and cash equivalents):			
Decrease (increase) in accounts receivable	395,682	(11,248)	(126,842)
Decrease (increase) in inventories	69,657	(44,212)	(44,606)
Increase in prepaid expenses and other current assets	(84,006)	(26,527)	(113,451)
(Decrease) increase in accounts payable and other current liabilities	(292,313)	193,626	17,668
Long-term advances and other	(25,083)	(147,729)	(3,425)
Net cash provided by operating activities	162,556	391,512	126,587
	-----	-----	-----
Cash flows from investing activities			
Additions to property, plant and equipment	(125,055)	(107,468)	(141,950)

Investments and acquisitions, net of cash acquired	(138,518)	(352,417)	(667,736)
Other	82,863	30,793	16,986
	-----	-----	-----
Net cash utilized by investing activities	(180,710)	(429,092)	(792,700)
	-----	-----	-----

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued
Fiscal Years Ended in December

(Thousands of Dollars)

	2000	1999	1998
	----	----	----
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	912,979	460,333	407,377
Repayments of borrowings with original maturities of more than three months	(291,779)	(308,128)	(24,925)
Net (repayments) proceeds of other short-term borrowings	(341,522)	226,103	271,895
Purchase of common stock	(367,548)	(237,532)	(178,917)
Stock option and warrant transactions	2,523	50,358	58,493
Dividends paid	(42,494)	(45,526)	(42,277)
	-----	-----	-----
Net cash (utilized) provided by financing activities	(127,841)	145,608	491,646
	-----	-----	-----
Effect of exchange rate changes on cash	(7,049)	(5,617)	(9,570)
	-----	-----	-----
(Decrease) increase in cash and cash equivalents	(153,044)	102,411	(184,037)
Cash and cash equivalents at beginning of year	280,159	177,748	361,785
	-----	-----	-----
Cash and cash equivalents at end of year	\$127,115	280,159	177,748
	=====	=====	=====
Supplemental information			
Cash paid during the year for			
Interest	\$ 91,180	64,861	25,135
	=====	=====	=====
Income taxes	\$ 95,975	108,342	128,436
	=====	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Shareholders' Equity
	-----	-----	-----	-----	-----	-----	-----
Balance, December 28, 1997	\$ 104,849	454,498	-	1,457,495	(3,903)	(174,822)	1,838,117
Net earnings	-	-	-	206,365	-	-	206,365
Other comprehensive earnings	-	-	-	-	(5,722)	-	(5,722)
Comprehensive earnings	-	-	-	-	-	-	200,643
Purchase of treasury stock	-	-	-	-	-	(178,917)	(178,917)
Stock option and warrant transactions	-	66,818	-	-	-	60,195	127,013
Dividends declared	-	-	-	(42,061)	-	-	(42,061)
	-----	-----	-----	-----	-----	-----	-----
Balance, December 27, 1998	104,849	521,316	-	1,621,799	(9,625)	(293,544)	1,944,795
Net earnings	-	-	-	188,953	-	-	188,953
Other comprehensive earnings	-	-	-	-	(23,357)	-	(23,357)
Comprehensive earnings	-	-	-	-	-	-	165,596
Purchase of treasury stock	-	-	-	-	-	(237,532)	(237,532)
Stock option and warrant transactions	-	(52,892)	-	-	-	105,747	52,855
Dividends declared	-	-	-	(46,642)	-	-	(46,642)
Other	(2)	(95)	-	-	-	-	(97)
	-----	-----	-----	-----	-----	-----	-----
Balance, December 26, 1999	104,847	468,329	-	1,764,110	(32,982)	(425,329)	1,878,975

Net loss	-	-	-	(144,631)	-	-	(144,631)
Other comprehensive earnings	-	-	-	-	(11,736)	-	(11,736)
Comprehensive earnings	-	-	-	-	-	-	(156,367)
Purchase of treasury stock	-	-	-	-	-	(367,548)	(367,548)
Stock option and warrant transactions	-	(1,708)	-	-	-	7,406	5,698
Restricted stock activity	-	(2,537)	(6,889)	-	-	12,159	2,733
Dividends declared	-	-	-	(36,085)	-	-	(36,085)
Balance, December 31, 2000	\$ 104,847	464,084	(6,889)	1,583,394	(44,718)	(773,312)	1,327,406
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Thousands of Dollars Except Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all significant majority-owned subsidiaries (Hasbro or the Company). Investments in affiliates representing 20% to 50% ownership interest are accounted for using the equity method. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

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

Fiscal Year

Hasbro's fiscal years end on the last Sunday in December. The fiscal year ended December 31, 2000 is a fifty-three week period while the fiscal years ended December 26, 1999 and December 27, 1998 were fifty-two week periods.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Long-Lived Assets

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

Cost in Excess of Net Assets Acquired and Other Intangibles

Approximately 43% of Hasbro's goodwill results from the 1984 acquisition of Milton Bradley Company (Milton Bradley), including its Playskool and international units, and the 1991 acquisition of Tonka Corporation (Tonka), including its Kenner, Parker Brothers and international units. Approximately 24% results from the Company's 1998 acquisitions of Tiger Electronics, Inc. and Galoob Toys, Inc. An additional approximate 21% results from the Company's 1999 acquisition of Wizards of the Coast, Inc. Goodwill is being amortized on the straight-line basis over lives ranging from ten to forty years.

Substantially all of the other intangibles consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers, but does not individually value, existing trademarks, copyrights, patents, license agreements and other product-related rights.

