

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended April 2, 2006

Commission file number 1-6682

HASBRO, INC.

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

Rhode Island

(State of Incorporation)

05-0155090

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

1027 Newport Avenue, Pawtucket, Rhode Island 02862

(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697

(Registrant's Phone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes or No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes or No

The number of shares of Common Stock, par value \$.50 per share, outstanding as of April 26, 2006 was 172,153,082.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	April 2, 2006	March 27, 2005	Dec. 25, 2005
Assets	-----	-----	-----
Current assets			
Cash and cash equivalents	\$ 581,295	876,891	942,268
Short-term investments	147,675	-	-
Accounts receivable, less allowance for doubtful accounts of \$30,400, \$36,000 and \$29,800	221,860	199,594	523,232
Inventories	213,183	232,660	179,398
Deferred income taxes	93,703	94,307	103,209
Prepaid expenses and other current assets	122,127	138,828	82,088
	-----	-----	-----
Total current assets	1,379,843	1,542,280	1,830,195
Property, plant and equipment, net	162,479	201,692	164,045
	-----	-----	-----
Other assets			
Goodwill	467,238	468,919	467,061
Other intangibles, less accumulated amortization of \$604,295, \$513,809 and \$586,022	595,213	613,999	613,433
Other	292,006	200,853	226,409
	-----	-----	-----
Total other assets	1,354,457	1,283,771	1,306,903
	-----	-----	-----
Total assets	\$ 2,896,779	3,027,743	3,301,143
	=====	=====	=====

(continued)

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

	April 2, 2006	March 27, 2005	Dec. 25, 2005
	-----	-----	-----
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 10,289	16,159	14,676
Current portion of long-term debt	-	356,619	32,770
Accounts payable	102,792	112,715	152,468
Accrued liabilities	526,383	505,593	710,812
	-----	-----	-----
Total current liabilities	639,464	991,086	910,726
Long-term debt, excluding current portion	494,871	266,242	495,619
Deferred liabilities	139,794	151,229	171,322
	-----	-----	-----
Total liabilities	1,274,129	1,408,557	1,577,667
	-----	-----	-----
Shareholders' equity			
Preference stock of \$2.50 par value			
Authorized 5,000,000 shares; none issued	-	-	-
Common stock of \$.50 par value.			
Authorized 600,000,000 shares;			
issued 209,694,630	104,847	104,847	104,847
Additional paid-in capital	354,376	374,587	358,199
Deferred compensation	-	(65)	(24)
Retained earnings	1,843,198	1,701,448	1,869,007
Accumulated other comprehensive earnings	14,021	66,327	15,348
Treasury stock, at cost; 35,464,112 shares at			
April 2, 2006, 31,476,112 at March 27, 2005			
and 31,744,960 at December 25, 2005	(693,792)	(627,958)	(623,901)
	-----	-----	-----
Total shareholders' equity	1,622,650	1,619,186	1,723,476
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 2,896,779	3,027,743	3,301,143
	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	Fourteen Weeks Ended April 2, 2006	Thirteen Weeks Ended March 27, 2005
Net revenues	\$ 468,181	454,944
Cost of sales	186,092	165,975
Gross profit	282,089	288,969
Expenses		
Amortization	18,252	24,755
Royalties	25,990	40,872
Research and product development	38,164	31,041
Advertising	54,854	54,190
Selling, distribution and administration	146,955	136,571
Total expenses	284,215	287,429
Operating profit (loss)	(2,126)	1,540
Nonoperating (income) expense		
Interest expense	7,126	7,731
Interest income	(7,334)	(8,669)
Other expense, net	3,535	5,703
Total nonoperating expense	3,327	4,765
Loss before income taxes	(5,453)	(3,225)
Income taxes	(554)	488
Net loss	\$ (4,899)	(3,713)
	=====	=====
Net loss per common share		
Basic and diluted	\$ (.03)	(.02)
	=====	=====
Cash dividends declared per common share	\$.12	.09
	=====	=====

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	Fourteen Weeks Ended April 2, 2006	Thirteen Weeks Ended March 27, 2005
Cash flows from operating activities		
Net loss	\$ (4,899)	\$ (3,713)
Adjustments to reconcile net loss to net cash (utilized) provided by operating activities:		
Depreciation and amortization of plant and equipment	13,595	13,361
Other amortization	18,252	24,755
Change in fair value of liabilities potentially settleable in common stock	3,330	4,970
Deferred income taxes	10,880	(2,214)
Stock-based compensation	6,262	33
Excess tax benefits from stock-based compensation	(1,448)	-
Change in operating assets and liabilities (other than cash and cash equivalents):		
Decrease in accounts receivable	306,515	370,893
Increase in inventories	(33,766)	(38,984)
Increase in prepaid expenses and other current assets	(28,631)	(6,157)
Decrease in accounts payable and accrued liabilities	(250,850)	(205,436)
Other, including long-term portion of royalty advances	(114,479)	2,134
Net cash (utilized) provided by operating activities	(75,239)	159,642
Cash flows from investing activities		
Additions to property, plant and equipment	(11,613)	(11,783)
Proceeds from sale of property, plant and equipment	81	57
Purchases of short-term investments	(271,400)	-
Sales of short-term investments	123,725	-
Other	(158)	706
Net cash utilized by investing activities	(159,365)	(11,020)
Cash flows from financing activities		
Repayments of borrowings with original maturities of more than three months	(32,743)	(360)
Net repayments of other short-term borrowings	(4,214)	(1,164)
Purchases of common stock	(87,343)	-
Stock option transactions	12,276	13,398
Excess tax benefits from stock-based compensation	1,448	-
Dividends paid	(16,031)	(10,647)
Net cash (utilized) provided by financing activities	(126,607)	1,227
Effect of exchange rate changes on cash	238	2,040
(Decrease) increase in cash and cash equivalents	(360,973)	151,889
Cash and cash equivalents at beginning of year	942,268	725,002
Cash and cash equivalents at end of period	\$581,295	\$876,891

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

	Quarter Ended	
	Fourteen	Thirteen
	Weeks Ended	Weeks Ended
	April 2, 2006	March 27, 2005
Supplemental information		
Cash paid during the period for:		
Interest	\$ 9,552	9,732
Income taxes	\$ 42,968	3,219

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	Fourteen	Thirteen
	Weeks Ended	Weeks Ended
	April 2, 2006	March 27, 2005
Net loss	\$ (4,899)	\$ (3,713)
Other comprehensive loss	(1,327)	(16,061)
Total comprehensive loss	\$ (6,226)	\$ (19,774)
	=====	=====

See accompanying condensed notes to consolidated financial statements.

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

(1) In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of April 2, 2006 and March 27, 2005, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

The quarter ended April 2, 2006 is a fourteen week period while the quarter ended March 27, 2005 is a thirteen week period.

The results of operations for the quarter ended April 2, 2006 are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited financial statements for the year ended December 25, 2005 in its annual report on Form 10-K, which includes all such information and disclosures, and accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements for the fiscal year ended December 25, 2005 with the exception of the accounting for stock-based compensation. Effective December 26, 2005, the first day of fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which amends Statement of Financial Accounting Standards No. 123, as amended by No. 148, and Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows". The Company adopted SFAS 123R under the modified prospective basis as defined in the statement. In 2006 the Company is recording stock option expense based on all unvested stock options as of the adoption date as well as all future stock-based compensation awards. See footnote 4 for further information related to the adoption of this statement.

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

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

(2) Net loss per share data for the fiscal quarters ended April 2, 2006 and March 27, 2005 were computed as follows:

	2006		2005	
	Basic	Diluted	Basic	Diluted
	-----	-----	-----	-----
Net loss	\$ (4,899)	(4,899)	(3,713)	(3,713)
	=====	=====	=====	=====
Average shares outstanding	177,029	177,029	177,763	177,763
	=====	=====	=====	=====
Net loss per share	\$ (.03)	(.03)	(.02)	(.02)
	=====	=====	=====	=====

Certain warrants containing a put feature that may be settled in cash or common stock are required to be accounted for as a liability at fair value. The Company is required to assess if these warrants, classified as a liability, have a more dilutive impact on earnings per share when treated as an equity contract. Since the Company had a net loss in the first quarters of 2006 and 2005, these warrants, were not included in the calculation of diluted earnings per share because to include them would have been antidilutive. Had these warrants been included in 2006, they could have resulted in an additional 5,277 shares being included in the diluted earnings per share calculation with a corresponding adjustment to add back the related expense of \$3,330 to reported net earnings.

Since the Company had a net loss in the first quarters of 2006 and 2005, the effect of the Company's contingent convertible debt was antidilutive for the first quarters of 2006 and 2005. Had the Company not had net losses in these periods, 11,574 shares would have been included in dilutive shares and interest expense, net of tax, of \$1,066 would have been added back to net earnings to calculate earnings per share.

Options and warrants to acquire shares totaling 21,263 at April 2, 2006 and 21,706 at March 27, 2005, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive. Of the options and warrants to acquire shares totaling 21,263 at April 2, 2006 and 21,706 at March 27, 2005, 18,342 and 16,614 of these, respectively, would have been included in the calculation of diluted earnings per share had the Company not had a net loss in the first quarters of 2006 and 2005. Assuming that these options and warrants were included, under the treasury stock method, they would have resulted in an additional 2,167 and 2,296 shares being included in the diluted earnings per share calculation for the quarters ended April 2, 2006 and March 27, 2005, respectively.

(3) At April 2, 2006, the Company has invested \$147,675 in auction rate securities, which are recorded as short-term investments on the consolidated balance sheet. These securities are being accounted for as an available-for-sale security and are reflected at par value, which reflects fair value.

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

(4) Hasbro has various stock incentive plans for employees and for non-employee members of the Board of Directors (collectively, the "plans") and has reserved 24,568 shares of its common stock for issuance upon exercise of options and the grant of other awards granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than fair market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. Generally, options are exercisable for periods of no 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 in addition to options. Upon exercise in the case of stock options or grant in the case of restricted stock, shares are issued out of available treasury shares. Additionally, the Company has reserved 17,450 shares of its common stock for issuance upon exercise of outstanding warrants.

The Company on occasion will issue restricted stock and grant deferred restricted stock units to certain key employees. In the first quarter of 2006, the Company issued restricted stock of 20 shares. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. These awards are valued at the market value at the date of grant and are subsequently amortized over the periods during which the restrictions lapse, generally 3 years. Amortization of unearned compensation expense relating to the outstanding restricted stock and deferred restricted stock units of \$42 and \$33 was recorded in the first quarters of 2006 and 2005, respectively.

Prior to fiscal 2006, Hasbro used the intrinsic-value method of accounting for stock options granted to employees and non-employee members of the Board of Directors. Effective December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R under the modified prospective transition method as defined in the statement. Under this adoption method, the Company is recording stock option expense in 2006 based on all unvested stock options as of the adoption date and any stock option awards made subsequent to the adoption date. Stock-based compensation is recognized on a straight-line basis over the requisite service period of the award. In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior years have not been restated to reflect, and do not include, the impact of SFAS 123R. Compensation expense related to stock options recognized under SFAS 123R for the three months ended April 2, 2006 was \$6,220 and was recorded as follows:

	Quarter Ended April 2, 2006 -----
Cost of sales	\$ 85
Research and product development	315
Selling, distribution and administration	5,820

	6,220
Income taxes	2,144

	\$4,076
	=====

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

Pro forma information for the first quarter of 2005 regarding net earnings as required by SFAS No. 123, "Accounting for Stock-Based Compensation" determined as if the Company had accounted for its stock options under the fair value method is as follows:

Reported net loss	\$ (3,713)
Add:	
Stock-based employee compensation expense included in reported net earnings, net of related tax effects	21
Deduct:	
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,477)

Pro forma compensation expense, net of tax	(3,456)

Pro forma net loss	\$ (7,169)
	=====
Reported net loss per share	
Basic and diluted	\$ (.02)
	=====
Pro forma net loss per share	
Basic and diluted	\$ (.04)
	=====

Information with respect to stock options for the quarter ended April 2, 2006 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	-----	-----	-----	-----
Outstanding at beginning of year	20,443	\$19.04		
Granted	38	20.36		
Exercised	(817)	15.31		
Expired or canceled	(101)	18.86		

Outstanding at end of quarter	19,563	19.20	5.60 years	\$64,244
	=====			
Exercisable at end of quarter	13,537	19.51	4.91 years	\$48,633
	=====			

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

The Company uses the Black-Scholes valuation model in determining fair value of stock-based awards. The weighted average fair value of options granted in the first quarter of 2006 and the fiscal year 2005 were \$5.15 and \$5.41, 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 the first quarter of 2006 and the fiscal year 2005, respectively: risk-free interest rates of 4.58% and 3.84%; expected dividend yields of 2.20% and 1.75% and expected volatility of approximately 29% in both periods. Expected volatility was based on a combination of historical and implied volatility of publicly traded stock options. The weighted average assumptions used for expected option lives were approximately 5 years in both periods which was based on the vesting period and contractual term of the option as well as employee exercise history. The intrinsic value, which represents the difference between the fair market value on the date of exercise and the exercise price of the option, of the 817 options exercised in the first quarter of 2006 was \$4,399.

In addition to the above, the Company currently has 17,450 warrants outstanding and exercisable at April 2, 2006, which have a weighted average exercise price, weighted average remaining life and intrinsic value at April 2, 2006 of \$20.11, 12.11 years, and \$30,707, respectively.

At April 2, 2006, the amount of total unrecognized compensation cost related to stock options is \$21,181 and the weighted average period over which this will be expensed is 11.28 months. At April 2, 2006, the amount of total unrecognized compensation cost related to restricted stock is \$409 and the weighted average period over which this will be expensed is 18.01 months.

(5) Other comprehensive loss for the quarters ended April 2, 2006 and March 27, 2005 consist of the following:

	2006	2005
	-----	-----
Foreign currency translation adjustments	\$ 2,017	(23,755)
Changes in value of available-for-sale securities, net of tax	(2,442)	1,937
Gain (loss) on cash flow hedging activities, net of tax	(586)	3,541
Reclassifications to earnings, net of tax	(316)	2,216
	-----	-----
	\$ (1,327)	(16,061)
	=====	=====

Reclassification adjustments from other comprehensive loss to net loss of \$(316) and \$2,216 for the quarters ended April 2, 2006 and March 27, 2005, respectively, represent net (gains) losses on cash flow hedging derivatives for which the related transaction has impacted earnings and was reflected in cost of sales. These losses on cash flow hedging derivatives for 2005 include gains on cash flows reclassified to earnings as the result of hedge ineffectiveness of \$31. There were no reclassifications to earnings as a result of hedge ineffectiveness in the first quarter of 2006. The Company expects the remaining deferred gains on derivative hedging instruments at April 2, 2006 of \$2,946 in accumulated other comprehensive earnings to be reclassified to earnings within the next twelve months.

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

(6) The following table presents the components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarters ended April 2, 2006 and March 27, 2005.

	Pension		Postretirement	
	2006	2005	2006	2005
	-----	-----	-----	-----
Service cost	\$ 3,481	3,004	180	144
Interest cost	5,038	4,620	542	500
Expected return on assets	(5,774)	(4,762)	-	-
Net amortization and deferrals	1,259	910	122	87
	-----	-----	-----	-----
Net periodic benefit cost	\$ 4,004	3,772	844	731
	=====	=====	=====	=====

In the first quarter of 2006, the Company made cash contributions to its pension plans of approximately \$31,800, which are included in other operating activities on the Company's consolidated statement of cash flows. The Company expects to contribute approximately \$8,200 during the remainder of 2006.

(7) Hasbro is a worldwide leader in children's and family leisure time and entertainment products and services, including the development, manufacture and marketing of games and toys ranging from traditional to high-tech. In 2006 the Company restructured its business by combining the U.S. Toys and Games operations, previously reported as separate segments, with the Canadian and Mexican operations, previously managed as part of the International segment, into one segment, the North American segment. The International segment is comprised of operations in the European, Asia Pacific and Latin American regions. The Company's manufacturing facilities in East Longmeadow, Massachusetts and Waterford, Ireland, which were previously included in the Games and International segment, respectively, along with the Company's Far East sourcing operations are now managed as part of the Global Operations segment.