Approximately 61% of these other intangibles relate to rights acquired in the acquisitions noted above. These rights, which were valued at their acquisition date based on the anticipated future cash flows from the underlying product lines, are being amortized over three to twenty-five years using the straight-line method. An additional approximate 11% of these other intangibles relate to rights acquired from a major motion picture studio and are being amortized over the contract life, in proportion to projected sales of the licensed products during the same period.

Depreciation and Amortization

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

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

Revenue Recognition

Revenue from product sales is recognized upon the passing of title to the customer, generally at the time of shipment. Provisions for discounts, rebates and returns are made when the related revenues are recognized.

The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 101 (SAB 101), Revenue Recognition in Financial Statements, in December 1999. The SAB summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 was adopted by the Company in the fourth quarter and had no significant impact on the consolidated financial statements.

Research and Development

Research and product development costs for 2000, 1999 and 1998 were \$208,485, \$254,599 and \$184,962, respectively.

Advertising

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

Shipping and Handling

Hasbro expenses costs related to the shipment and handling of goods to customers as incurred. For 2000, 1999, and 1998, these costs were \$177,200, \$169,068 and \$155,521 and are included in selling, distribution and administration expenses.

Income Taxes

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

Comprehensive Income

Comprehensive income is comprised primarily of gains and losses on the translation of foreign currency financial statements and also includes unrealized gains and losses on certain investment securities, net of tax. The related tax benefit of other comprehensive income items was \$720, \$3,187 and \$1,684 for the years 2000, 1999 and 1998, respectively. Reclassification adjustments in 2000, net of related income taxes of \$2,695, were \$4,398.

Foreign Currency Translation

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

Pension Plans, Postretirement and Postemployment Benefits

Hasbro, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits. The Company's policy is to fund amounts which are required by applicable

regulations and which are tax deductible. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

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

Risk Management Contracts

Hasbro does not enter into derivative financial instruments for speculative purposes. The Company enters into foreign currency forward and option contracts to mitigate its exposure to foreign currency exchange rate fluctuations. This exposure relates to future purchases of inventory not denominated in the functional currency of the unit purchasing the inventory as well as other cross-border currency requirements. Premiums on option contracts are amortized over their term and if such contract is terminated before its maturity, the unamortized premium is expensed and included in other expense, net. The carrying value of options is included in prepaid expenses and other current assets. Gains and losses on forward and option contracts meeting hedge accounting requirements are deferred and recognized as adjustments to the carrying value of the related transactions. In the event hedge accounting requirements are not met, gains and losses on such instruments are included currently in the statements of operations.

Earnings Per Common Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted earnings per share is similar except that the weighted average number of shares outstanding is increased by shares issuable upon exercise of stock options and warrants for which market price exceeds exercise price, less shares which could have been purchased by the Company with the related proceeds. As a result of the Company's net loss during 2000, the basic and diluted shares are the same because increasing diluted shares by 526 related to employee stock options would have an antidilutive effect.

A reconciliation of earnings per share for the three fiscal years ended December 31, 2000 is as follows:

	2000		1999		1998	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings (loss)	\$(144,631)	(144,631)	188,953	188,953	206,365	206,365
Average shares outstanding	176,437	176,437	194,917	194,917	197,927	197,927
Options and warrants	-	-	-	7,186	-	7,493
Equivalent shares	176,437	176,437	194,917	202,103	197,927	205,420
Earnings (loss) per share	\$ (.82)	(.82)	.97	.93	1.04	1.00

(2) Acquisitions and Disposals

In December 2000, the Company entered into an agreement to sell certain business units comprising Hasbro Interactive, as well as its internet portal, Games.com, to Infogrames Entertainment SA (Infogrames) for Infogrames securities and cash. The sale of the business units closed in January 2001. Net assets of the business units to be sold have been written down to estimated fair value as of December 31, 2000, resulting in the recognition of a pretax loss of \$43,965. The net assets of the business units held for sale are presented in the balance sheet at December 31, 2000 as a component of prepaid expenses and other current assets. In the three fiscal years ended December 31, 2000, net revenues of the business units sold were \$194,300, \$237,200 and \$197,000, respectively. Operating losses of the business units to be sold, including consolidation program charges and discontinued development charge, were \$(104,200) in 2000, \$(124,300) in 1999 and \$(2,100) in 1998.

On September 30, 1999, Hasbro acquired Wizards of the Coast, Inc. (Wizards) for an initial purchase price of \$325,000 subject to additional payments based upon the closing balance sheet and future payments contingent upon achieving certain operating objectives. The total acquisition cost to date amounts to \$492,574, which includes \$76,495 of contingent payment in accrued liabilities at year end with respect to 2000, and has been accounted for using the purchase method. The Company

also made several smaller acquisitions in 2000, none of which were material.

On a pro forma basis, reflecting the acquisition of Wizards as if it had taken place at the beginning of each period and after giving effect to adjustments recording the acquisition, unaudited net revenues, net earnings and basic and diluted earnings per share for the year ended December 26, 1999 would have been \$4,630,368, \$270,386, \$1.39 and \$1.34, respectively, and for the year ended December 27, 1998 would have been \$3,459,343, \$177,704, \$.90 and \$.87, respectively. These pro forma results are not indicative of either future performance or actual results which would have occurred had the acquisition taken place at the beginning of the respective periods.