The North American segment includes the development, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and games, plush products, preschool toys and infant products, electronic interactive products, tween electronic products, toy-related specialty products, traditional board games and puzzles, DVD- based games, and trading card and role-playing games within the United States, Canada and Mexico. Within the International segment, the Company develops, markets and sells both toy and certain game products in non-North American markets, primarily the European, Asia Pacific, and Latin American regions. The Global Operations segment is responsible for manufacturing and sourcing finished product for the majority of the Company's segments. The Company also has another segment that licenses out certain toy and game properties.

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

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

2005 segment data has been restated to reflect the 2006 segment structure. In 2006 the Company adopted SFAS 123R, which requires the Company to record expense related to stock options in its consolidated financial statements. Consistent with management's approach in evaluating segment results, 2005 segment operating profit (loss) has been adjusted to include stock-based compensation as disclosed under SFAS 123. The amount of 2005 stock option expense is subtracted from the total segment operating profit (loss) in order to reconcile to the operating profit (loss) in the consolidated financial statements.

With the exception of the treatment of stock-based compensation expense for 2005 management financial statements, the accounting policies of the segments are the same as those referenced in Note 1.

Results shown for the quarter are not necessarily representative of those which may be expected for the full year 2006 nor were those of the 2005 first quarter representative of those actually experienced for the full year 2005. Similarly, such results are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

Information by segment for the quarters ended April 2, 2006 and March 27, 2005 is as follows:

	Quarter Ended April 2, 2006		Quarter Ended March 27, 2005	
	External	Affiliate	External	Affiliate
Net revenues				
North America	\$310,304	2,253	288,676	2,442
International	145,491	111	153,088	-
Global Operations (a)	1,936	189,476	1,698	165,003
Other segment	10,450	-	11,482	-
Corporate and eliminations	-	(191,840)	-	(167,445)
	\$468,181	-	\$454,944	-

	Quarter ended April 2, 2006	Quarter ended March 27, 2005
Operating profit (loss)		
North America	\$ 4,770	4,637
International	(8,323)	(7,873)
Global Operations (a)	365	(811)
Other segment	3,071	4,633
Corporate and eliminations	(2,009)	(4,620)
Subtotal	(2,126)	(4,034)
Stock compensation (b)	-	5,574
	\$ (2,126)	1,540

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

	April 2, 2006	March 27, 2005
	-----	-----
Total assets		
North America	\$2,427,646	\$ 2,315,598
International	656,540	945,262
Global Operations	878,768	882,347
Other segment	118,554	103,441
Corporate and eliminations (c)	(1,184,729)	(1,218,905)
	-----	-----
	\$2,896,779	\$3,027,743
	=====	=====

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

(b) As noted in footnote 4, on December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R using the modified prospective method. Under this method, the Company recorded expense related to stock option compensation in 2006 related to unvested options as of that date as well as grants made in 2006. The Company did not restate any of the prior years. The Company has restated the operating profit (loss) of each of its segments for the first quarter of 2005 to reflect stock compensation for that period based on the Company's 2005 pro forma disclosure under SFAS 123. The above amount represents the reversal of the amount included in the segment disclosures to reconcile to the 2005 consolidated operating profit for the quarter ended March 27, 2005. The \$5,574 of 2005 pro forma stock option expense was allocated to the segments as follows: \$3,729 to North America, \$1,042 to International, \$429 to Global Operations and \$374 to Other Segment.

(c) Certain intangible assets, primarily goodwill, which benefit operating segments are reflected as Corporate assets for segment reporting purposes. These amounts have been allocated to the reporting unit which benefits from their use. In addition, allocations of certain expenses related to these assets to the individual operating segments are done prior to the start of the year based on budgeted amounts. Any difference between actual and budgeted amounts are reflected in the Corporate segment.

The following table presents consolidated net revenues by class of principal products for the quarters ended April 2, 2006 and March 27, 2005. Certain 2005 amounts have been reclassified to conform to the current period presentation.

	2006	2005
	-----	-----
Boys toys	\$108,484	129,774
Games and puzzles	176,297	179,944
Preschool toys	58,334	47,589
Tweens toys	46,212	38,468
Girls toys	72,526	51,727
Other	6,328	7,442
	-----	-----
Net revenues	\$468,181	454,944
	=====	=====

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

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

EXECUTIVE SUMMARY

The Company earns revenue and generates cash through the sale of a variety of toy and game products. The Company sells these products both within the United States and in a number of international markets. While many of the Company's products are based on brands the Company owns or controls, the Company also offers products which are licensed from outside inventors. The Company also licenses rights to produce products based on movie, television, music and other family entertainment properties, such as STAR WARS.

In January 2006 the Company announced that it had simplified and integrated its operating segment structure in order to better focus on consumer demands, better anticipate the needs of its retail customers, provide a more integrated toy and game marketing plan, place a greater company-wide focus on its core brands and thereby improve its overall business. The Company's North American toy and games business is now managed under common leadership, providing a combined focus on developing, marketing, and selling products in the U.S., Canada and Mexico. The International segment consists of the Company's European, Asia Pacific and Latin American marketing operations. The Company's world-wide manufacturing and product sourcing operations are managed through its Global Operations segment. The Hasbro Properties Group continues to be responsible for the world-wide licensing of the Company's intellectual properties and works closely with the North American and International segments on the development and outlicensing of the Company's brands.

The Company's focus remains on growing core owned and controlled brands, developing new and innovative products which respond to market insights, and optimizing efficiencies within the Company to reduce costs, increase operating profits and strengthen its balance sheet. While the Company has sought to achieve a more sustainable revenue base by developing and maintaining its core brands and avoiding reliance on licensed entertainment properties, the Company continues to opportunistically enter into or leverage existing strategic licenses which complement its brands and leverage its key strengths.

The Company's core brands represent Company-owned or Company-controlled brands, such as G.I. JOE, TRANSFORMERS, MY LITTLE PONY, MONOPOLY, MAGIC: THE GATHERING, PLAYSKOOL and TONKA, which have been successful for the Company over the long term. The Company has a large portfolio of owned and controlled brands, which can be introduced in new formats and platforms over time. These brands may also be further extended by pairing a licensed concept with a core-brand. By focusing on core brands, the Company is working to build a more consistent revenue stream and basis for future growth.

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In addition to its focus on core brands, the Company's strategy also involves trying to meet ever-changing consumer preferences by identifying and offering innovative products based on market opportunities and insights. Innovative electronic products include items such as I-DOG, VIDEONOW XP, ZOOMBOX and an enhanced, interactive FURBY. The Company believes its strategy of focusing on the development of its core brands and continuing to identify innovative new products will help to prevent the Company from being dependent on the success of any one product line.

With the theatrical release of Lucasfilm's STAR WARS EPISODE III: REVENGE OF THE SITH in May 2005, and the subsequent holiday season DVD release, sales of product related to the Company's strategic STAR WARS license were a significant contributor to 2005 revenues and have continued to be strong in the first quarter of 2006. Pairing this key licensed property with the Company's ability to design and produce action figures, role playing toys, and games, as well as the ability to launch an integrated marketing campaign to promote the product globally, was the key to this line's success. While sales of product related to this license performed well in the first quarter of 2006, they were lower than the first quarter of 2005 and are expected to decrease in 2006 since there is no movie release in 2006.

While the Company's strategy has continued to focus on growing its core brands and developing innovative, new products, the Company will continue to evaluate and enter into arrangements to license properties when the Company believes it is economically attractive. In the first quarter 2006, the Company announced that it had entered into a license with Marvel Entertainment, Inc. and Marvel Characters, Inc. (collectively "Marvel") to produce toys and games based on Marvel's portfolio of characters. While gross profits of theatrical entertainment-based products are generally higher than many of the Company's other products, sales from these products also incur royalty expenses payable to the licensor. Such royalties reduce the impact of these higher gross margins. In certain instances, such as with Lucasfilm's STAR WARS, the Company may also incur amortization expense on property right based assets acquired from the licensor of such properties, further impacting profit made on these items.

The Company's strategy in the last several years has also involved reducing fixed costs and increasing operating margins. With a strong balance sheet and having achieved its desired debt to capitalization ratio, the Company will continue to evaluate acquisitions which may complement its current product offerings or allow it entry into an area which is adjacent to and complementary to the toy and game business. Additionally, the Company has a remaining share repurchase authorization from its Board of Directors of \$208,293 at April 2, 2006. The Company intends to continue repurchasing shares under this remaining authorization subject to market conditions.

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SUMMARY

The relationship between various components of the results of operations, stated as a percent of net revenues, is illustrated below for the first quarters of 2006 and 2005.

	2006	2005
	-----	-----
Net revenues	100.0 %	100.0 %
Cost of sales	39.7	36.5
	-----	-----
Gross profit	60.3	63.5
Amortization	3.9	5.5
Royalties	5.6	9.0
Research and product development	8.2	6.8
Advertising	11.7	11.9
Selling, distribution and administration	31.4	30.0
	-----	-----
Operating profit (loss)	(0.5)	0.3
Interest expense	1.5	1.7
Interest income	(1.6)	(1.9)
Other (income) expense, net	0.8	1.2
	-----	-----
Loss before income taxes	(1.2)	(0.7)
Income taxes	(0.1)	0.1
	-----	-----
Net loss	(1.1)%	(0.8)%
	=====	=====

RESULTS OF OPERATIONS

The first quarter of 2006 was a fourteen week period while the first quarter of 2005 was a thirteen week period. Net loss for the first quarter of 2006 was \$(4,899) compared with a net loss of \$(3,713) in the first quarter of 2005. Basic and diluted loss per share for the quarter were \$(.03) in 2006 compared with \$(.02) in 2005. On December 26, 2005, the first day of fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS123R"), which required that the Company measure all stock-based compensation awards using a fair value method and record such expense in its financial statements. The Company adopted this statement using the modified prospective method. Under this adoption method, the Company is recording expense relating to stock option awards that were unvested as of the date of adoption as well as all awards made after the date of ad option. The adoption of this statement resulted in total expense, net of tax, of \$4,076 in the first quarter of 2006.

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Consolidated net revenues for the quarter ended April 2, 2006 increased 3% to \$468,181 from \$454,944 for the quarter ended March 27, 2005. Net revenues were negatively impacted by foreign currency translation in the amount of \$8,700 as the result of a stronger U.S. dollar in 2006. Operating loss for the quarter ended April 2, 2006 was \$(2,126) compared to an operating profit of \$1,540 in 2005. The 2006 results are based on fourteen weeks of net revenues and expenses compared to thirteen weeks in 2005. Most of the Company's revenues and operating profit (loss) are derived from its two principal segments: the North American segment and the International segment, which are discussed in detail below.

The following table presents net revenues and operating profit (loss) data for the Company's two principal segments for the first quarter of fiscal years 2006 and 2005. 2005 results have been reclassified to conform to the Company's new operating segment structure. The operating profit (loss) for 2005 for each of these segments have been adjusted to include the impact of expense related to stock options as disclosed under SFAS 123, consistent with the Company's management reporting. See footnote 7 to the consolidated financial statements for further details.

	2006	2005	% Change
	-----	-----	-----
Net Revenues			
North American segment	\$310,304	288,676	7%
International segment	145,491	153,088	(5%)
Operating Profit (Loss)			
North American segment	\$ 4,770	4,637	3%
International segment	(8,323)	(7,873)	(6%)

NORTH AMERICAN SEGMENT

The North American segment's net revenues for the quarter ended April 2, 2006 increased 7% to \$310,304 from the same period in 2005. The increase is primarily due to increased shipments of LITTLEST PET SHOP products, as well as increased sales of certain core brands, including PLAYSKOOL, MAGIC: THE GATHERING, TRANSFORMERS, SUPER SOAKER and NERF and increased sales of traditional board games. These increases were partially offset by the anticipated decline in shipments of STAR WARS products as well as decreased sales of DUEL MASTERS products. The Company had significant sales of STAR WARS products in 2005 related to the May 2005 theatrical release of STAR WARS EPISODE III: REVENGE OF THE SITH and the subsequent DVD release in the fourth quarter of 2005. The Company expects significant declines in revenues from the sales of STAR WARS products for the fiscal year 2006 versus 2005.

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The North American segment operating profit of \$4,770 for the quarter ended April 2, 2006 compares to an operating profit of \$4,637 for the quarter ended March 27, 2005. Decreases in royalty and amortization expenses as a result of the decrease in sales of STAR WARS products were largely offset by increased product development and marketing expenses as well as slightly higher advertising expense. Gross profit remained consistent in 2006, despite the increase in sales, due to the product mix, primarily the result of lower sales of STAR WARS products. Sales of products related to entertainment-based properties, such as STAR WARS, typically carry a higher gross margin. These products also carry a higher rate of royalties, and the resulting operating profit is generally not as high as it is for revenues derived from the sale of Company owned or Company-controlled brands. In addition, expenses for the segment were negatively impacted by one extra week in the first quarter of 2006 versus 2005.

INTERNATIONAL SEGMENT

International segment net revenues decreased by 5% to \$145,491 for the quarter ended April 2, 2006 from \$153,088 for the quarter ended March 27, 2005. International net revenues were negatively impacted by currency translation of approximately \$10,400, as the result of the stronger U.S. dollar. Excluding the unfavorable impact of foreign exchange, International net revenues increased 2% in local currency to \$155,891. The increase in local currency revenue for the quarter was primarily the result of increased sales of BDAMAN and MONOPOLY products, as well as sales of FURBY products, which were reintroduced in the third quarter of fiscal 2005. These increases were mostly offset by decreased revenues from shipments of STAR WARS products and DUEL MASTERS and BEYBLADE products.

International segment operating loss was \$8,323 for the quarter ended April 2, 2006 compared to a loss of \$7,873 for the quarter ended March 27, 2005. Although revenues were negatively impacted by the stronger U.S. dollar, as noted above, operating expenses were also impacted, with a resulting net favorable impact to the International segment operating loss of approximately \$1,000 for the quarter ended April 2, 2006. Absent the impact of foreign exchange rates, the increase in operating loss was primarily due to increased royalty expense with the decrease in royalties from lower sales of STAR WARS products being more than offset by higher sales of other licensed products. In addition, the operating loss was negatively impacted by increased product development expenses as the Company continues to invest in its core brands. These increased expenses were partially offset by decreased amortization expense as a result of lower STAR WARS sales. In addition, expenses for the segment were negatively impacted by one extra week in the first quarter of 2006 versus 2005.

GROSS PROFIT

The Company's gross profit margin decreased to 60.3% for the quarter ended April 2, 2006 from 63.5% for the quarter ended March 27, 2005. This decrease was due to changes in product mix, primarily due to decreased sales of STAR WARS products which tend to have a higher gross margin as well as lower royalty income in the first quarter of 2006 compared to the first quarter of 2005. The Company anticipates lower gross margins in 2006 due to the significant STAR WARS product revenues recognized in 2005 in connection with the theatrical and DVD releases of STAR WARS EPISODE III: REVENGE OF THE SITH. However, the Company also expects that the decrease in gross margins will be partially offset by decreased royalty expense relating to these sales as well as decreased amortization of related product rights.

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

EXPENSES

The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the first quarters of fiscal years 2006 and 2005.

	2006	2005
	-----	-----
Amortization	3.9%	5.5%
Royalties	5.6	9.0
Research and product development	8.2	6.8
Advertising	11.7	11.9
Selling, distribution and administration	31.4	30.0

Amortization expense decreased to \$18,252 in the first quarter of 2006 from \$24,755 in the first quarter of 2005. A portion of amortization expense relates to licensing rights and is based on expected sales of products related to those licensing rights. The decrease in amortization expense in the first quarter of 2006 relates to decreased amortization of the product rights related to STAR WARS as a result of decreased sales of STAR WARS products. The Company expects amortization expense to continue to be lower in 2006 compared to 2005 due to the anticipated decrease in product revenue from STAR WARS products.

Royalty expense for the quarter ended April 2, 2006 decreased to \$25,990, or 5.6% of net revenues from \$40,872, or 9.0% of net revenues in the first quarter of 2005. This decrease is primarily the result of decreased sales of entertainment based products, primarily related to STAR WARS. As noted above, the Company expects a lower level of royalties in 2006 compared to 2005 as a result of an anticipated decrease in sales of STAR WARS products.

Investment in research and product development is an important component to the Company's strategy to grow core brands and to create new and innovative toy and game products. Research and product development expenses for the quarter ended April 2, 2006 increased to \$38,164 or 8.2% of net revenues from \$31,041 or 6.8% of net revenues for the quarter ended March 27, 2005. The increase reflects the increased technology of many of the Company's products as the Company continues to invest in new innovative electronic products. In addition, these expenses also increased due to one extra week in the first quarter of 2006 versus 2005.

Advertising expense remained consistent with the prior year. Advertising expense for the quarter ended April 2, 2006 was \$54,854 or 11.7% of net revenues compared with \$54,190 or 11.9% of net revenues for the quarter ended March 27, 2005.

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The Company's selling, distribution and administration expenses for the quarter ended April 2, 2006 increased to \$146,955 or 31.4% of net revenues from \$136,571 or 30.0% of net revenues for the quarter ended March 27, 2006. Approximately \$5,820 of this increase reflects the Company's adoption in 2006 of SFAS 123R which requires the Company to record expense related to any unvested stock options as of the beginning of the year as well as any future stock option grants. The increase in selling, distribution and administration expenses also relates to the additional week in the first quarter of 2006, which had fourteen weeks, compared to thirteen weeks in the first quarter of 2005.

NONOPERATING (INCOME) EXPENSE

Interest expense for the first quarter of 2006 was \$7,126 compared with \$7,731 in the first quarter of 2005. Reductions in interest expense due to lower levels of debt in 2006 were partially offset by higher interest rates in 2006.

Interest income for the quarter ended April 2, 2006 was \$7,334 compared to \$8,669 for the quarter ended March 27, 2005. Interest income for the quarter ended March 27, 2005 includes \$4,140 related to an IRS tax settlement.

Excluding this one-time settlement, the increase in interest income in the first quarter of 2006 from the first quarter of 2005 represents higher returns on invested cash and short-term investments.

Other expense, net for the first quarter of 2006 was \$3,535 compared with \$5,703 for the first quarter of 2005. These amounts primarily consist of non-cash charges of \$3,330 and \$4,970 for 2006 and 2005, respectively, related to the increase during these periods in the fair value of certain warrants required to be classified as a liability. These warrants are required to be adjusted to their fair value each quarter through earnings. The fair value of these warrants is primarily affected by the stock price of the Company but is also affected by the Company's stock price volatility and dividends, as well as risk-free interest rates. Assuming the Company's stock volatility and dividend payments, as well as risk-free interest rates remain constant, the fair value of the warrants would increase and the Company would recognize a charge to earnings as the price of the Company's stock increases. If the price of the Company's stock decreases and the Company's stock volatility, dividend payments, and risk-free interest rates remain constant, the fair value of the warrants will decrease and the Company will recognize income. Based on a hypothetical increase in the Company's stock price to \$22.00 per share at April 2, 2006 from its actual price of \$21.10 a share on that date, the Company would have recognized a non-cash charge of approximately \$7,220 rather than the actual non-cash charge of \$3,330 for the quarter ended April 2, 2006, to reflect the change in the fair value of the warrants from their fair value of \$123,860 at December 25, 2005. This fair value adjustment has no related tax impact.

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INCOME TAXES

Income tax benefit in the first quarter of 2006 was \$554 on a pretax loss of \$5,453, compared to tax expense of \$488 on a pretax loss of \$3,225 in the first quarter of 2005. As noted above, the adjustment of certain warrants to their fair value has no tax effect. Absent the warrant fair value adjustment, the 2006 first quarter tax rate and the 2005 first quarter tax rate would have been 26.1% and 28.0%, respectively. The income tax rate for the full year 2005 was 31.8%. In addition to the adjustment of certain warrants to their fair value, the 2005 full year tax rate was also impacted by the repatriation of foreign earnings pursuant to the special incentive provided by the American Jobs Creation Act of 2004 as well as a reduction of income tax expense of approximately \$4,000 due primarily to the settlement of an Internal Revenue Service audit. Absent the effect of these items, the 2005 full year tax rate would have been 24.9%.

The increase in the adjusted rate from the full year 2005 of 24.9% to the first quarter of 2006 adjusted rate of 26.1% is primarily due to the expected increase in earnings in jurisdictions with higher statutory tax rates.

OTHER INFORMATION

The Company's revenue pattern continues to show the second half of the year, and within that half, the fourth quarter, to be increasingly more significant to its overall business for the full year. The Company expects that this concentration will continue, particularly as more of its business shifts to larger customers with order patterns concentrated in the second half of the year. The concentration of sales in the second half of the year and, specifically, the fourth quarter increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. The strategy of larger mass market retailers has been to maintain lower inventories throughout the year and purchase a greater percentage of product within or close to the fourth quarter holiday consumer selling season, which includes Christmas. Quick response inventory management practices now being used result in more orders being placed for immediate delivery and fewer orders being placed well in advance of shipment. Consequently, unshipped orders on any date in a given year are not necessarily indicative of future sales. At April 2, 2006 and March 27, 2005, the Company's unshipped orders were approximately \$176,985 and \$176,998, respectively.

To the extent that retailers do not sell as much of their year-end inventory purchases during this holiday selling season as they had anticipated, their demand for additional product earlier in the following fiscal year may be curtailed, thus negatively impacting the Company's revenues. In addition, the bankruptcy or other lack of success of one of the Company's significant retailers could negatively impact the Company's future revenues.

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In January 2006, the Company entered into a five-year license arrangement with Marvel to develop products based on certain Marvel properties for retail sales beginning January 1, 2007. The arrangement requires the Company to make guaranteed minimum payments in the amount of \$215,000 with \$105,000 paid in February 2006. Of the remaining payments, \$70,000 is expected to be paid in 2007 upon the release of the motion picture SPIDER-MAN 3, \$2,500 is expected to be paid in January 2008, \$2,500 is expected to be paid in January 2009 and the remainder to be paid upon the release of the motion picture SPIDER-MAN 4, whose release date is yet to be determined. Certain of the future minimum guaranteed contractual royalty payments are contingent upon the theatrical release of the related entertainment property.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2005, the Company funded its operations and liquidity needs primarily through cash flows from operations, and, when needed, proceeds from its accounts receivable securitization program and borrowings under its secured and unsecured credit facilities. During 2006 the Company expects to continue to fund its working capital needs primarily through operations and, when needed, using proceeds from the accounts receivable securitization program and borrowings under its available lines of credit. The Company believes that the funds available to it, including cash it expects to generate from operations, and funds available through the securitization program and other available lines of credit, are adequate to meet its needs for 2006. However, unforeseen circumstances in the toy or game industry, such as softness in the retail environment or unanticipated changes in consumer preferences, could result in a significant decline in revenues and operating results for the Company, which could result in the Company being in non-compliance with covenants under its revolving credit facility and/or receivable securitization program. Non-compliance with its debt covenants could result in the Company being unable to utilize borrowings under its revolving credit facility and other bank lines, a circumstance which potentially could occur when operating shortfalls would most require supplementary borrowings to enable the Company to continue to fund its operations. Also, non-compliance with covenants under its accounts receivable securitization program could result in the Company being unable to utilize this program. In addition, a significant deterioration in the business of a major U.S. customer could result in a decrease in eligible accounts receivable that would prevent the Company from being able to fully utilize its accounts receivable securitization program. The Company expects to be in compliance with its borrowing and securitization financial covenants in 2006.

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

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Cash flows (utilized) provided by operating activities were \$(75,239) and \$159,642 for the first quarters of 2006 and 2005, respectively. Cash flows from operations in the first quarter of 2006 were negatively impacted by the royalty guarantee payment of \$105,000 made to Marvel in connection with the new license agreement signed in the first quarter of 2006 and pension plan contributions of approximately \$31,800. Of the \$105,000 payment to Marvel, \$82,700 was classified as long-term and is reflected in the consolidated statement of cash flows in other operating while the remainder was recorded to prepaid expenses and is reflected in the statement of cash flows as an increase in prepaid expenses. The decrease in cash flow provided by operating activities is also the result of higher non cash expenditures in 2005, including amortization expense, as a result of the increased sales of STAR WARS products as well as a utilization of prepaid royalty amounts related to increased sales of STAR WARS products.

Accounts receivable increased to \$221,860 at April 2, 2006 from \$199,594 at March 27, 2005 reflecting decreased usage of the Company's accounts receivable securitization facility partially offset by higher collections. Days sales outstanding were 43 days at April 2, 2006 compared to 39 days at March 27, 2005. In addition, approximately \$4,700 relates to lower translation of international balances due to the currency impact of the stronger U.S. dollar.

Inventories decreased to \$213,183 at April 2, 2006 from \$232,660 at March 27, 2005. The 2005 inventory balance was higher partially due to lower than expected sales at the end of 2004. In addition, there were higher inventory levels in 2005 in anticipation of product shipments relating to the STAR WARS theatrical release in May 2005. In addition, approximately \$3,800 of this decrease relates to lower translation of international balances due to the currency impact of the stronger U.S. dollar.

Prepaid expenses decreased to \$122,127 at April 2, 2006 compared to \$138,828 at March 27, 2005, primarily due to a decrease in current prepaid royalties. The decrease in prepaid royalties as a result of the higher sales of STAR WARS products in 2005 was partially offset by an increase related to the royalty advance paid to Marvel in the first quarter of 2006. Generally, when the Company enters into a licensing agreement for entertainment-based properties, an advance royalty payment is required at the inception of the agreement. This payment is then recognized in the consolidated statement of operations as the related sales are made. With respect to the Marvel and STAR WARS licenses, the Company has prepaid royalties recorded in both current and non-current assets. Each reporting period, the Company reflects as current prepaid assets the amount of royalties it expects to reflect in operations in the upcoming twelve months. In periods prior to a major movie release such as with STAR WARS in the first quarter of 2005, larger amounts will be reclassified from non-current to current in anticipation of higher sales during the periods surrounding the release.

Accounts payable and accrued expenses increased to \$629,175 at April 2, 2006 from \$618,308 at March 27, 2005. This increase is primarily due to amounts not yet settled (paid) of \$6,334 relating to common stock repurchases made at the end of the first quarter of 2006 under the May 19, 2005 Board of Directors \$350,000 authorization.

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Collectively, property, plant and equipment and other assets increased \$31,473 from the comparable period in the prior year. The increase is due to a portion of the \$105,000 royalty advance paid to Marvel in the first quarter of 2006, which has been classified as long-term based on the expected period of realization. This increase was partially offset by a decrease in property, plant and equipment resulting from the sale of the Company's former manufacturing facility in Spain in the second quarter of 2005. In addition, other intangible assets decreased primarily due to the amortization of intangibles, including increased amortization expense of STAR WARS property rights in 2005.

Net cash (cash and cash equivalents less short-term borrowings, current portion of long-term debt, and long-term debt) decreased to \$76,135 at April 2, 2006 from \$237,871 at March 27, 2005. This decrease is due to the Company investing available cash in auction rate securities, which are classified as short-term investments on the balance sheet. At April 2, 2006, the Company had \$147,675 invested in these securities. The decrease in net cash also reflects the Company's current share repurchase program which was approved by its Board of Directors in May 2005. Under this plan, the Company has repurchased 6,911 shares in the final three quarters of 2005 and the first quarter of 2006 at a total cost of \$141,707.

Cash flows from investing activities were a net utilization of \$159,365 in the first quarter of 2006 and \$11,020 in the first quarter of 2005. The increase in net utilization is due to the Company investing \$147,675 of excess cash balances in auction rate securities in 2006, which offer a higher rate of return on a short-term basis.

Cash flows from financing activities were a net utilization of \$126,607 in the first quarter of 2006 compared to net cash provided of \$1,227 in the first quarter of 2005. The increase in net utilization was due primarily to cash paid of \$87,343 to repurchase shares of common stock in the first quarter of 2006 and repayments of long-term debt of \$32,743 related to a contractual maturity. During the quarter, the Company repurchased 4,525 shares at a total cost of \$93,677, of which \$6,334 was included in accrued expenses related to repurchases that had not yet settled at April 2, 2006.

The Company has an amended and restated credit agreement, which provides it with an unsecured revolving credit facility of \$350,000, maturing in March 2007. The Company is not required to maintain compensating balances under the agreement. The amended and restated agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including with respect to capital expenditures, investments, acquisitions, share repurchases and dividend payments. The Company was in compliance with all restrictive covenants as of and for the quarter ended April 2, 2006. The Company had no borrowings outstanding under its committed revolving credit facility at April 2, 2006. The Company also has other uncommitted lines from various banks, of which approximately \$25,705 was utilized at April 2, 2006. Amounts available and unused under the committed line at April 2, 2006 were approximately \$346,300.

The Company is party to an accounts receivable securitization program whereby the Company sells, on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC ("HRF"). HRF is consolidated with the Company for financial reporting purposes. The securitization program then allows HRF to sell, on a revolving basis, an undivided interest of up to \$250,000 in the eligible receivables it holds to certain bank conduits. The program provides the Company with a cost-effective source of working capital. Based on the amount of eligible accounts receivable as of April 2, 2006, the Company had availability under this program to sell \$34,504, all of which was utilized.

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The Company had letters of credit of approximately \$19,200 and purchase commitments of \$185,035 outstanding at April 2, 2006. In February 2006, the Company amended its license arrangement with Marvel to add additional toy lines. As a result of this amendment, the guaranteed minimum payments of \$205,000 previously disclosed in the Company's report on Form 10-K increased by \$10,000, of which \$5,000 was paid in February 2006, \$2,500 is expected to be paid in January 2008 and \$2,500 is expected to be paid in January 2009. In addition, the Company contributed approximately \$31,800 to its pension plans in the first quarter of 2006 which was higher than the amount expected and disclosed in the Company's report on Form 10-K. The Company expects its contributions to its defined benefit pension plans in 2006 to be approximately \$40,000. Other contractual obligations and commercial commitments, as detailed in the Company's annual report on Form 10-K for the year ended December 25, 2005, did not materially change outside of payments made in the normal course of business.

The Company has outstanding \$249,996 in principal amount of senior convertible debentures due 2021. The senior convertible debentures bear interest at 2.75%, subject to an upward adjustment in the rate, with the total rate not to exceed 11%, should the price of the Company's stock trade at or below \$9.72 per share for 20 of 30 trading days preceding the fifth day prior to an interest payment date. This contingent interest feature represents a derivative instrument that is recorded on the balance sheet at its fair value, with changes in fair value recognized in the statement of operations. If the closing price of the Company's stock exceeds \$23.76 for at least 20 trading days within the 30 consecutive trading day period ending on the last trading day of the calendar quarter, or upon other specified events, the debentures will be convertible at an initial conversion price of \$21.60 in the next calendar quarter. This contingent conversion feature was not met in the first quarter of 2006. The holders of these debentures may put the notes back to Hasbro in December 2011 and December 2016 at the original principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the Company's discretion. While the Company's current intent is to settle in cash any puts exercised, there can be no guarantee that the Company will have the funds necessary to settle this obligation in cash.