(3) Inventories

	2000	1999
Finished products	\$285,884	348,058
Work in process	19,071	13,470
Raw materials	30,538	47,043
	\$335,493	408,571
	=====	=====

(4) Property, Plant and Equipment

	2000	1999
Land and improvements	\$ 12,146	16,323
Buildings and improvements	206,518	199,713
Machinery and equipment	297,410	355,958
	516,074	571,994
Less accumulated depreciation	253,533	298,766
	262,541	273,228
Tools, dies and molds, net of amortization	34,188	45,597
	\$296,729	318,825
	=====	=====

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

(5) Short-Term Borrowings

At December 31, 2000, Hasbro has available secured committed and unsecured uncommitted lines of credit from various banks approximating \$704,000 and \$419,000, respectively. Substantially all of the short-term borrowings outstanding at the end of 2000 and 1999 represent borrowings made under, or supported by, these lines of credit and the weighted average interest rates of the outstanding borrowings were 10.0% and 6.4%, respectively. During 2000, Hasbro's working capital needs were fulfilled by borrowing under these lines of credit and through the issuance of commercial paper, both of which were on terms and at interest rates generally extended to companies of comparable creditworthiness. Certain domestic accounts receivable and inventory of the Company secured the committed lines at December 31, 2000. In February 2001, the Company entered into amended and restated secured revolving and line of credit facility agreements with its existing lenders. These committed lines include \$325,000 and \$325,000 available under long-term and short-term secured credit agreements, respectively. The facilities are secured by substantially all domestic accounts receivable and inventory, as well as certain investments and intangible assets of the Company. The Company is not required to maintain compensating balances, however, it is required to pay a fee of 3/8% per annum of the unused amount of the facility available for borrowing. The agreements contain certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments.

(6) Accrued Liabilities

	2000	1999
Royalties	\$149,020	178,211
Advertising	86,480	140,129
Payroll and management incentives	71,840	114,852
Other	481,788	550,088
	\$789,128	983,280
	=====	=====

(7) Long-Term Debt

	2000	1999
7.95% Notes Due 2003	\$ 550,000	-
5.60% Notes Due 2005	100,000	100,000
8.50% Notes Due 2006	200,000	-
6.15% Notes Due 2008	150,000	150,000
6.60% Debentures Due 2028	150,000	150,000
Other	17,838	20,654
	\$1,167,838	420,654
	=====	=====

Current installments of \$1,793 in 2000 and \$4,142 in 1999 are aggregated with short-term borrowings. The maturities of long-term debt in 2002 and in the succeeding three years are \$2,400, \$550,900, \$1,000 and \$101,000.

(8) Income Taxes

Income taxes attributable to earnings (loss) before income taxes are:

	2000	1999	1998
Current			
United States	\$(41,343)	77,512	40,256
State and local	(443)	5,566	5,226
International	28,121	40,489	49,952
	-----	-----	-----
	(13,665)	123,567	95,434
	-----	-----	-----
Deferred			
United States	(59,775)	(40,131)	(6,458)
State and local	(5,124)	(3,440)	(554)
International	(2,791)	4,896	8,691
	-----	-----	-----
	(67,690)	(38,675)	1,679
	-----	-----	-----
	\$(81,355)	84,892	97,113
	=====	=====	=====

Certain tax benefits are not reflected in income taxes in the statements of operations. Such benefits of \$248 in 2000, \$16,735 in 1999 and \$14,377 in 1998, relate primarily to stock options.

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

	2000	1999	1998
Statutory income tax rate	(35.0)%	35.0%	35.0%
State and local income taxes, net	(1.6)	.5	1.0
Goodwill amortization	4.6	3.3	1.8
Tax on international earnings	(3.1)	(7.9)	(5.4)
Other, net	(.9)	.1	(.4)
	-----	-----	-----
	(36.0)%	31.0%	32.0%
	=====	=====	=====

The components of earnings (loss) before income taxes, determined by tax jurisdiction, are as follows:

	2000	1999	1998
United States	\$(318,859)	79,519	123,969
International	92,873	194,326	179,509
	-----	-----	-----
	\$(225,986)	273,845	303,478
	=====	=====	=====

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

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2000 and December 26, 1999 are:

	2000	1999
Deferred tax assets:		
Accounts receivable	\$ 33,227	36,696
Inventories	22,839	26,205
Net operating loss carryovers	29,885	28,930
Operating expenses	50,713	39,512
Postretirement benefits	12,032	12,243
Other	147,023	99,143
	-----	-----
Gross deferred tax assets	295,719	242,729
Valuation allowance	(11,124)	(15,146)
	-----	-----
Net deferred tax assets	284,595	227,583

Deferred tax liabilities	118,870	100,820
	-----	-----
Net deferred income taxes	\$165,725	126,763
	=====	=====

Hasbro has a valuation allowance for deferred tax assets at December 31, 2000 of \$11,124, which is a decrease of \$4,022 from the \$15,146 at December 26, 1999. The allowance pertains to United States and international operating loss carryforwards, some of which have no expiration and others that would expire beginning in 2003. If fully realized, \$7,103 will reduce goodwill and the balance will reduce future income tax expense. Deferred tax liabilities relate primarily to property rights.

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

Deferred income taxes of \$155,291 and \$115,646 at the end of 2000 and 1999, respectively, are included as a component of prepaid expenses and other current assets, and \$14,693 and \$19,592, respectively, are included as a component of other assets. At the same dates, deferred income taxes of \$806 and \$1,236, respectively, are included as a component of accrued liabilities, and \$3,453 and \$7,239, respectively, are included as a component of deferred liabilities.

The cumulative amount of undistributed earnings of Hasbro's international subsidiaries held for reinvestment is approximately \$408,000 at December 31, 2000. In the event that all international undistributed earnings were remitted to the United States, the amount of incremental taxes would be approximately \$60,000.

(9) Capital Stock

Preference Share Purchase Rights

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

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

Common Stock

On December 6, 1999, the Board authorized a common share repurchase program up to \$500,000. At December 31, 2000, \$204,500 remained under this authorization.