The Company believes that cash from operations, including the securitization facility, and, if necessary, its line of credit, will allow the Company to meet these and other obligations listed. It is the Company's intent to continue to assess the desirability of using available cash from operations to reduce its outstanding long-term debt, as market conditions and the Company's revolving credit agreement and other sources of financing allow.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

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

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

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

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

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

The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. Intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value which is also calculated using an income approach. The Company's annual impairment test was performed in the fourth quarter of 2005 and no impairment was indicated. At April 2, 2006, the Company has goodwill and intangible assets with indefinite lives of \$542,976 recorded on the balance sheet.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of the value of these intangible assets is measured by a comparison of the assets' carrying value to the estimated future undiscounted cash flows the asset is expected to generate. If such assets were considered to be impaired, the impairment would be measured by the amount by which the carrying value of the asset exceeds its fair value based on estimated future discounted cash flows. The estimation of future cash flows requires significant judgments and estimates with respect to future revenues related to the respective asset and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in this assessment and result in an impairment charge. The estimation of discounted cash flows also requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge.

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

Intangible assets covered under this policy were \$515,715 at April 2, 2006. During the first quarter of 2006, there were no impairment charges related to these intangible assets.

The recoverability of royalty advances and contractual obligations with respect to minimum guaranteed royalties is assessed by comparing the remaining minimum guaranty to the estimated future sales forecasts and related cash flow projections to be derived from the related product. If sales forecasts and related cash flows from the particular product do not support the recoverability of the remaining minimum guaranty or, if the Company decides to discontinue a product line with royalty advances or commitments, a charge to royalty expense to write-off the remaining minimum guaranty is required. The preparation of revenue forecasts and related cash flows for these products requires judgments and estimates. Actual revenues and related cash flows or changes in the assessment of anticipated revenues and cash flows related to these products could result in a change to the assessment of recoverability of remaining minimum guaranteed royalties. At April 2, 2006, the Company had \$222,885 of prepaid royalties, \$62,924 of which are included in prepaid expenses and other current assets and \$159,961 which are included in other assets.

The Company, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits using estimates for expected return on assets, expected compensation increases, and applicable discount rates. The estimates for the Company's domestic plans are established for the upcoming year at the Company's measurement date of September 30. The Company estimates expected return on assets using a weighted average rate based on historical market data for the investment classes of assets held by the plan, the allocation of plan assets among those investment classes, and the current economic environment. Based on this information, the Company's estimate of expected return on plan assets for its domestic plans is 8.75% for 2006, which is the same estimate used in 2005. A decrease in the estimate used for expected return on plan assets would increase pension expense, while an increase in this estimate would decrease pension expense. For the Company's domestic plans, a decrease of .25% in the 2005 estimate of expected return on plan assets would have increased 2005 annual pension expense by approximately \$470. Expected compensation increases are estimated using a combination of historical compensation increases with expected compensation increases in the Company's long-term business forecasts. Based on this analysis, the Company's estimate of expected long-term compensation increases for its domestic plans is 4.0% in 2006, which is the same estimate used in 2005. Increases in estimated compensation increases would result in higher pension expense while decreases would lower pension expense. Discount rates are selected based upon rates of return at the measurement date on high quality corporate bond investments currently available and expected to be available during the period to maturity of pension benefits. Based on this long-term corporate bond yield at September 30, 2005, the Company's measurement date for its pension assets and liabilities, the Company selected a discount rate for its domestic plans of 5.50% compared to a rate of 5.75% selected at September 30, 2004. Pension expense for the Company's domestic plans in 2005 was based on a discount rate of 5.75%. A decrease in the discount rate would result in greater pension expense while an increase in the discount rate would decrease pension expense. For the Company's domestic plans, a decrease of .25% in the Company's 2005 discount rate would have increased 2005 annual pension expense and the projected benefit obligation by approximately \$995 and \$11,110, respectively.

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

In accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions", actual results that differ from the actuarial assumptions are accumulated and, if outside a certain corridor, amortized over future periods and, therefore generally affect recognized expense and the recorded obligation in future periods. Assets in the plan are valued on the basis of their fair market value on the measurement date. In March 2006, the Financial Accounting Standards Board ("FASB") issued an exposure draft of a proposed FASB statement, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans", which would amend Statements of Financial Accounting Standards No. 87, 88, 106 and 132R. Under the proposed statement, the Company would recognize on its balance sheet actuarial gains and losses and prior service costs that have not yet been included in income as a reduction of equity through other comprehensive income and an increase to the accrued pension liability. In addition, the measurement date for plan assets and liabilities would be required to be the Company's fiscal year end. The proposed statement would be effective for the Company in the fourth quarter of 2006. Until a final statement is issued, the Company cannot estimate the effect that this change in accounting would have on its consolidated balance sheet or statement of operations.

The Company has stock-based employee compensation plans and plans for non-employee members of the Company's Board of Directors. Under these plans, the Company grants stock options at or above the fair market value of the Company's stock. On December 26, 2005, the first day of fiscal 2006, the Company adopted SFAS 123R, which requires the Company to measure all stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. The Company uses the Black-Scholes option pricing model to value the stock options that are granted under these plans. The Black-Scholes method includes four significant assumptions: (1) expected term of the option, (2) risk-free interest rate, (3) expected dividend yield, and (4) expected stock price volatility. For the Company's 2005 stock option grant, the weighted average expected term used was approximately 5 years. This amount is based on a review of employees' exercise history relating to stock options as well as the contractual term of the option. The weighted average risk-free interest rate used for 2005 stock option grants was 3.84%. This estimate was based on the interest rate available on U.S. treasury securities with durations that approximate the expected term of the option. For 2005 stock option grants, the weighted average expected dividend yield used was 1.75% which is based on the Company's current annual dividend amount divided by the stock price on the date of the grant. The weighted average expected stock price volatility used for 2005 stock option grants was 29%. This amount was estimated using a combination of historical price volatility over the most recent period approximating the expected term of the option and implied price volatility. Implied price volatility represents the volatility implied in publicly traded options on the Company's stock, which the Company believes represents the expected future volatility of the Company's stock price. The Company believes that since this is a market-based estimate, it can provide a better estimate of expected future volatility.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily resulting from sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing those products in more than twenty currencies. Results of operations are more likely to be affected by changes in the value of the U.S. dollar, Hong Kong dollar, Euro, British pound, Canadian dollar and Mexican peso and, to a lesser extent, currencies in Latin American and Asia Pacific countries.

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

At April 2, 2006, the Company had fixed rate long-term debt, including current portions and excluding fair value adjustments, of \$494,983. Also at April 2, 2006, the Company had fixed-for-floating interest rate swaps with notional amounts of \$100,000. The interest rate swaps are designed to adjust the amount of the Company's debt subject to a fixed interest rate. The interest rate swaps are matched with specific long-term debt issues and are designated and effective as hedges of the change in the fair value of the associated debt. Changes in fair value of these contracts are wholly offset in earnings by changes in the fair value of long-term debt. At April 2, 2006, these contracts had a fair value of \$(112), which was included in liabilities, with a corresponding fair value adjustment to decrease long-term debt.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of April 2, 2006. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended April 2, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

The Company's actual results or experience may differ materially from those expected or anticipated in the forward-looking statements. The Company has included, under Item 1A. of its Annual Report on Form 10-K, for the year ended December 25, 2005 (the "Annual Report"), a discussion of factors which may impact these forward-looking statements. In furtherance, and not in limitation, of the more detailed discussion set forth in the Annual Report, specific factors that might cause such a difference include, but are not limited to:

- the Company's ability to manufacture, source and ship new and continuing products in a timely manner and customers' and consumers' acceptance of those products at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of products;
- economic and public health conditions, including factors which impact the retail market and retail demand or the Company's ability to manufacture and deliver products, higher fuel and commodity prices, higher transportation costs and potential transportation delays, currency fluctuations, government regulation and other conditions in the various markets in which the Company operates throughout the world;
- the concentration of the Company's customers;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday season, which is the period in which the Company derives a substantial portion of its revenues;
- the inventory policies of retailers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China, affecting the movement of people and products into and out of China or affecting the exchange rates for the Chinese Renminbi, including, without limitation, the impact of tariffs or other trade restrictions being imposed upon goods manufactured in China;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues, operating margins, or bad debt exposure;
- the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees in a competitive environment;

- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the risk that the market appeal of the Company's licensed products will be less than expected or that the sales revenue generated by those products will be insufficient to cover the minimum guaranteed royalties;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and other worldwide territories;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;
- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;
- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's consolidation programs, or alter the Company's actions and reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations or to product liability suits relating to products it manufactures and distributes;
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

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

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

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

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 2006 12/26/05 – 1/29/06	-	-	-	\$301,970,066
February 2006 1/30/06 – 3/5/06	2,134,590	\$20.4547	2,125,000	\$258,442,616
March 2006 3/6/06 – 4/2/06	2,400,000	\$20.8655	2,400,000	\$208,293,351
Total	4,534,590	\$20.6721	4,525,000	\$208,293,351

On May 19, 2005, the Company's Board of Directors authorized the repurchases of up to \$350 million in common stock. This authorization replaced a prior authorization, dated December 6, 1999 of \$500 million, which had \$204.5 million remaining. Purchases of the Company's common stock may be made from time to time, subject to certain market conditions. These shares may be repurchased in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization, and the timing, actual number, and value of the shares that are repurchased will depend on a number of factors, including the price of the Company's stock. The Company may suspend or discontinue the program at any time and there is no expiration date.

In February 2006, the Company repurchased 9,590 shares upon the exercise of a stock option, which were delivered by the award recipient as payment of the exercise price. These shares were repurchased at the market price on the date of the exercise of the stock option.

Item 3. Defaults Upon Senior Securities.

None.

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

None

Item 5. Other Information.

None.

Item 6. Exhibits

- 3.1 Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.2 Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.3 Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
- 3.4 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
- 3.5 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.6 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)
- 4.1 Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
- 4.2 Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)

Item 6. Exhibits (continued)

- 4.3 Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)
- 4.4 Third Amended and Restated Revolving Credit Agreement dated as of November 14, 2003 by and among the Company, the Banks thereto, and Fleet National Bank, as Agent for the Banks. (Incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended December 28, 2003, File No. 1-6682.)

- 4.5 First Amendment to the Company's Third Amended and Restated Revolving Credit Agreement dated March 11, 2005. (Incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended March 27, 2005, File No. 1-6682.)
- 4.6 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.)
- 4.7 First Amendment to Rights Agreement, dated as of December 4, 2000, between the Company and the Rights Agent. (Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-6682.)
- 10.1 Hasbro, Inc. 2006 Management Incentive Plan.
- 10.2 License Agreement, dated January 6, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)
- 10.3 First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)
- 10.4 Employment Agreement, dated January 20, 2006, by and between the Company and Brian Goldner.
- 12 Computation of Ratio of Earnings to Fixed Charges
Quarter Ended April 2, 2006.
- 31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

Item 6. Exhibits (continued)

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HASBRO, INC.

(Registrant)

Date: May 5, 2006

By: /s/ David D. R. Hargreaves

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q
For the Period Ended April 2, 2006

Exhibit Index

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- 10.3 First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)
- 10.4 Employment Agreement, dated January 20, 2006, by and between the Company and Brian Goldner.
- 12 Computation of Ratio of Earnings to Fixed Charges - Quarter Ended April 2, 2006.
- 31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
- 32.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is effective as of January 20, 2006 (the "Effective Date"), by and between Hasbro, Inc., a Rhode Island corporation with a principal place of business at 1011 Newport Avenue, Pawtucket, RI 02862 ("Hasbro"), and Brian Goldner, an individual with a residence at 387 Washington Road, Barrington, RI 02806 (the "Executive").

WHEREAS, Hasbro desires to continue to employ Executive and to elevate him to the position of Chief Operating Officer;

WHEREAS, Executive desires to continue to be employed by Hasbro, and to accept the position of Chief Operating Officer;

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.** The term of this Agreement shall commence on the Effective Date, and unless extended pursuant to the provisions of this Section or terminated pursuant to the provisions of Section 4 of this Agreement, shall end on January 19, 2009 (the "Term"). Notwithstanding the foregoing, the Term shall continue to automatically be extended for periods of one (1) year so long as neither party provides written notice to the other of its intent to terminate by a date which is at least one hundred and eighty (180) days prior to the then-current expiration date of the Agreement.
2. **TITLE; REPORTING EXECUTIVE.** Executive shall serve as Chief Operating Officer, reporting directly to Hasbro's President and Chief Executive Officer, and agrees to undertake the duties and responsibilities described herein and such other duties and responsibilities as are assigned to Executive. Executive agrees to devote his entire business time, attention and energies to the business and interests of Hasbro during the Term. Executive agrees to comply with all applicable Hasbro policies that are in effect during the Term.
3. **COMPENSATION AND BENEFITS.**
 - 3.1 **SALARY.** For the portion of the 2006 calendar year beginning as of the Effective Date, Hasbro shall pay to Executive an annualized base salary of Eight Hundred Thousand Dollars (\$800,000) in biweekly installments, less all applicable taxes and withholdings. Beginning in 2007, and in each year thereafter that this Agreement is in effect, Executive's salary shall be reviewed in accordance with Hasbro's compensation guidelines for senior executives, and adjusted to the extent, if any, deemed appropriate by Hasbro's Compensation and Stock Option Committee.
 - 3.2 **MANAGEMENT INCENTIVE PLAN BONUS.** For the 2006 fiscal year, Executive shall be eligible to receive a management incentive plan bonus based on a target of eighty-five percent (85%) of Executive's earned base salary for the incentive year. Beginning in 2007, and for each fiscal year thereafter that this Agreement is in effect, Executive's target bonus shall be reviewed in accordance with Hasbro's compensation guidelines for senior executives, and adjusted to the extent, if any, deemed appropriate by Hasbro's Compensation and Stock Option Committee. Actual bonus awards shall be determined in the discretion of Hasbro's Compensation and Stock Option Committee pursuant to the terms of Hasbro's Senior Management Annual Performance Plan (or the successor thereto) (the "SMPP").
 - 3.3 **EQUITY GRANT.** Hasbro intends to grant Executive Twenty Thousand (20,000) restricted shares of Hasbro common stock, pursuant to the terms of Hasbro's 2003 Stock Incentive Performance Plan (the "SIPP"), effective upon the date such award is approved by the Hasbro Compensation and Stock Option Committee. The shares shall vest in one installment on the third anniversary of the effective date of the grant, shall be governed by the terms of the SIPP, and shall be conditioned upon Executive's execution of Hasbro's standard form of restricted stock agreement.
 - 3.4 **OTHER LONG-TERM INCENTIVES.** Executive shall participate in Hasbro's long-term incentive program in the same manner as other senior executives, with awards to be made in the form and amounts determined by Hasbro's Compensation and Stock Option Committee. Executive's target award under the long-term incentive program shall be higher than that of any employee other than the Chief Executive Officer.
 - 3.5 **FRINGE BENEFITS.** Executive shall be entitled to participate in benefit programs that Hasbro establishes and makes available to its senior officers to the extent that Executive's position, tenure, salary and other qualifications make Executive eligible to participate, including but not limited to Hasbro's group

life insurance, short and long term disability insurance, vacation, medical, dental, pension, 401(k) savings and deferred compensation programs for salaried executives, as in effect from time-to-time.

3.6 CHANGE OF CONTROL AGREEMENT. Hasbro and the Executive have entered into a Change of Control Agreement dated March 18, 2000 (the "Change of Control Agreement"), and nothing in this Agreement shall be read to modify, cancel or supersede the Change of Control Agreement or the provisions thereof.

4. EMPLOYMENT TERMINATION. This Agreement and Executive's employment shall terminate upon the occurrence of any of the following:

4.1 At the election of Hasbro, for Cause, immediately upon written notice to Executive by Hasbro. For the purposes of this Section 4.1, termination for "Cause" shall be deemed to exist upon (a) Executive's material failure to perform (i) Executive's assigned duties for Hasbro; or (ii) Executive's obligations under this Agreement; (b) conduct of the Executive involving fraud, gross negligence or willful misconduct or other action which damages the reputation of Hasbro; (c) Executive's indictment for or conviction of, or the entry of a pleading of guilty or nolo contendere by Executive to, any crime involving moral turpitude or any felony; (d) Executive's fraud, embezzlement or other intentional misappropriation from Hasbro; or (e) Executive's material breach of any material policies, rules or regulations of employment which may be adopted or amended from time to time by Hasbro. Hasbro shall provide Executive notice in writing of any alleged violation of (a) or (b) above, after which Executive shall have thirty (30) days to cure such violation. Hasbro's financial performance or the financial performance of operating units for which Executive is responsible shall not constitute a basis for Hasbro to terminate Executive for Cause or refuse to provide any severance benefits under this Agreement;

4.2 Thirty (30) days after Executive's death or Disability. As used in this Agreement, the term "Disability" shall mean Executive'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 Executive and Hasbro, provided that if Executive and Hasbro do not agree on a physician, Executive and Hasbro shall each select a physician and these together shall select a third physician, whose determination as to Disability shall be binding on all parties;

4.3 At the election of either party without Cause, upon sixty (60) days prior written notice to the other party hereto; or

4.4 At Executive's election with Good Reason. For purposes of this Agreement, "Good Reason" shall mean termination by Executive of his employment, upon thirty (30) days written notice, for any of the following reasons: (a) a material reduction in Executive's base salary or target bonus, without his consent, unless such reduction is due to a generally applicable reduction in the compensation of senior executives in 2007 or later, or (b) an organizational change (other than one in which Executive becomes Chief Executive Officer) in which Executive no longer reports directly to Al Verrecchia as Chief Executive Officer of Hasbro; provided, however, that Executive may not terminate his employment for "Good Reason" unless he; (a) gives written notice of his intent to terminate his employment under this provision (including the reasons therefor) within thirty (30) days of the event giving rise to the right to terminate, and (b) Hasbro fails to cure the material reduction or restore the reporting relationship (as applicable) within thirty (30) days of its receipt of the written notice.

5. EFFECT OF TERMINATION.

5.1 TERMINATION FOR CAUSE OR AT EXECUTIVE'S ELECTION. In the event this Agreement and Executive's employment are terminated for Cause pursuant to Section 4.1, or at Executive's election for other than Good Reason pursuant to Section 4.3, Hasbro shall pay Executive the compensation and benefits otherwise payable to Executive under Section 3 through the last day of Executive's actual employment by Hasbro.

5.2 TERMINATION FOR DEATH OR DISABILITY. If this Agreement and Executive's employment are terminated by death or because of Disability pursuant to Section 4.2, Hasbro shall pay to Executive's estate or to Executive, as the case may be, the compensation which would otherwise be payable to Executive up to the end of the month in which the termination of Executive's employment because of death or Disability occurs. All stock options and restricted stock granted to Executive shall vest and be exercisable in accordance with the relevant agreements and plans.

5.3 TERMINATION AT THE ELECTION OF HASBRO OR FOR GOOD REASON. If this Agreement and Executive's employment are terminated at the election of Hasbro without Cause pursuant to Section 4.3, or at the election of Executive with Good Reason pursuant to Section 4.4, and provided Executive executes a full and complete release in a form prepared by Hasbro and complies with the terms and conditions of Hasbro's Severance Plan for Salaried Employees (the "Severance Plan"), then Executive

shall be entitled to: (a) twenty-four (24) months of severance benefits, provided pursuant to the terms of the Severance Plan; (b) payment of a target SMPP bonus for each of the two (2) fiscal years following the year in which termination occurs, with such payment to occur at the same time as SMPP bonuses are paid to Hasbro's other SMPP participants (typically during the third month following the end of the fiscal year); and (c) acceleration of all unvested stock options and restricted stock such that such stock options and restricted stock become fully vested as of the termination of Executive's employment.

5.4 NO OTHER SEVERANCE. Executive shall not be entitled to any benefits beyond those provided for in this Section 5 by virtue of termination of his employment or this Agreement, except as provided in the event of a "change of control" pursuant to the terms of his Change of Control Agreement. In the event of a "change of control," the benefits payable hereunder shall be reduced by any termination benefits payable under the Change of Control Agreement.

5.5 DEFERRED BONUS. Executive is entitled to \$200,000 in deferred bonus, which vests and is payable in the amount of \$100,000 each on March 12th of 2006 and 2007. In the event Executive's employment with Hasbro is terminated prior to March 12, 2007, Executive will be paid any remaining unvested portion of the deferred bonus within thirty (30) days following Executive's last day of employment.

6. NON-COMPETITION AND NON-SOLICITATION.

6.1 In consideration of Hasbro's commitments under this Agreement, for a period of two (2) years after the termination of Executive's employment with Hasbro (including any of its affiliates), Executive shall not, in the geographical area in which Hasbro or any of its affiliates does business or has done business at the time of his employment termination, directly or indirectly engage in any business or enterprise that develops, manufactures, markets, or sells toys or games (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than 1% of the outstanding stock of a publicly held company). It is the parties' intent that this non-competition obligation shall not apply to entities whose involvement in the toy or game business is limited to licensing third parties to develop and sell toys or games. It is also intended that an entity's own sales of toys or games, considered by itself, would not cause it to be deemed a competitor if such sales are limited exclusively to company-owned stores and/or theme parks.

6.2 For a period of two (2) years after the termination of Executive's employment with Hasbro (including any of its affiliates), Executive shall not, either alone or in association with others (a) solicit, recruit, induce, attempt to induce or permit any organization directly or indirectly controlled by Executive to solicit, recruit, induce or attempt to induce any employee of Hasbro to leave the employ of Hasbro, or (b) solicit, recruit, induce, attempt to induce for employment or hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by Executive to solicit, recruit, induce, attempt to induce for employment or hire or engage as an independent contractor, any person who is employed by Hasbro or who was employed by Hasbro at any time during the term of Executive's employment with Hasbro, provided that this clause (b) shall not apply to any individual whose employment with Hasbro has been terminated for a period of six (6) months or longer.

6.3 For a period of two (2) years after the termination of Executive's employment with Hasbro (including any of its affiliates), Executive shall not, either alone or in association with others, solicit, divert or take away, or attempt to solicit, divert or take away, or permit any organization directly or indirectly controlled by Executive to solicit, divert or take away, or attempt to solicit, divert or take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts of Hasbro, which were contacted, solicited or served by Hasbro at any time during Executive's employment with Hasbro.

6.4 The geographic scope of this Section 6 shall extend to anywhere Hasbro or its respective subsidiaries is doing business at the time of termination or expiration of this Agreement. 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.

6.5 Executive acknowledges that the restrictions contained in this Section 6 are necessary for the protection of the business and goodwill of Hasbro and are considered by Executive to be reasonable for such purpose. Executive agrees that any breach of this Section 6 will cause Hasbro substantial and irrevocable damage, and therefore, in the event of any such breach, in addition to such other remedies which may be available, Hasbro shall have the right to obtain and receive specific performance and injunctive relief without posting a bond or other security.

6.6 If Executive violates the provisions of this Section 6, he shall continue to be bound by the restrictions set forth therein until a period of two (2) years has expired without any violation of such provisions. Executive further agrees that in the event he violates the provisions of this Section 6, Hasbro shall have no

obligation to pay or provide any of the benefits described in Section 5.3 or the deferred compensation described in Section 5.5. In addition, in the event of any such violation, Executive agrees to pay Hasbro as liquidated damages the total Net Proceeds obtained with respect to any unvested stock options or restricted stock accelerated pursuant to Section 5.3. For purposes of this Agreement, "Net Proceeds" shall be computed for each stock option grant accelerated pursuant to Section 5.3 by multiplying the number of accelerated options times the difference between the closing price of Hasbro's common stock on the last day of employment and the original strike price for the grant being accelerated. "Net Proceeds" for each share of restricted stock accelerated pursuant to Section 5.3 shall be computed by multiplying the number of shares accelerated by the closing price of Hasbro's common stock on Executive's last day of employment. "Net Proceeds" will be computed without regard to any subsequent increase or decrease, if any, in the market price of Hasbro's common stock. The foregoing liquidated damages will be owed regardless of whether or not the accelerated options or restricted stock have been exercised or the underlying shares of common stock have been sold.

7. **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 1011 Newport Avenue, Pawtucket, RI 02862 Attention: General Counsel and to Executive and Executive's attorney, Robert F. Krug, Jr., Carponelli & Krug, 230 W. Monroe Street, Suite 250, Chicago, IL 60606, or at such other address or addresses as either party shall designate to the other in accordance with this Section 7.
8. **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, with the exception of the Change of Control Agreement and the Hasbro Invention Assignment and Proprietary Information Agreement, which shall both remain in full force and effect.
9. **AMENDMENT.** This Agreement may be amended or modified only by a written instrument executed by Executive and Hasbro.
10. **GOVERNING LAW.** This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Rhode Island and Executive consents to the exclusive jurisdiction of the Federal District Court for the District of Rhode Island to resolve all disputes arising out of Executive's employment relationship with the Company.
11. **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 Hasbro may be merged or which may succeed to its assets or business, provided, however, that Executive's obligations are personal and shall not be assigned by Executive.
12. **MISCELLANEOUS.**
 - 12.1 No delay or omission by Hasbro in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by Hasbro 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.
 - 12.2 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.
 - 12.3 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.
 - 12.4 **SURVIVAL.** The provisions of Sections 5, 6, 7, 10, 11 and 12 shall survive the expiration or earlier termination of this Agreement.
 - 12.5 To the extent any payment to you under this agreement must be delayed until six months following separation from service to comply with the rules of Section 409A of the Internal Revenue Code, as reasonably determined by Hasbro, it will be so delayed (but only to the extent as is required to comply with such rules).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year set forth above.

/s/ Alfred J. Verrecchia

/s/ Brian Goldner

By: Al Verrecchia
Title: President and
Chief Executive Officer

Hasbro, Inc.

Management Incentive Plan 2006

Hasbro, Inc. Management Incentive Plan

1.0 Background

1.1 The Management Incentive Plan (MIP)

- § Establishes standard criteria to determine plan eligibility, and overall company, business unit and individual performance objectives.
- §
- § Establishes target awards as a percent of annual earned salary based on worldwide band level.
- § Plan pay out is based on a combination of company, individual, and/or business unit performance.
- § Performance objectives and goals are established to measure performance achievement and may be based on one or a combination of the following: sales, operating margin and returns for company and business unit performance, as well as an individual component.

1.2 Purpose

Hasbro, Inc., herein referred to as “the Company”, has established this plan for the purpose of providing incentive compensation to those officers, managers, and key employees who contribute significantly to the growth and success of the Company’s business; to attract and retain, in the employ of the Company, individuals of outstanding ability; and to align the interests of those who hold positions of major responsibility in the Company with the interest of the Company’s shareholders.

1.2.1 General Guideline

Amounts awarded under the plan are discretionary at all times.

1.3 Scope

The Plan is applicable to all subsidiaries and divisions of the Company, including the Corporate group, on a worldwide basis.

1.3.1 Eligibility

Officers, managers, and key employees, as determined by Management, whose duties and responsibilities contribute significantly to the growth and success of the Company’s business are eligible to participate in the Plan. Eligibility will be determined by an employee’s broad band in accordance with the corporation’s method of job evaluation as appropriate. Worldwide employees in positions classified in broad bands 30 and above will be eligible to participate.

Eligibility to participate in the Plan does not guarantee the receipt of an award under the Plan.

Notwithstanding any of the above, executive officers of Hasbro, Inc., as identified as participants under the company’s Senior Management Annual Performance Plan, are not eligible to participate in the Management Incentive Plan. In addition, the incentive awards for executives considered part of the Senior Management Team are subject to the discretion and approval of the Stock Option and Compensation Committee of the Board of Directors of Hasbro, Inc.

1.3.2 Approval of Incentive Awards

The incentive awards for employees participating in this plan must be approved by the Chief Executive Officer & President (hereinafter, the "CEO") of the Company and the Stock Option and Compensation Committee of the Board of Directors.

2.0 Incentive Award Levels

2.1 Target Incentive Award

Target awards are expressed as a percentage of earned salary for the plan year. For purposes of this Plan, earned salary means all base compensation for the participant for the year in question, which base compensation shall include all base compensation amounts deferred into the Company’s retirement savings plan, the Company’s Non-Qualified Deferred Compensation Plan, and/or any similar successor plans for the fiscal year and excludes any bonus or other benefits, other than base compensation, for the plan year. By design, these are the award levels that plan participants can expect to earn when they and their applicable business units perform as expected (i.e., achieve their goals and objectives).

2.2 Maximum Incentive Award

Under this incentive plan the maximum award is 200% of target of the overall award and/or any component of the award. Any awards that are in excess of one times salary must be reviewed and approved by the Division’s senior management and the CEO.

- 2.3 The following table outlines the various incentive award levels defined above. All percentages refer to percentages of base salary earned for the incentive award period.

WW Band	Target
80	60%
70	50%
60	45%
50	40%
40*	25%
30	15%

*Includes broad band 45 in European markets.

3.0 Measures of Performance for 2006

3.1 Overall Company Performance

Each MIP formula contains a performance component related to overall Hasbro performance. For 2006, this component is measured by Sales, , Operating Margin, and Returns. The weighting and definition of the overall company measures are:

Measure	Definition	% of Company Measure
S ales (net revenues) Growth	Third Party Gross Sales (after returns) less Sales Allowances plus Third Party Royalty Income	40
O perating Margin	Operating Profit divided by Net Revenues	40%
R eturns (Free Cash Flow)	Net Earnings + Depreciation & Amortization +/- Changes in working Capital – Capital Expenditures	20%

3.2 Individual Performance

Individual performance will be determined by the participant's supervisor and approved by the Division/Subsidiary president or Corporate functional head where appropriate. It will be based upon actual job performance consistent with goals/objectives outlined during performance reviews for the plan year.

3.3 Business Unit Performance

Each business unit, as determined under this program, will assess performance based on Sales and Operating Margin specific to the business unit. The weighting and definition of the overall company measures are:

Measure	Definition	% of Company Measure
<u>S</u> ales (net revenue) Growth	Third Party Gross Sales (after returns) less Sales Allowances plus Third Party Royalty income	50%
<u>O</u> perating Margin	Operating Profit divided by Net Revenues	50%

Note: Note: Hasbro Far East uses the Balanced Scorecard as approved by the CEO in lieu of Sales and Operating Margin.

Those jobs, which are corporate in nature, will comprise the “corporate” business unit and their performance will be based on overall company performance as described in section 3.1.

3.3.1 Bonus Formula Metrics

The following is the structure for which all incentive formulas will be derived. The formulas are used to assess performance at the overall company level, business unit level, and individual level. Bonus formula metrics are subject to review annually by the CEO.

3.3.2 Bonus Formula Metrics WW 30 - 70

a) Corporate

- 75% overall company performance
- 25% individual performance

b) Business Unit

- 25% overall company performance
- 50% business unit performance
- 25% individual performance

c) Hasbro International

- 25% overall company performance
- 50% international, Europe, region and/or country performance
- 25% individual performance

3.3.3 Bonus Formula Metrics WW 80 – 90*

a) Corporate

100% overall company performance

Personal performance modifier¹

b) Business Unit

40% overall company performance

60% business unit performance

Personal performance modifier¹

*Only applies to those WW80's and 90's that are also part of the Senior Management team.

¹Definition of the personal performance modifier: Management Business Objectives (MBOs) are set before the end of Q1 of the plan year. These are established between the employee and the CEO and/or COO.

Performance is reviewed annually - if MBO's are exceeded, pay out can be up to 150% of formula bonus; if MBO's are met, pay out can be up to 100% of formula bonus; if MBO's are not met, pay out can be reduced to 0% of formula. Maximum bonus may not exceed 300% of the target.

4.0 Development of Formula Incentive Award

At the close of the fiscal year, the overall company and each business unit's actual performance will be calculated and approved by the Chief Financial Officer, ("CFO"). The actual performance will be applied to the payout performance schedule below to develop the formula bonus*:

<u>Performance %</u>	<u>Payout %*</u>	
< 80%	0%	Minimum performance 80%
80%	60%	For every 1% increase in perf, 2% increase in award
100%	100%	For every 1% increase in perf, 3% increase in award
105%	115%	
110%	130%	For every 1% increase in perf, 4% increase in award
115%	150%	
120%	170%	
125%	190%	

****Some countries outside of the US will have a separate performance and payout scale established annually.***

Once the business unit has calculated the formula incentive awards, the recommended award pools by business unit are developed. These recommended pools will equal the aggregate of the formula incentive awards including the budgeted individual performance component for all eligible employees. These pools are subject to approval by the CEO and Compensation and Stock Option Committee of the Board of Directors.