On February 19, 1999, the Board declared a three-for-two stock split, payable in the form of a 50% stock dividend, on March 15, 1999 to shareholders of record on March 1, 1999. All earnings per common share amounts, references to common stock and shareholders' equity amounts are reflective of the stock split.

(10) Stock Options, Restricted Stock and Warrants

Hasbro has various stock plans for employees as well as a plan for non-employee members of the Board (collectively, the plans) and has reserved 30,316,339 shares of its common stock for issuance upon exercise of options granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant. Certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards.

During 2000, the Company issued restricted stock and granted deferred restricted stock units to certain key employees. At December 31, 2000,

these awards, net of forfeitures, aggregated the equivalent of 634,076 shares. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. Upon granting of these awards, unearned compensation equivalent to the market value at the date of grant is charged to shareholders' equity and subsequently amortized over the periods during which the restrictions lapse, generally 3 years. Deferred compensation relating to the grants, net of forfeitures, amounted to \$9,622. Amortization of deferred, unearned compensation relating to the restricted stock and deferred restricted stock units of \$2,733 was recorded in fiscal 2000. During 2000, the Company also made awards under a Long Term Incentive Program (LTIP) under the Company's omnibus employee stock plans. Conditional upon the Company reaching certain volume, earnings per share and stock price benchmarks within a three year performance cycle, restricted shares would be awarded which would vest over the two years following that cycle. Unearned compensation equivalent to the market value of the target number of shares that would be awarded if these conditions were met was recorded at the date of the LTIP award and is being amortized over a five-year period. Adjustments are made to compensation expense for changes in market value and achievement of financial goals. For the year ended December 31, 2000, conditional requirements of the LTIP award had not been met and accordingly no compensation expense has been recognized.

As permitted by Statement of Financial Accounting Standards No. 123 (SFAS 123), Hasbro continues to apply Accounting Principles Board Opinion No. 25 (APB 25) in accounting for the plans under which no compensation cost is recognized. Had compensation expense been recorded under the provisions of SFAS 123, the impact on the Company's net earnings (loss) and earnings (loss) per share would have been:

	2000	1999	1998
	----	----	----
Reported net earnings (loss)	\$(144,631)	188,953	206,365
Pro forma compensation expense, net of tax	(21,981)	(18,335)	(10,339)
Pro forma net earnings (loss)	\$(166,612)	170,618	196,026
	=====	=====	=====
Pro forma earnings (loss) per share			
Basic	\$ (.94)	.88	.99
Diluted	\$ (.94)	.84	.95
	=====	=====	=====

The weighted average fair value of options granted in 2000, 1999 and 1998 were \$6.43, \$12.13 and \$8.66, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively: risk-free interest rates of 6.77%, 5.60% and 5.70%; expected dividend yields of 1.58%, 0.78% and 0.85% and expected volatility of approximately 41%, 34% and 26%, and expected lives of approximately 6 years.

Additionally, the Company has reserved 18,962,500 shares of its common stock for issuance upon exercise of outstanding warrants. During 2000, in connection with the acquisition of certain rights, the Company issued warrants to purchase 500,000 shares at an exercise price of \$15.00 and a fair value at date of grant of \$6.00. In addition, the Company granted warrants to purchase 1,000,000 and 700,000 shares at exercise prices of \$15.70 and \$18.84 respectively, relating to future rights.

Information with respect to options and warrants, in thousands of shares, for the three years ended December 31, 2000 is as follows:

	2000	1999	1998
	----	----	----
Number of shares:			
Outstanding at beginning of year	33,776	36,361	31,424
Granted	9,029	7,168	8,639
Exercised	(475)	(8,313)	(3,468)
Expired or canceled	(1,872)	(1,440)	(234)
	-----	-----	-----
Outstanding at end of year	40,458	33,776	36,361
	=====	=====	=====
Exercisable at end of year	27,656	23,456	11,673
	=====	=====	=====
Weighted average exercise price:			
Granted	\$ 15.59	31.32	23.86
Exercised	\$ 7.81	14.51	13.34
Expired or canceled	\$ 22.40	27.43	18.75
Outstanding at end of year	\$ 20.27	21.46	18.17
Exercisable at end of year	\$ 20.11	19.09	14.43
	=====	=====	=====

Information, in thousands of shares, with respect to the 40,458 options and warrants outstanding and the 27,656 exercisable at December 31, 2000, is as follows:

Weighted

Range of Exercise Prices	Shares	Average Remaining Contractual Life	Weighted Average Exercise Price
Outstanding			
\$11.10-\$14.06	2,823	2.7 years	\$13.13
\$14.14-\$16.81	10,466	7.0 years	\$15.44
\$17.34-\$23.27	13,989	7.8 years	\$18.90
\$23.33-\$36.27	13,180	8.6 years	\$27.09
=====			
Exercisable			
\$11.10-\$14.06	2,630		\$13.26
\$14.14-\$16.81	3,257		\$15.76
\$17.34-\$23.27	12,453		\$18.82
\$23.33-\$36.27	9,316		\$25.30
=====			

(11) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

Hasbro's net pension, 401(k) matching contribution and profit sharing cost for 2000, 1999 and 1998 was approximately \$13,700, \$14,200 and \$14,500, respectively.

United States Plans

Substantially all United States employees are covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans, principally covering non-union employees, are based primarily on salary and years of service. One of these plans is funded. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. One of these plans is also funded. At December 31, 2000, the two funded plans have plan assets of \$236,296 and accumulated benefit obligations of \$145,589. The unfunded plans have accumulated benefit obligations of \$17,747.