4.1. Formula Award

The formula incentive award is a first pass calculation of an award based on actual performance achieved by the overall company, business unit, and the estimated individual performance percentage.

Business unit incentive pool dollars are derived from the aggregated of formula awards within a business unit.

4.1.1 Recommended Awards

The recommended awards for participants of a specific business unit are submitted to the CEO and Compensation and Stock Option Committee for approval. These recommended awards could be modified from the formula award based on management's discretion.

4.2. The CEO of the Company and the Compensation and Stock Option Committee of the Board of Directors shall review, modify, and approve all recommended awards, in their sole discretion. In addition, any awards recommended in excess of one times a participant's base salary must be reviewed and approved by the Chief Executive Officer & President and the Compensation and Stock Option Committee of the Board of Directors.

5.0 Removals, Transfers, Terminations, Promotions and Hiring Eligibility

5.1 Participants whose employment with the Company is terminated because of retirement or disability:
§ After the close of the plan year, but prior to the actual distribution of awards for such year, may be awarded an incentive award for the plan year at the discretion of the CEO.

§ After the beginning, but prior to the close of the plan year, no award shall be granted unless authorized at the sole discretion of the CEO.

5.2 Participants whose employment with the Company is terminated because of death:

§ After the close of the plan year, but prior to the actual distribution of awards for such year, shall be awarded an incentive award for the plan year. Such payment will be made to the deceased employee's estate or designated beneficiary.

§ After the beginning, but prior to the close of the plan year, no award shall be granted unless authorized at the sole discretion of the CEO. Any such payments will be made to the deceased employee's estate or designated beneficiary.

5.3 Participants who resign for any reason after the close of the plan year but prior to the distribution of awards for such year will not receive an incentive award.

5.4 Participants who are discharged from the employ of the Company or any of its subsidiaries for cause or for any offense involving moral turpitude or an offense involving breach of the fiduciary duty owed by the individual to the Company will not be entitled to an award for any plan year.

5.5 Participants who are discharged from the employ of the Company or any of its subsidiaries due to job elimination:

§ After the close of the plan year, but prior to the actual distribution of awards for such year, may be awarded an incentive award for the plan year. No award shall be granted unless authorized at the sole discretion of the CEO.

§ After the beginning, but prior to the close of the plan year, the participant is no longer eligible for that year. However, a discretionary award may be granted by the CEO.

5.6 Participants under statutory or contractual notice:

§ On December 31st of the plan year, may be awarded an incentive award for the plan year. No award shall be granted unless authorized at the sole discretion of the CEO.

§ Which ends prior to the close of the plan year shall not be eligible for an incentive award for that plan year. However, a discretionary award may be granted by the CEO.

5.7 Participants transferred during the plan year from one division of the Company to another will be eligible to receive an award (subject to achievement of the requisite organizational and individual performance) through the division in which he or she is employed at the end of the plan year, but the award amount may be based on the performance made in each division in which the individual was employed during the year.

5.8 Employees hired during the plan year must be actively employed by July 1st of the plan year to participate in the bonus for that plan year. Awards will be made based upon the employee's earned salary during the period of their employment with the Company during the plan year.

5.9 The eligibility for an award and plan status of employees who remain employed with the Company during the plan year but whose change in employment status through promotion or reclassification affects their level of participation:

§ Prior to July 1st of the plan year, will participate at the level consistent with the promotion or reclassification.

§ After July 1st but prior to the close of the plan year, will participate at the level consistent with their classification prior to the promotion or reclassification.

5.10 The eligibility for an award and plan status of employees who remain employed with the Company during the plan year but whose change in employment status through demotion affects their level of participation will be determined by the CEO in the CEO's sole discretion.

6.0 Administration of the Plan

6.1 Amendments to the Plan (Contingency Clause)

The Chief Executive Officer and the Compensation and Stock Option Committee of the Board of Directors reserves the right to interpret, amend, modify, or terminate the Plan in accordance with changing conditions.

6.2 Incentive Award Distribution

Incentive awards, when payable, shall be paid as near to the close of the company's fiscal year as may be feasible.

Participants in the Plan must be employed at the time of award distribution in order to receive bonus payments, except as provided in Section 5.0.

No individual has the rights to an award until it has been approved and distributed in accordance with the provisions of this plan.

6.3 Non-Assignment of Awards

Participants eligible to receive incentive awards shall not have any right to pledge, assign, or otherwise dispose of any unpaid or projected awards.

6.4 Deferral of Awards

Participants eligible to defer incentive awards through the Deferred Compensation Program (DCP) may elect to do so during the annual DCP enrollment.

“*****” DENOTE MATERIAL THAT HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

LICENSE AGREEMENT

D05184

This license agreement (this "**Agreement**"), which is effective upon the Commencement Date, as defined in Section 1(e) below, is by and between Marvel Characters, Inc., a Delaware corporation with an office at 9242 Beverly Boulevard, Suite 350, Beverly Hills, CA 90210 ("**Marvel**") and, solely with respect to characters based on movies and television shows featuring Spider-Man and produced by Sony Pictures Entertainment Inc. ("**Spider-Man Movie Characters**"), Spider-Man Merchandising L.P. with an office at 417 Fifth Avenue, Mezzanine, New York, NY 10016 (the "**LP**" and, together with Marvel, "**Licensor**"), on the one hand, and the party identified below ("**Licensee**") on the other.

1. BASIC INFORMATION AND TERMS

<u>(a) Licensee:</u>		<u>Numbered Section</u>
<u>(b) Characters:</u>	<p>Attention: Brian Goldner Tel: 401-727-5202 Fax: Email: bgoldner@hasbro.com With a copy to: Barry Nagler, Esq. Tel: 401-727-5008 Fax: 401-727-5121 Email: bnagler@hasbro.com</p> <p>All <i>Marvel Classic Characters</i>. "Classic" Characters refers to the embodiment of the Marvel characters as originally conceived in the comic books and widely known to the popular imagination through successive classic (i.e., faithful in appearance and characterization to the original comic books) interpretations in comic books, films, TV animation, video games and other media. The Classic designation includes all Marvel's current classic (non-media) style guides (and future versions thereof) including, for example, Classic Spider-Man, Classic X-Men and Classic Hulk as well as Marvel Retro, Marvel Heroes and Marvel Extreme style guides, but specifically excludes Marvel Babies as well as all Marvel/LP Entertainment Properties (i.e., media style guides based on films, live-action TV and/or animation).</p> <p><i>Marvel Super Hero Kids</i> (formerly known as <i>Spider-Man and Friends</i>) pre-school interpretation of the Marvel Universe as conceived and illustrated in the <i>Marvel Super Hero Kids</i> style guide and current Toy Biz <i>Marvel Super Hero Kids</i> pre-school toy line.</p> <p>All <i>Marvel Movie Characters</i> to the extent the applicable merchandising rights are owned and/or controlled by Marvel and/or the LP, subject to any applicable third-party restrictions (for example, restrictions on likeness rights due to cast talent agreements vis-à-vis specific Marvel live-action movies). All rights to use <i>Marvel Movie Characters</i> as they appear in motion pictures, television productions or productions in other media are subject to agreements between Marvel or the LP and third parties (including, but not limited to, talent and studios) relating to such productions; however, Marvel and the LP shall use commercially reasonable efforts to obtain from such third parties all rights necessary for Licensee to fully exploit the rights granted hereunder at no further expense to Licensee. If Licensee wishes to use any <i>Marvel Movie Characters</i> other than those characters in Marvel's style guide and other than in the form contained in the style guide, then Licensee shall do so only with Marvel's prior written approval, and Licensee shall be responsible for any required third-party clearances.</p>	2

All *Marvel Animated and Live-Action Television Characters* to the extent the applicable merchandising rights are owned and/or controlled by Marvel and/or the LP, and subject to any applicable third-party restrictions (as above). All rights to use *Marvel Animated and Live Action Television Characters* as they appear in animation or television productions are subject to agreements between Marvel or the LP and third parties (including, but not limited to, talent and studios) relating to such productions; however, Marvel and the LP shall use commercially reasonable efforts to obtain from such third parties all rights necessary for Licensee to fully exploit the rights granted hereunder at no further expense to Licensee. If Licensee wishes to use any *Marvel Animated and Live Action Television Characters* other than those characters in Marvel's style guide and other than in the form contained in the style guide, then Licensee shall do so only with Marvel's prior written approval, and Licensee shall be responsible for any required third-party clearances.

Note: *Marvel Movie Characters* and *Marvel Animated and Live Action Television Characters* are collectively "Marvel/LP Entertainment Properties".

Note: Properties which are not incorporated into and are primarily kept separate and apart from the *Marvel Universe* are excluded from this Agreement. The "Marvel Universe" shall mean:

- (i) all characters whose visual image and description are contained in the Official Handbook of the *Marvel Universe* as it may be expanded from time to time, in any successor reference work, or in any other reference material identified by Marvel;
- (ii) all characters whose visual image and description are intended by Marvel to be included in future editions of the handbook or successor work described in clause (i) of this sentence; and
- (iii) all characters whose first appearance was in a media production based primarily on any of the characters described in clause (i) of this sentence.

Marvel confirms to Licensee as of the date of signing this Agreement that, to the best of Marvel's knowledge, no agreements with third parties with respect to the theatrical releases tentatively entitled *Ghost Rider*, *Spider-Man 3* and *Fantastic Four 2* place limits on Licensee's exercise of its rights hereunder, or require royalty or other payments in addition to those set forth specifically herein, with respect to the use of characters appearing in those releases.

(c) Licensed Categories:

- 1) **Action Figures:** All toy "action figures" in all sizes in all plastic (e.g. pvc/abs) or other similar synthetic materials or combination of materials, with or without batteries or other electronics (but excluding plush, porcelain and resin, as that term is generally understood in the collectible toy industry) as this category is generally understood within the boy's action segment of the toy industry on the date hereof together with all related accessories (weapons, vehicles, playsets etc.) conceived, designed, marketed and sold for interaction with such action figures (for example, *Spider-Man* action figures with *Spider-Man* motor-cycle designed and built to scale).

3(a)

Note: For the avoidance of doubt, construction toys and modular playsets, magnetic toys, wooden toys, collectible gift figurines (i.e., collectible statues, busts, dioramas, sculptures, etc.), plastic models and model kits, figural novelty items (e.g. Kubricks, Mini-Mates, Little Big Heads, Tomy Capsule Collectibles), die-cast toys (except for the Titanium range) and figure-inclusive strategy/tactics games (e.g. Hero Clix), except for Attacktix game, are not included in the Licensed Categories.

Note: For the avoidance of doubt, the following items are not “Action Figures” for the purposes hereof and Licensee accepts and understands that Licensor has on-going licenses in each of these business segments, which shall continue throughout the Term:

- girls’ dolls (for example, Barbie, Amazing Amanda)
- collectible action figures, statues, busts and dioramas (for example, Diamond Select, Bowen, Hard Heroes, Sideshow, Corgi etc).
- micro-figurine playsets (scaled for below 3 inches) (for example, Auto Kit)
- construction toys and figures (for example, Mega Bloks, Lego)
- magnetic toys and figures (for example, Magnetix, GeoMag)
- modular playsets with figures (for example, Playmobil, Famosa Marvel Heroes)
- novelty figures (for example, Mini-Mates, Kubriks, Little Big Heads, Bobble-Heads)
- plush figures (for example, Russ Berrie, Kelly Toys, Thinkway)
- figure-based or figure-inclusive board and/or strategy & tactics games (for example, Playmates Battle Dice, Whiz Kids Hero Clix)
- micro (below 3 inches) figurines (for example, Bullyland, Tomy/Bandai Capsule Collectibles)
- micro (below 3 inches) figurines for premiums (for example, QSR premiums, micro-figurines inside of food/chocolate)
- figural room guards, banks, clocks, walkie-talkies, radios, hard candy, novelty candy (e.g. Spinners), confectionary and other non-action-toy devices or objects.

- 2) **Marvel Super Hero Kids Pre-School Figures**, including related accessories and vehicles and related 3D pre-school play-sets designed and built to scale.

- 3) **Puzzles**: (i) Traditional two-dimensional (2D) cardboard and foam puzzles in all shapes, piece counts and sizes and (ii) cardboard and foam three-dimensional (3D) puzzles (i.e. Wreabbit, Puz3D) as may be mutually agreed upon by the parties.

- 4) **Board Games**: (i) Traditional children’s, family and all-age board games in Licensee’s proprietary brands (for example, "Monopoly", "Life", "Risk", "Candy Land", "Operation", "Trivial Pursuit", "Clue", "Scrabble", “Heroscape”), in themed editions, as well as (ii) similar traditional non-proprietary-branded children’s, family and all-age board games as may be mutually agreed upon by the parties.

- 5) **Non-Costume/Non-Dress Up Action and Role-Play Weapons and Accessories**: child-sized pretend-play wearable accessories, which embody and/or emulate key powers and/or re-produce key accessories of Marvel Super Heroes.

	<p>Notwithstanding the foregoing, the sale and/or distribution of Licensed Articles hereunder may begin, and the provisions of this Agreement to do with exclusivity shall apply, only with respect to retail sales occurring on and after January 1, 2007.</p> <p>Notwithstanding anything to the contrary contained in this Agreement, no manufacture, sale or distribution of Licensed Articles by Licensee prior to January 1, 2007 shall violate this Agreement as long as such activity is with respect to retail sales occurring after January 1, 2007 and, more particularly, is conducted according to the following schedule:</p> <ul style="list-style-type: none"> (i) sales (wholesale) to be made no earlier than six (6) months before January 1, 2007; (ii) manufacturing to be performed no earlier than six (6) months before January 1, 2007; and (iii) shipment to begin no earlier than two (2) months before January 1, 2007; <p>but where one of the parties informs the other that variations from the dates in clauses (i) through (iii) of this sentence would be reasonable under the circumstances, the parties shall negotiate in good faith on the subject of whether the requested variation should be made.</p>	
<p>Expiration Date:</p>	<p>December 31, 2011 (subject to extension as set forth in Section 3(c) hereof). Notwithstanding anything to the contrary contained in this Agreement, no manufacture, sale or distribution of articles utilizing the Property in Licensee's exclusive Licensed Categories by parties other than Licensee prior to the Expiration Date (as it may be extended) shall violate this Agreement as long as such activity is with respect to retail sales occurring after the Expiration Date (as it may be extended) and, more particularly, is conducted according to the following schedule:</p> <ul style="list-style-type: none"> (i) sales (wholesale) to be made no earlier than six (6) months before the Expiration Date (as it may be extended); (ii) manufacturing to be performed no earlier than six (6) months before the Expiration Date (as it may be extended); and (iii) shipment to begin no earlier than two (2) months before the Expiration Date (as it may be extended); <p>but where one of the parties informs the other that variations from the dates in clauses (i) through (iii) of this sentence would be reasonable under the circumstances, the parties shall negotiate in good faith on the subject of whether the requested variation should be made.</p> <p>Licensor agrees that development activities for Licensed Articles may begin upon full execution hereof.</p> <p>The Term may be extended, with respect to Spider-Man 4 Movie Licensed Articles, and otherwise as set forth in Section 3(c) hereof.</p>	
<p>(f) <u>Exclusive/ Non-Exclusive:</u></p>	<p>Notwithstanding the overall non-exclusive nature of this Agreement, Licensor agrees that so long as Licensee is not in material and uncured default under this Agreement, Licensor shall not, during the Term as it may be extended and in the Territory, grant to any third party, nor shall it or any of its affiliates utilize, the right to sell, distribute or otherwise exploit the Property (to the extent that the Property continues to be licensed hereunder) in Licensed Categories #1 (Action Figures) and #5 (Non-Costume/Non-Dress Up Action and Role Play Weapons and Accessories) in the Channels of Distribution.</p>	<p>3(a)</p>
<p>(g) <u>Royalty Rate:</u></p>	<p><u>Note:</u> For all sales by Licensee directly to consumers, including any sales through Licensee-owned retail stores (web-based or</p>	<p>5(a)</p>

limitation with respect to all other of the following items and rights, that they have all rights in and to the names, nicknames, abbreviated names, depictions, likenesses, poses, costumes, emblems, powers, characteristic concepts, themes, settings, pictorial and written graphics and other characteristic elements and contexts of the Characters identified in Section 1(b) hereof and any copyrights, trademarks, service marks and other intellectual, literary, artistic, design, moral, industrial or commercial property rights and goodwill in connection with the Characters, incidents, language, artwork, symbols, designs, depictions, likenesses, formats, poses, concepts, themes and graphic, photographic and other visual representations of, relating to and associated with the Characters identified in Section 1(b) hereof (which names, characters, etc. and/or each of the individual components thereof shall hereinafter be referred to as the "**Property**"), said Property being known and recognized by the general public and associated in the public mind with Marvel.

(b) Licensee desires to utilize the Property in the manner hereinafter described.

(c) Marvel is a wholly owned subsidiary of Marvel Entertainment, Inc. (formerly known as Marvel Enterprises, Inc.), a Delaware corporation.

(d) Marvel is a general partner of the LP.

(e) Under a separate service agreement dated as of the date hereof (the "**Service Agreement**"), Marvel Entertainment, Inc. has agreed to provide Licensee with creative consultation with respect to the creation, appearance, packaging and marketing of Licensed Articles in exchange for a service fee ***** (the "**Service Fee**"). The parties agree that Marvel Entertainment, Inc. is an intended third-party beneficiary of this Agreement.

3. GRANT OF LICENSE

(a) Licensed Articles. Upon the terms and conditions and with the limitations and exceptions hereinafter set forth, Licensor hereby grants to Licensee and Licensee hereby accepts the non-exclusive (exclusive, to the extent provided in Section 1(f) hereof, in Licensed Categories #1 (Action Figures) and #5 (Non-Costume/Non-Dress Up Action and Role Play Weapons and Accessories)) license and right to utilize the Property but solely upon and in connection with the manufacture, promotion, sale, and distribution of the categories of articles identified in Section 1(c) ("**Licensed Categories**") and in the Channels of Distribution identified in Section 1(d) (ii) ("**Channels of Distribution**") during the Term. Articles in the Licensed Categories that utilize the Property and are manufactured, promoted, sold and/or distributed hereunder are referred to herein as "**Licensed Articles**."

(b) Territory/Channels of Distribution. The license hereby granted extends only to the Territory identified in Section 1(d)(i) and within the Channels of Distribution identified in Section 1(d)(ii). Licensee expressly acknowledges and agrees that it is not licensed or authorized to use the Property, directly or indirectly, in any other area or Channel of Distribution, and that it is not licensed to and will not knowingly sell the Licensed Articles to persons who intend or are likely to resell them in any other area or Channel of Distribution, to the extent this provision is permitted by the applicable law at the time of such use, license or sale. In the event that Licensee sells or exploits the Licensed Articles outside either the Territory or Channels of Distribution in violation of this Section 3(b), notwithstanding Sections 1(g) and 5(a), the royalty due Licensor on such sales shall be the Net Sales.

(c) Term. The license hereby granted shall commence upon the Commencement Date and terminate automatically on the Expiration Date (the "**Term**") set forth in Section 1(e) or the expiration of any renewal or extension as provided herein, unless sooner terminated in accordance with the provisions hereof. In the event Licensee commences any activities in connection with the Property prior to the Commencement Date, all provisions of this Agreement for the benefit and protection of Licensor and Licensee shall apply in full to such activities. Marvel and Licensee shall use commercially reasonable efforts to realize a smooth commercial transition from Marvel's current master toy licensee to the Licensee and, at the end of the Term, from the Licensee to Licensor itself or to a successor licensee, with regard to maintaining merchandise space at key retailers, developing new lines in a timely manner and maintaining appropriate stock and inventory levels during the transition.

(i) The Term shall be extended by twelve (12) months (to December 31, 2012) if the fourth Spider-Man film is not released by December 31, 2011.

(ii) If the fourth Spider-Man film is released during 2011, then the Term, for fourth Spider-Man film tie-in Licensed Articles only, will be extended for a period of 12 months commencing on the United States release date.

(iii) If, during the Term, Marvel and its licensees do not release a minimum of either: five (5) non-Spider-Man Qualifying Theatrical Releases (as defined herein) or four (4) non-Spider-Man Qualifying Theatrical Releases and one (1) Domestic Qualifying Broadcast (as defined herein) of television animation within the United States between the commencement of the Term and December 31, 2011, then the Term of this Agreement shall be extended until one (1) year from date of the earlier of (A) the fifth non-Spider-Man Qualifying Theatrical Release or (B) the later of the fourth non-Spider-Man Qualifying Theatrical Release or the applicable Domestic Qualifying Broadcast, as the case may be, but no such extension shall extend the Term beyond December 31, 2013; provided

Sales accruing for the United States, Canada and their respective territories and possessions in that Hasbro fiscal period and not later than sixty (60) days following the end of the Hasbro fiscal period for all Net Sales accruing in the remainder of the Territory in that Hasbro fiscal period, accompanied by the Royalty Report required herein. Royalties are due on any and all sales or other disposition of the Products. Products shall be considered sold and Net Sales shall be deemed accrued for all purposes hereunder on the date of shipment or the date that the shipment is invoiced by the Licensee, whichever date is earlier. Hasbro's fiscal year ends on a Sunday within two weeks of the end of each calendar year, and Hasbro's quarterly fiscal periods typically consist of thirteen (13) weeks each, ending on a Sunday.

(iv) Licensee's (and its Affiliates') sales and pricing policies shall reasonably optimize maximum availability of the Licensed Articles in the Territory and Channels of Distribution while avoiding deep discounts, liquidation, close-outs, over-production, "market flooding" or other disparaging pricing and related production practises which would reasonably constitute "dumping" as the term is generally understood in the consumer products industry, unless specifically agreed to in advance and in writing by Licensor.

Nothing herein shall be construed as granting Licensor the right to set or approve Licensee's pricing, and nothing shall be deemed to restrict Licensee's ability to set prices in its own unfettered discretion.

(b) Advance and Minimum Royalty Guarantee. Licensee agrees to pay Marvel the Minimum Royalty Guarantee specified in Section 1(h) as a minimum guarantee against royalties to be paid Marvel and the LP during the Term of this Agreement. As the first installment of the Minimum Royalty Guarantee, upon the later of December 28, 2005 or the second business day after the Commencement Date, Licensee shall pay Licensor the Advance specified in Section 1(h). The Advance shall be fully recoupable by Licensee

against Royalties due under this Agreement. Any unpaid balance of said Minimum Royalty Guarantee shall be paid to Marvel as provided in Section 1(h) to the extent not paid earlier as earned Royalties

. No part of the Advance or Minimum Royalty Guarantee shall in any event be repayable or refundable to Licensee, except as set forth in this Agreement.

(c) Currency, Wire Payment and Taxes. All payments to Licensor shall be made in United States Dollars, shall be computed at the exchange rate published by the Wall Street Journal as of the last business day of the month preceding the month for which the Royalties are being calculated. All payments to Marvel shall be made via wire transfer to HSBC Bank USA, Beverly Hills, California 90210; Branch: HSBC Bank USA, 445 N. Bedford Drive, Beverly Hills, California 90210; ABA: 122240861 Account Name: Marvel Characters, Inc.; Reference: D05184 Account #: 167-710923. If wire is to be made via SWIFT, Licensor's SWIFT CODE: HSBCUS6L (except for Spider-Man Movie Characters royalty payments, in which event the wire transfer shall be made to Bank of America, 555 South Flower Street, 3rd floor, Los Angeles, CA 90071; Bank Transit ABA #:1210-0-0358; Bank Account #: 1257-4-2 7398; Account Name: Spider-Man Merchandising, L.P. Swift Code: BOFAUS44). If payment is late, Marvel has the option to require that payment be made at the exchange rate existing on the day preceding payment. All taxes, levies, charges or duties imposed on license rights, artwork or similar material, or payments therefor (excluding income taxes and fees applicable to Licensor), shall be paid by Licensee and no deductions for such taxes, levies, charges or duties shall be made from amounts owed Marvel hereunder, it being the intent hereof that all royalties payable to Marvel be free and clear of any taxes, levies, charges or duties of any kind whatsoever (excluding income taxes and fees applicable to Licensor).

(d) Royalty Reports. For each Hasbro fiscal period specified in Section 5(a)(iii), commencing with the end of the Hasbro fiscal period following the Commencement Date of this license and continuing until a final certification of wind-up is delivered, Licensee shall furnish Licensor with a detailed Royalty Report certified to be accurate by an

authorized representative of Licensee, showing all information called for by Licensee's standard royalty reporting forms for each Licensed Article. Licensee shall provide two separate Royalty Reports as follows: one for Licensed Articles utilizing Spider-Man Movie Characters and one for all other Licensed Articles. Upon request from Marvel, Licensee shall use reasonable efforts to forecast and project anticipated royalties for the next four (4) Quarterly Hasbro fiscal periods; provided that in no way shall Licensee be accountable for the ultimate accuracy of such forecasts. Each Royalty Report (including Royalty Reports showing only Spider-Man Movie articles) shall be furnished to Marvel via e-mail (or other mutually agreed-upon means) to royaltyreports@marvel.com within thirty (30) days after the end of the Hasbro fiscal period for which such Royalty Report is made in the United States and Canada and sixty (60) days after the end of the Hasbro fiscal period for which such Royalty Report is made for the remainder of the Territory, and shall be accompanied by payment to Marvel or the LP, as applicable, of any and all monies due for the Licensed Articles. Such Royalty Report shall be furnished whether or not there are any Net Sales during the preceding Hasbro fiscal period, and whether or not any monies are then due. The receipt or acceptance by Licensor of any of the Royalty Reports furnished pursuant to this Agreement or of any payments made hereunder (or the receipt of any wires paid hereunder) shall not preclude Licensor from questioning its accuracy during the period allowed for audits as set forth in this Agreement, and in the event that any inconsistencies or mistakes are discovered in such Royalty Reports or payments, they shall promptly be rectified and the appropriate payment made by Licensee or Licensor as the case may be, together with interest on any overdue payments at the rate specified in Section 17(c) hereof. Licensee shall provide to Licensor on a monthly basis, by the fifteenth day of each calendar month, Licensee's estimates of approximate royalties earned on (i) sales of Licensed Articles in the United States and Canada in the preceding calendar month and (ii) sales of Licensed Articles in all other territories in the next preceding calendar month (e.g., the estimates provided by March 15 will be for royalties earned on (i) sales in the United States and Canada in February and (ii) sales in all other territories in January); provided that in no way shall Licensee be accountable for the ultimate accuracy of such estimates.

(e) Records. Licensee shall maintain (or make available at such address upon Licensor's request) at its expense, detailed, accurate, full and complete records and books of account covering all transactions by it relating to this Agreement, and Licensor and its duly authorized representatives shall have the right, no more than twice during each calendar year during normal business hours, and no later than thirty (30) days from written notice, to examine and/or audit such records and books of account and all other documents and materials in the possession or under the control of Licensee relating or pertaining to the subject matter or provisions of this Agreement and to make copies and/or extracts therefrom for purposes of the audit only. Licensor agrees to coordinate its audits hereunder with the audits, if any, conducted by Marvel Entertainment, Inc. under the Service Agreement. In the event that Licensor's duly authorized representatives shall discover a deficiency for any accounting period of five percent (5%) or more by any such examination and/or audit, Licensee shall pay to Licensor the reasonable cost of such examination. Licensee shall keep all such books of account and records available to Licensor for at least two (2) years after the termination or expiration of this Agreement. If Licensee fails to keep and disclose such records, Licensor shall have the right to reasonably estimate, and demand payment for, such additional royalty as may be indicated owing by such trade information as may be available.

6. LICENSOR TITLE AND GOODWILL

(a) General. Licensor represents and warrants to the best of its knowledge with respect to trademark and servicemark rights (including, but not limited to, trade dress and goodwill pertaining to such marks), and without limitation with respect to all other of the following items and rights, and Licensee acknowledges to the extent of such representation and warranty (i) that Licensor is the owner and/or controller of all right, title and interest in and to the Property and the Characters included therein and all associated trademarks and copyrights, (ii) the great value of the goodwill associated with the Property, and that the Property has acquired secondary meaning in the mind of the public and (iii) that the trademarks and copyrights included in the Property, and the registrations therefor, are valid and subsisting. Licensee further agrees that it shall not during the Term of this license or at any time thereafter dispute or contest directly or indirectly, or do or cause to be done any act which in any way contests, impairs or tends to impair Licensor's exclusive rights and title to the Property, or the validity thereof or the validity of this Agreement, and shall not assist others in so doing. Licensor represents and warrants that it has all necessary rights to grant to Licensee the rights contemplated hereby free of any encumbrances whatsoever and that such grant shall not infringe on the rights of any other party.

(b) Representations of Ownership, etc. Licensee shall not in any manner represent that it has any ownership in the Property, or in any trademarks or copyrights included in the Property (or registrations therefor), but may, only during the Term of this license, and only if Licensee has complied with all laws and registration requirements (other than registration requirements of which Licensee has no actual knowledge) within the Territory for so doing of which Licensor has provided notice to Licensee, represent that it is a "licensee" or "official licensee" hereunder. Licensee shall not register or attempt to register any copyright or trademark in the Property, in its own name or that of any third party, nor shall it assist any third party in doing so.

(c) Use for Benefit of Licensor. Licensee agrees that any and all uses and sales by Licensee of the Property under this Agreement shall inure to the benefit of Marvel and that neither such uses or sales nor anything contained in this Agreement shall give or assign Licensee or any other person or entity any right, title or interest in the Property, or in any properties owned by Licensor which are not licensed hereunder, except the right to use the

Property specifically in accordance with the provisions of this Agreement; provided that Licensee shall remain the owner of all Licensee's patents, trademarks, copyrights or other intellectual property contained in the Licensed Articles that are separate or separable from the Property and all adaptations, compilations, modifications, translations and versions thereof. Except in connection with "Attacktix" figure tactics games, Marvel Licensed Articles may not be co-mingled and/or bundled with any non-Marvel properties and/or trademarks (other than the conventional use of the "Hasbro," "Playskool," "Tiger," "Galoob" or "Kenner" corporate trademarks) unless specifically authorized in writing by Marvel. Except as otherwise approved in writing by Marvel, Licensed Articles shall not include any other trademarks (except Licensee's non-character marks and its distributors marks), characters or properties, whether owned by Licensee or another (e.g. GI Joe, Star Wars etc. may not appear in the same packaging, advertising or marketing materials as Licensed Articles). Notwithstanding the foregoing, Licensor acknowledges that Licensee may co-mingle other brands and trademarks with the Property for the purpose of advertising, packaging and cross-selling its Titanium and Attacktix product lines. Licensor further acknowledges that Licensee shall co-mingle the Property with Licensee's proprietary brands for the purpose of manufacturing, distributing and promoting Games hereunder. Except as provided above, no Licensed Article shall be sold in any manner intended to promote the sale of any other product or service (other than another Licensed Article) without Licensor's prior written consent in each instance.