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

	Pension		Postretirement	
	2000	1999	2000	1999
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 188,318	207,063	24,683	28,428
Service cost	8,032	9,356	241	227
Interest cost	13,656	13,670	1,792	1,775
Plan amendments	955	(2,298)	-	-
Actuarial gain	(18,660)	(32,438)	(1,155)	(3,263)
Benefits paid	(7,652)	(6,305)	(2,238)	(2,484)
Expenses paid	(371)	(730)	-	-
Other	(1,735)	-	(384)	-
Projected benefit obligation at end of year	\$ 182,543	188,318	22,939	24,683
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 242,889	219,410	-	-
Actual return on plan assets	919	30,061	-	-
Employer contribution	511	453	-	-
Benefits paid	(7,652)	(6,305)	-	-
Expenses paid	(371)	(730)	-	-
Fair value of plan assets at end of year	\$ 236,296	242,889	-	-
Funded status	\$ 53,752	54,571	(22,939)	(24,683)
Unrecognized net gain	(73,588)	(80,496)	(1,424)	(406)
Unrecognized prior service cost	5,191	5,836	(384)	-

All leases expire prior to 2014. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 2000.

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

(13) Consolidation Program and Restructuring Charge

The Company recognized \$63,951 of restructuring expense in 2000. This amount reflects charges under the 2000 restructuring plan of \$70,079 and adjustments to the 1999 plan of \$(6,128). The pretax impact of all consolidation program charges and adjustments to the statement of operations for the fiscal year ended December 31, 2000 was \$146,142.

On October 12, 2000, the Company announced a plan approved by its Board of Directors to consolidate its U.S. Toy group into Rhode Island, significantly reduce overhead through reductions in product development, sales and marketing, and administrative functions across the Company and to increase its focus on development of the Company's core brands. The impact of this plan was recorded in the fourth quarter as follows:

Restructuring charge	\$ 70,079

Other operating expenses:	
Cost of sales	6,625
Amortization	25,046
Royalties, research and development	42,270
Advertising	3,155
Selling, distribution and administration	5,095

	82,191

Total 2000 consolidation program cost	\$ 152,270
	=====

The significant components of the 2000 plan include the closing of offices in Cincinnati, Ohio, the Napa, California office and warehouse and a small office in San Francisco, California, thereby essentially consolidating the U.S. Toy group in Rhode Island. These actions were substantially completed at December 31, 2000. Additionally, the plan includes the reduction of overhead, particularly in marketing and sales, product development and administration. This includes a curtailment of expansion of the retail business of Wizards, the further consolidation of certain international operating offices into regional centers and consolidation and streamlining of the Company's marketing activities. The Company is also increasing its focus on developing and marketing its core brands, reducing its reliance on licenses. This focus has resulted in product lines which will be discontinued or for which the Company has significantly reduced expectations.

Together, the components of this plan anticipate the redundancy of approximately 850 employees, including 125 in manufacturing and sourcing activities and 725 worldwide in research and product development, marketing, sales and administration. Employee redundancies by area are as follows:

	Opening Balance	Activity	Balance at December 31, 2000
	-----	-----	-----
Manufacturing activities	125	(98)	27
Research, product development, sales marketing and administration	725	(403)	322
	-----	-----	-----
	850	(501)	349
	=====	=====	=====

Total charges under the 2000 plan represent cash charges of \$89,400, comprised of approximately \$31,800 for severance benefits which will be disbursed over the employee's entitlement period, \$5,100 in related charges paid in 2000 to relocate certain U.S. Toy group employees to Rhode Island, \$21,400 for lease costs to be expended over the contractual lease term of the closed facilities and approximately \$31,100 of contractual commitments on exited product lines and certain other licensed product lines with reduced expectations due to the Company's enhanced focus on its core brands. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Total non-cash charges were \$62,900. Non-cash charges of \$16,900 for fixed asset write-offs relate primarily to

Corporate and the U.S. Toy segment. The remaining approximate \$46,000 relates to asset write-offs and a write-down of assets impaired due to the Company's enhanced focus on its core brands. This includes impairment of intangible assets arising from the decision to discontinue product line offerings. Non-cash charges relating to asset write-offs have been credited to the respective line items on the balance sheet. The components of the plan included in the restructuring charge in the statement of operations are severance costs of \$31,800, lease costs of \$21,400 and fixed asset write-offs of \$16,900. Included in accrued liabilities at December 31, 2000 is \$53,200 relating to amounts due to terminated employees over their severance entitlement period and costs associated with lease and closing costs. The restructuring plan is expected to be completed in fiscal 2001.

On December 7, 1999, the Company announced a program to consolidate manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. Costs associated with the 1999 consolidation program, recorded in the fourth quarter of 1999, amounted to \$141,575, of which \$64,232 was recorded as a restructuring charge and \$77,343 in various other operating expense categories. Adjustments to the restructuring plan of \$(6,128) were recorded in 2000.

The significant components of the plan included the closing of factories in Mexico and in the United Kingdom, reducing capacity at the remaining three factories, shifting production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. Actions under the plan commenced in December 1999 and were completed in fiscal 2000. There were no material changes to the plan, however, adjustments were recognized in 2000 reflecting the reversal of excess restructuring accruals due to lower than previously estimated costs to achieve the overall objectives of the plan, primarily in the consolidation and regionalization of the International marketing and sales structure. The 1999 restructuring charge of \$64,232 represented approximately \$38,700 of cash charges for severance benefits for termination of approximately 2,200 employees, which will be disbursed over the employee's entitlement period, \$14,300 of cash charges for lease and facility closing costs to be expended over the contractual lease terms and closing process and non-cash charges of \$11,200 for fixed asset write-offs, arising primarily in the manufacturing area. Of the cash amount, approximately \$4,700 was paid prior to December 26, 1999 for severance benefits relating to approximately 200 employees terminated prior to that date. Non-cash charges relating to fixed asset write-offs were credited to the respective line items on the balance sheet. Details of activity in the restructuring plan for fiscal 2000 follow:

	Balance at Dec. 26, 1999	Adjustments	Activity	Balance at Dec. 31, 2000
Severance	\$ 34,000	(4,800)	(25,200)	4,000
Lease and facility closing costs	14,300	(1,300)	(9,100)	3,900
	\$ 48,300	(6,100)	(34,300)	7,900
	=====	=====	=====	=====

Employee redundancies by area:

Manufacturing and sourcing activities	1,700	-	(1,700)	-
Research, product development, sales marketing and administration	300	(40)	(260)	-
	2,000	(40)	(1,960)	-
	=====	=====	=====	=====

The remaining severance liability represents cash charges for severance benefits for employees made redundant which will be disbursed over the employee's entitlement period. The balance in lease and facility closing costs will be expended over the contractual lease term.

The components of the consolidation program included in other operating expenses in 1999 represent costs associated with exiting certain product lines and reevaluating other product lines resulting in reduced expectations. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Approximately \$12,000 represented cash charges to be incurred on contractual royalty, product development and advertising commitments associated with the discontinued product lines. Non-cash charges of approximately \$65,000 related to asset write-offs and write-downs of underutilized assets. This includes impairment of intangible assets arising from the decision to discontinue or significantly reduce product line offerings. The resulting sum of undiscounted future cash flows of these assets was not sufficient to cover the carrying amount of the assets, and as such, they were written down to their fair market value. Items relating to property rights and licenses, goodwill, inventory, prepaid and other current assets were credited to the respective asset in the balance sheet.

(14) Financial Instruments

Hasbro's financial instruments include cash and cash equivalents, accounts receivable, short- and long-term borrowings, accounts payable and accrued liabilities. At December 31, 2000, the carrying cost of these instruments approximated their fair value. Its financial instruments also include foreign currency forwards and options. At December 31, 2000, the carrying value of these instruments approximated their fair value based on quoted or publicly available market information.

Hasbro uses foreign currency forwards and options, generally purchased for terms of not more than twelve months, to protect itself from adverse currency rate fluctuations on firmly committed and anticipated foreign currency transactions. These over-the-counter contracts, which hedge future purchases of inventory and other cross-border currency requirements, are primarily denominated in United States and Hong Kong dollars and Irish punts and entered into with counterparties who are major financial institutions with which Hasbro also has other financial relationships. The Company believes any risk related to default by a counterparty to be remote.

The Company had the equivalent of approximately \$166,500 and \$85,000 of foreign currency forwards outstanding, and approximately \$89,500 and \$132,000 of foreign currency options outstanding at December 31, 2000 and December 26, 1999, respectively. Gains and losses deferred under hedge accounting provisions are subsequently included in the measurement of the related foreign currency transaction. Gains and losses on contracts not meeting hedge accounting provisions are included currently in earnings. The aggregate amount of gains and losses resulting from all foreign currency transactions was not material.

(15) Commitments and Contingencies

Hasbro had unused open letters of credit of approximately \$40,000 and \$15,000 at December 31, 2000 and December 26, 1999, respectively.

The Company routinely enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. Under terms of currently existing agreements, in certain circumstances the Company may become liable for remaining guaranteed minimum royalties of up to \$741,000 between 2001 and 2008. Of this amount, approximately \$238,000 has been paid. Approximately \$58,000 is included in the \$66,509 of prepaid royalties which are a component of prepaid expenses and other current assets in the balance sheet. Included in other assets is \$180,000 representing the long-term portion of amounts paid. Of the remaining unpaid minimum guaranties, Hasbro may be required to pay amounts as follows:

2001	\$ 44,000
2002	193,000
2003	89,000
2004	56,000
2005	121,000

	\$ 503,000
	=====

Such payments are related to royalties which are expected to be incurred on anticipated revenues in the years 2001 through 2008.

Hasbro is party to certain legal proceedings, substantially involving routine litigation incidental to the Company's business, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

(16) Segment Reporting

Segment and Geographic Information

Hasbro is a worldwide marketer and distributor of children's and family entertainment products, principally engaged in the design, manufacture and marketing of games and toys ranging from traditional to high-tech. The Company's reportable segments are U.S. Toys, Games, International and Global Operations.

In the United States, the U.S. Toy segment includes the design, marketing and selling of boys action figures, vehicles and playsets, girls toys, preschool toys and infant products and creative play products. The Games segment includes the development, marketing and selling of traditional board games and puzzles, handheld electronic games, electronic interactive products, children's consumer electronics, electronic learning aids, trading card and role-playing games and interactive software games based on the Company's owned and licensed brands. Within the International segment, the Company develops, markets and sells both toy and certain game products in non-U.S. markets. Global Operations

manufactures and sources product for the majority of the Company's segments. The Company also has other segments which license certain toy properties and which develop and market non-traditional toy and game based product realizing more than half of their revenues and the majority of their operating profit in the first half of the year, which is contra-seasonal to the rest of the Company's business. These other segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level, prior to certain charges. In 2000, segment profitability was measured prior to \$146,142 and \$43,965 in charges incurred in connection with the consolidation programs and loss on sale of business units, respectively. In 1999, segment profitability was measured prior to \$141,575 in charges incurred in connection with the 1999 consolidation program. For 1998, operating profits are reflected prior to the \$20,000 charge incurred to write-off acquired in-process research and development arising on the MicroProse acquisition. Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and assets not identified with a specific segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost.

As a result of the complexity of the Company's organizational changes, it is unable to segregate assets and related expenses between the U.S. Toys and Games segments for 1999 and prior and these balances are reported as one. Assets are segregated in 2000 and are separately reported for that period. The total of U.S. Toys and Games assets in 2000 is presented for comparative purposes only, and is not used by management in assessing segment performance in 2000. Certain asset related expense items, including depreciation and amortization of intangibles, have been allocated to segments in 1999 and 1998 based upon estimates in order to arrive at segment operating profit. In December of 2000, the Company announced that it entered into an agreement to dispose of certain business units included in its Games segment (see note 2). During 1999, the Company's Games segment acquired Wizards of the Coast, Inc.

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

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

	Revenues from External Customers	Affiliate Revenues	Operating Profit (Loss)	Depreciation and Amortization	Capital Additions	Total Assets
2000						
U.S. Toys	\$ 558,915	5,130	(112,338)	24,240	923	273,381
Games	1,898,177	83,164	146,009	90,196	45,463	2,099,809
U.S. Toys and Games	2,457,092	88,294	33,671	114,436	46,386	2,373,190
International	1,085,839	-	61,458	35,073	19,447	1,244,479
Global Operations (b)	24,885	825,594	(1,329)	56,542	42,989	504,105
Other segments	219,399	17,898	(18,749)	21,328	2,467	276,203
Corporate and eliminations	-	(931,786)	10,779	11,796	13,766	(569,518)
Segment total	3,787,215	-	85,830	239,175	125,055	3,828,459
Consolidation program (c)	-	-	(146,142)	25,046	-	-
Loss on sale of business units (d)	-	-	(43,965)	-	-	-
Consolidated Total	\$3,787,215	-	(104,277)	264,221	125,055	3,828,459
	=====	=====	=====	=====	=====	=====
1999						
U.S. Toys (a)	\$1,056,700	-	91,588			
Games (a)	1,703,216	81,948	259,314			
U.S. Toys and Games (a)	2,759,916	81,948	350,902	109,250	12,077	3,588,994
International	1,227,949	6,403	140,567	34,150	9,539	1,285,342
Global Operations (b)	24,923	1,030,028	(1,878)	61,175	67,644	572,454
Other segments	219,475	18,988	5,777	22,517	4,301	269,435
Corporate and eliminations	-	(1,137,367)	(26,224)	11,783	13,907	(1,252,877)
Segment total	4,232,263	-	469,144	238,875	107,468	4,463,348
Consolidation program (c)	-	-	(141,575)	38,449	-	-
Consolidated Total	\$4,232,263	-	327,569	277,324	107,468	4,463,348
	=====	=====	=====	=====	=====	=====

Revenues from Operating Depreciation

	External Customers	Affiliate Revenues	Profit (Loss)	and Amortization	Capital Additions	Total Assets
	-----	-----	-----	-----	-----	-----
1998						
U.S. Toys (a)	\$ 894,279	61	55,103			
Games (a)	1,043,623	1,019	143,216			
U.S. Toys and Games (a)	1,937,902	1,080	198,319	54,543	12,739	2,390,147
International	1,106,565	(174)	130,232	23,905	34,480	840,246
Global Operations (b)	6,453	935,683	(6,560)	62,397	71,585	415,872
Other segments	253,534	8,992	35,565	19,106	4,925	354,717
Corporate and eliminations	-	(945,581)	(12,674)	9,248	18,221	(207,137)
Segment total	3,304,454	-	344,882	169,199	141,950	3,793,845
Acquired in-process research and development	-	-	(20,000)	-	-	-
Consolidated Total	\$3,304,454	-	324,882	169,199	141,950	3,793,845
	=====	=====	=====	=====	=====	=====

(a) As a result of the complexity of the Company's organizational changes, it was unable to segregate assets and related expenses between the U.S. Toys and Games segments prior to fiscal 2000. Certain asset related expense items including depreciation and amortization of intangibles have been allocated to segments based upon estimates in order to arrive at segment operating profit.

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

(c) The impact of the consolidation programs to operating profit by segment was \$45,437 to U. S. Toys, \$5,937 to Games, \$29,301 to International, \$401 to Global Operations and \$65,066 to Corporate and Other segments for 2000. In 1999, the impact to operating profit by segment was \$16,150 to U.S. Toys, \$35,732 to Games, \$23,044 to International, \$44,324 to Global Operations and \$22,325 to Other.

(d) The loss on sale of business units relates to the sale of the Games segment's business units comprising Hasbro Interactive and Games.com (see note 2).

The following table presents consolidated net revenues by classes of principal products for the years ended in December:

	2000	1999	1998
	----	----	----
Boys toys	\$ 719,900	1,232,300	891,600
Games and puzzles	2,146,800	1,936,100	1,268,700
Interactive software games	179,600	229,400	192,300
Preschool toys	202,000	273,600	341,600
Other	538,915	560,863	610,254
Net revenues	\$3,787,215	4,232,263	3,304,454
	=====	=====	=====

Information as to Hasbro's operations in different geographical areas is presented below on the basis the Company uses to manage its business. Net revenues and the related pretax earnings are categorized based on location of the customer, while long-lived assets (property, plant and equipment, cost in excess of acquired net assets and other intangibles) are categorized based on their location:

	2000	1999	1998
	----	----	----
Net revenues			
United States	\$2,251,023	2,818,837	2,113,057
International	1,536,192	1,413,426	1,191,397
	\$3,787,215	4,232,263	3,304,454
	=====	=====	=====
Pretax earnings (loss)			
United States	\$ (242,758)	158,834	194,050
International	16,772	115,011	109,428
	\$ (225,986)	273,845	303,478
	=====	=====	=====
Long-lived assets			
United States	\$1,803,688	1,880,029	1,694,967
International	199,123	194,677	177,569
	\$2,002,811	2,074,706	1,872,536
	=====	=====	=====

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

Other Information

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

Sales to the Company's two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., amounted to 14% and 13%, respectively, of consolidated net revenues during 2000, 16% each during 1999 and 18% and 17%, respectively, during 1998.

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

(17) Quarterly Financial Data (Unaudited)

2000

	Quarter					Full Year
	First	Second	Third	Fourth		
Net revenues	\$773,481	778,373	1,072,617	1,162,744	3,787,215	
Gross profit	\$473,180	480,330	613,082	546,650	2,113,242	
Earnings (loss) before income taxes	\$ 21,923	9,421	20,046	(277,376) (a)	(225,986)	
Net earnings (loss)	\$ 15,127	6,500	13,832	(180,090)	(144,631)	
Per common share						
Earnings (loss)						
Basic	\$.08	.04	.08	(1.05)	(.82)	
Diluted	\$.08	.04	.08	(1.05)	(.82)	
Market price						
High	\$ 19 1/8	18 9/16	17 13/16	12 15/16	19 1/8	
Low	\$ 13 3/4	15	10 3/16	8 3/8	8 3/8	
Cash dividends declared						
	\$.06	.06	.06	.03	.21	

1999

	Quarter					Full Year
	First	Second	Third	Fourth		
Net revenues	\$668,398	874,574	1,098,179	1,591,112	4,232,263	
Gross profit	\$411,881	529,548	654,166	938,426	2,534,021	
Earnings before income taxes	\$ 19,993	46,796	123,434	83,622 (a)	273,845	
Net earnings	\$ 13,795	32,289	85,170	57,699	188,953	
Per common share						
Earnings						
Basic	\$.07	.17	.44	.30	.97	
Diluted	\$.07	.16	.43	.29	.93	
Market price						
High	\$ 30 1/8	37	28 5/8	24 1/4	37	
Low	\$ 21 13/16	27	21 15/16	16 7/8	16 7/8	
Cash dividends declared						
	\$.06	.06	.06	.06	.24	

(a) In 2000 and 1999, includes \$63,951 and \$64,232, respectively, relating to restructuring of operations.

HASBRO, INC. AND SUBSIDIARIES

Subsidiaries of the Registrant (a)

Name Under Which Subsidiary Does Business	State or Other Jurisdiction of Incorporation or Organization
Hasbro International, Inc.	Delaware
Hasbro France S.A.	France
Hasbro Deutschland GmbH	Germany
Hasbro Italy S.r.l.	Italy
Hasbro Latin America Inc.	Delaware
Hasbro Argentina S.A.	Argentina
Hasbro Chile LTDA	Chile
Hasbro Latin America, L.P.	Delaware
Hasbro S.A.	Switzerland
Hasbro Holdings S.A.	
Hasbro Canada Corporation / Corporation	
Hasbro Canada	Nova Scotia
Hasbro Asia-Pacific Marketing Ltd.	Hong Kong
Tiger Electronics Far East Services, Limited	Hong Kong
Hasbro de Mexico S.de R.L.de C.V.	Mexico
Hasbro (Schweiz) AG	Switzerland
Hasbro U.K. Limited	United Kingdom
Tiger Electronics UK Limited	United Kingdom
Group Grosvenor plc.	United Kingdom
MB International B.V.	The Netherlands
Hasbro B.V.	The Netherlands
Hasbro Hellas Industrial & Commercial Company S.A.	Greece
Hasbro Toys & Games Holdings, S.L.	Spain
MB Espana, S.A.	Spain
Hasbro Iberia SL	Spain
S.A. Hasbro N.V.	Belgium
Hasbro InterToy Egitim Araclari Sanayi Ve Ticaret A.S.	Turkey
Hasbro Far East LTD	Hong Kong
Tiger Electronics Far East, Limited	Hong Kong
WowWee Limited	Hong Kong
Hasbro Australia Limited	Australia
Hasbro New Zealand	New Zealand
Hasbro Ireland Limited	Ireland
Palmyra Holdings Pte Ltd.	Singapore
Hasbro Managerial Services, Inc.	Rhode Island
Larami Limited	Delaware
OddzOn, Inc.	Delaware
Wizards of the Coast, Inc.	Washington

(a) Inactive subsidiaries and subsidiaries with minimal operations have been omitted. Such subsidiaries, if taken as a whole, would not constitute a significant subsidiary.

ACCOUNTANTS' CONSENT

The Board of Directors
Hasbro, Inc.:

We consent to incorporation by reference in the Registration Statements Nos. 2-78018, 2-93483, 33-57344, 33-59583, 333-38159, 333-10404, 333-10412, and 333-34282 on Form S-8 and Nos. 33-41548, 333-44101, 333-82077 and 333-46986 on Form S-3 of Hasbro, Inc. of our reports dated February 7, 2001 relating to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 31, 2000 and December 26, 1999 and the related statements of operations, shareholders' equity and cash flows and related schedule for each of the fiscal years in the three-year period ended December 31, 2000, which report on the consolidated financial statements is incorporated by reference and which report on the related schedule is included in the Annual Report on Form 10-K of Hasbro, Inc. for the fiscal year ended December 31, 2000.

/s/ KPMG LLP

Providence, Rhode Island
March 30, 2001