7. PROTECTION OF RIGHTS-INCLUDING COPYRIGHTS AND TRADEMARKS

(a) General. Licensee shall cooperate reasonably and in good faith with Licensor, at Licensor's expense for the purpose of Licensor securing and preserving Licensor's (or any grantor of Licensor's) rights in and to the Property. Upon creation of Licensed Articles embodying the Property, Licensee shall be deemed to have automatically assigned to Licensor all copyrights solely in the Property (and all adaptations, compilations, modifications, translations and versions of the Property) embodied in the Licensed Articles; provided that Licensee shall remain the owner of all Licensee's patents, trademarks, copyrights or other intellectual property contained in the Licensed Articles that are separate or separable from the Property and all adaptations, compilations, modifications, translations and versions thereof. In addition, each party shall execute any instruments requested by the other party to accomplish or confirm the foregoing. Any such assignment shall be without consideration other than the mutual covenants and considerations of this Agreement. Licensee agrees that it shall be primarily liable to Licensor under the terms of this Agreement for any actions or omissions on the part of Licensee's lenders, including but not limited to (i) shipping and fulfilling orders for the Licensed Articles (ii) paying the royalties or Minimum Royalty Guarantee payments (iii) shipping only finished Licensed Articles, in the same packaging and boxes as Licensee would have used; (iv) sale or other disposition of Licensed Articles shall be permitted only for so long as the applicable sell-off period is authorized hereunder, etc.

(b) Trademarks and Copyrights. Licensor represents and warrants to the best of its knowledge with respect to trademark and servicemark rights (including, but not limited to, trade dress and goodwill pertaining to such marks), and without limitation with respect to all other of the following items and rights, and Licensee acknowledges and agrees to the extent of such representation and warranty that the names, characters, symbols, designs, likenesses, and visual representations, among other things, comprising the Property are owned by Marvel or the LP, and Licensee agrees that it shall cause to appear on everything which uses, bears or displays the Property or any part thereof, including all Licensed Articles, tags, labels and the advertising, promotional, packaging and display material therefor, a notice proclaiming and identifying the relevant portions of the Property appearing therein as properties of Licensor, as, for example, by labeling each name and character likeness with this Trademark and Copyright notice: Name(s) of character(s)] and the distinctive likeness(es) thereof are Trademarks of Marvel Characters, Inc. and are used with permission. Copyright Ó [year of first publication of Marvel material by Licensee, in Arabic numerals] Marvel Characters, Inc. All Rights Reserved. www.marvel.com, or otherwise as Marvel may deem appropriate. In the event the product features Spider-Man Movie Character(s), the notice shall provide © [year date] Columbia Pictures Industries Inc. All Rights Reserved Trademark: Spider-Man, and all related characters, ® [year date] Marvel Characters, Inc. All Rights Reserved. (or such other legal line as Licensor may reasonably deem appropriate).

(c) Notice of Supervision. Every Licensed Article and all advertising, promotional, packaging and display material therefor shall also bear this notice of supervision: This [Description of Licensed Article] is produced under license from Marvel Characters, Inc. (or an equivalent if given prior written approval by Licensor) in order to notify the public that Licensor's standards are maintained.

(d) N/A

(e) Confusing Use. Licensee shall not use, and shall use reasonable efforts to keep others with whom Licensee does business from using, the Property in any manner likely to cause confusion or doubt in the mind of the public as to the ownership, source, sponsorship and control thereof or in any manner that does not make clear that the Property is owned and controlled exclusively by Licensor. In addition, Licensee shall not use or co-mingle with the Property, and shall use reasonable efforts to keep others from using or co-mingling with the Property, any other trademarks, characters or properties, whether owned by Licensee or another, so as to suggest that such other trademarks, etc. may have been created or may be owned, controlled, licensed or approved by Licensor or that they are in any way related to the Property or Licensor. Notwithstanding the foregoing, Licensor acknowledges that Licensee may co-mingle other brands and trademarks with the Property for the purpose of advertising, packaging

and cross-selling its Titanium and Attacktix product lines. Licensor further acknowledges that Licensee shall commingle the Property with Licensee's proprietary brands for the purpose of manufacturing, distributing and promoting Games hereunder.

(f) Registration. Licensee agrees to reasonably cooperate with and assist Licensor, at Licensor's expense, in the prosecution of any copyright, trademark or service mark applications concerning the Property that Licensor may desire to file, and for that purpose, Licensee shall, upon request, supply to Licensor a reasonable number of samples of the Licensed Articles or other material as may be required in connection with any such application. Furthermore, Licensee shall execute any instrument Licensor shall reasonably deem necessary or desirable to record or cancel Licensee as a registered user of the trademarks of Licensor included in the Property.

(g) Customer Complaints. Licensee shall, in connection with its duty to use the Property so as to promote the continuing goodwill thereof, give attention to legitimate customer complaints brought against Licensee in connection with the Licensed Articles or other materials using the Property. Licensee shall give Licensor prompt notice of all complaints that might affect the good standing of the Property or the reputation of Licensor and also of all complaints that might result in legal action between Licensor and any third party, and reasonably cooperate with Licensor upon request to achieve as good a reputation and press for the Property as possible.

(h) Copyright Notice. It is a condition of this license that prior to public distribution, Licensee shall cause to appear the copyright notice specified in Section 7(b) on all Licensed Articles, tags, labels and the advertising, promotional, packaging and display materials therefor, or otherwise as Licensor may instruct in writing or approve upon request.

(i) Secure Copyrights, etc. Licensor may register, in its name (or the name of another, including Licensee, if desired by Licensor), to the fullest extent possible, the copyrights in the Property and the registrations, renewals and extensions thereof, embodied in the Licensed Articles, including all adaptations, translations, modifications and versions of the Property. It is also a condition of this license that all Licensed Articles and other materials produced under this Agreement only to the extent that they embody the Property shall be produced as works made for hire for Licensor; provided that Licensee shall remain the owner of all Licensee's patents, trademarks, copyrights or other intellectual property contained in the Licensed Articles that are separate or separable from the Property and all adaptations, compilations, modifications, translations and versions thereof.

(j) Licensee shall use commercially reasonable efforts to ensure that all retailers and authorized distributors purchasing Licensed Articles comply with Licensee's anti-counterfeiting/anti-piracy system policies established from time to time.

8. QUALITY OF MERCHANDISE AND SERVICES; LICENSEE NAME ON LICENSED ARTICLES

(a) Quality of Merchandise. Licensee agrees that the Licensed Articles, all packaging, labels, advertising and promotional material for the Licensed Articles ("**Associated Materials**") and any press release or other public statement relating to the Licensed Articles or to this Agreement (other than legally required disclosures, provided that Licensor is given, to the extent reasonably practicable, an opportunity to review and comment) shall have the prior written approval of Licensor before the first sale, distribution, display or release of any kind or in any media and shall be of a high standard customary in the entertainment toy industry and of such style, appearance and quality as shall be adequate and suited to their exploitation to the commercial advantage and to the protection and enhancement of the Property and the goodwill pertaining thereto; that the Licensed Articles and/or Associated Materials shall be manufactured, packaged, sold, distributed, advertised and serviced in accordance with all applicable laws; that the policy of sale, distribution, and/or exploitation by Licensee shall be of equivalent high standard and style customary in the entertainment toy industry; and that the same shall in no manner reflect adversely upon the Property or Licensor. Licensee further agrees that it shall comply with all applicable laws, rules and regulations regarding product safety. Licensee further agrees that all rights granted herein shall be exploited and exercised by Licensee so as not to interfere with, or detract from, the public image of the Property. Accordingly, Licensee further specifically covenants and agrees to keep Licensor reasonably informed of its plans for use of the Property, and to consult Licensor as the Licensed Articles and/or Associated Materials are being prepared, so that there will be full opportunity for Licensor to deter Licensee from any use that would detract from the public image of the Property. Licensee will abide by the policies, procedures and processes set forth on Exhibit D attached hereto and will reasonably consult with Licensor at every stage identified in that Exhibit in designing the Licensed Articles and/or Associated Materials regarding the utilization of the Property, and shall work with Licensor to obtain Licensor's creative input concerning the Property and the overall look and direction of the Licensed Articles and/or Associated Materials. Licensee shall submit to Licensor's New York Office (e-mail: licensingapprovals@marvel.com) (except in respect to articles utilizing Spider-Man Movie Characters, in which event each submission shall be sent to Laetitia_May@spe.sony.com and to Eric_Thomsen@spe.sony.com; such email addresses may be changed by Licensor from time to time) or such other office as Licensor may designate in writing, for written approval without charge, all designs, concepts and/or prototypes of each item, class, part or category of the Licensed Articles and/or Associated Materials, with respect to the Properties licensed hereunder upon the Brand Assurance form (or other form as Licensor may reasonably designate from time to time) attached hereto as Exhibit E. In connection therewith, Licensee shall be faithful in the portrayal of the Properties to Licensor's basic conceptualization of the Property. Any item submitted to Licensor shall be deemed disapproved

unless the same shall be approved in writing within ten (10) business days (five (5) to seven (7) business days in Gate 6) of receipt of the samples. Notwithstanding the foregoing, if Licensor expressly disapproves of any material it shall state the reasons therefor. Licensee shall use commercially reasonable efforts to make such changes as are reasonably requested by Licensor after an inadvertent approval or change of conditions; provided that Licensor shall reimburse Licensee for Licensee's reasonable costs associated with such inadvertent approval and subsequent disapproval. After samples have been approved pursuant to this section, Licensee shall not depart therefrom in any respect without Licensor's prior written consent. No approval of any submitted product or item by Licensor shall be construed to expand or enlarge the scope of the license granted hereunder. Licensee shall submit to Licensor's New York Office, to the attention of: Legal Department (except in respect to items utilizing Spider-Man Movie Characters, in which case the address shall be Spider-Man Merchandising LP West, 10202 W. Washington Blvd., Jimmy Stewart Building, Third Floor, Culver City, CA 90232), free of cost, thirty (30) samples of finished Licensed Articles and six (6) copies of each piece of Associated Material(s) therefor prior to sale or publication, and Licensee shall provide two additional (2) samples to Licensor upon request

(b) Revocation of Approval. In the event that the quality, appearance or style of any Licensed Article previously approved by Licensor ceases to be acceptable to Licensor, Licensor shall have the right, in its sole discretion, to withdraw its approval of such Licensed Article and to require that Licensee redesign such Licensed Article in a manner consistent with Licensor's new policies. In the event of such withdrawal, Licensee shall as soon as practicable cease the production of the previously approved Licensed Article and shall have a six (6) month sell-off period for such Licensed Article.

(c) The Licensor logo, the URL address for Licensor's website (www.marvel.com or, in the case of articles utilizing Spider-Man Movie Characters, www.spiderman.sony.com), artwork, and customer service information shall be placed prominently on outside packaging and Licensee's name or trade name (or a trademark of Licensee which Licensee has advised Licensor in writing that it is using) shall prominently appear on permanently affixed labeling on each Licensed Article and, if the Licensed Article is sold to the public in packaging or a container, printed on such packaging or a container so that the public can identify the supplier of the Licensed Articles. On soft goods, "permanently affixed" shall mean sewn on. On hard goods, "permanently affixed" shall mean molded into or printed on the product. On packaging, "permanently affixed" shall mean printed on the package. Upon request, Licensee shall advise Licensor in writing of all trade names or trademarks it is using on Licensed Articles being sold under this Agreement if such names or marks differ from Licensee's corporate name or other names referenced herein. Licensee agrees that it shall maintain a toll-free number through which consumers calling from the United States may contact Licensee during normal working hours concerning the Licensed Articles.

(d) Notwithstanding any provision that may be construed to the contrary set forth in this Section 8, Licensor agrees with respect to the exercise of its approval rights, (i) to take into consideration the common standards and practices of the entertainment toy industry; (ii) not to withhold or delay any approvals required hereunder unreasonably, and (iii) to use its commercially reasonable efforts to expedite its approvals. In each case where any item is disapproved by Licensor, Licensor will inform Licensee in writing of the detailed reasons for its disapproval and will make suggestions as to the desired changes, the implementation of which will result in Licensor's approval upon resubmission by Licensee. Licensor agrees that any press release or other public statement relating to the Licensed Articles or to this Agreement (other than legally required disclosures, provided that Licensee is given, to the extent reasonably practicable, an opportunity to review and comment) shall have the prior written approval of Licensee before release of any kind or in any media.

(e) Approval Limitation. Any and all approvals required by Licensor hereunder shall be valid only if in writing and signed by (or if in an e-mail message from) an employee of the Brand Assurance Department or other employees of Licensor designated in writing by the Brand Assurance Department. Licensee understands that no oral approval or written approval by any other employee may be relied upon or shall bind Licensor. Any reliance on any oral or written modification by any other employee shall be at Licensee's own detriment and risk.

(f) Inspection. Licensor or its authorized agents or representatives shall have access to Licensee's and/or its subcontract manufacturer(s) premises at all reasonable times, upon reasonable notice, with the right to a full inspection of the production of the Licensed Articles in order to satisfy itself that its standards are maintained, and with the right to be supplied, on request, with a reasonable number of free samples of all Licensed Articles in preparation and the raw materials and ingredients used therein.

9. [deleted]

10. INFRINGEMENT, INDEMNIFICATION AND INSURANCE

(a) Infringement of Property. Each party shall promptly notify the other party, in writing, of any imitations or infringements of the Licensed Articles or the Property contained therein or the rights licensed hereunder which may come to such party's attention. Licensor shall have the sole right to determine whether or not any demand, suit or other action shall be taken on account of or with reference to any such infringements or imitations, and Licensee shall not institute any suit or take any action on account of any such infringements or imitations without first obtaining the written consent of Licensor to do so. Licensor, if it so desires, may commence or prosecute any suits or make any such demands in its own name or, if Licensee approves, which approval shall not be unreasonably

withheld, in the name of Licensee or join Licensee as a party thereto. Licensee shall cooperate with Licensor, at Licensor's expense, in any manner that Licensor may reasonably request in connection with any such demands, suits, claims or other actions. If Licensor elects not to sue, Licensee may request permission to bring suit and, with written permission, may bring suit at its own expense, provided Licensee indemnifies Licensor against any loss or damage, including any loss or damage to reputation or goodwill, and provided that trial counsel is approved by Licensor, which approval shall not be unreasonably withheld, keeps Licensor fully informed, and further provided that Licensor shall have the right to assume control of the litigation at any time, but is thereupon responsible for its own further litigation expense and shall reimburse Licensee for Licensee's reasonable litigation expenses incurred prior to such assumption of control. Licensee may not settle any case under this section without Licensor's written approval (which approval shall not be unreasonably withheld). In cases where the infringement was first brought to Licensor's attention by Licensee, any recovery shall (i) first go to reimbursing the party who has ultimately controlled the litigation or claim process and who has been responsible for payment of expenses associated therewith for such expenses; (ii) then, go to reimbursing the other party for any of its expenses associated with the litigation or claim process and (iii) then, be split 50/50 between the parties. Nothing herein shall be construed as imposing any obligation upon Licensor or Licensee to take action against any alleged infringer.

(b) Infringement of Other Rights. In its use of the Property, or any element or portion thereof, Licensee shall exercise reasonable care, and shall cooperate fully with Licensor, to avoid infringing any rights found to be owned by others in the Territory. Upon receiving written notice alleging the existence or possible existence of rights held by others which may be infringed by the use of any element or portion of the Property under this Agreement, each party shall promptly notify the other party in writing.

(c) Indemnification of Licensee. Licensor shall defend, indemnify and hold Licensee and its parents, subsidiaries, and associated and affiliated companies, harmless of, from and against any charges, suits, actual damages, costs, expenses (including reasonable attorneys' fees), judgments, penalties, claims, liabilities or losses of any kind or nature whatsoever, which may be sustained or suffered by or secured against Licensee based upon or arising out of any actual or alleged trademark or copyright infringement arising out of the use by Licensee of the Property as authorized in this Agreement, or any other actual or alleged unauthorized action of Licensor, including a breach by Licensor of its representations or warranties or other term of this Agreement, provided that: prompt notice is given to Licensor of any such claims or suits (but failure to give such notice shall relieve Licensor of its obligations under this subsection only to the extent that such failure is prejudicial to Licensor) and provided further that: Licensor shall have the option to undertake and conduct the defense and/or settlement of any such claims or suits against third parties and that Licensee reasonably cooperates with Licensor in the defense of any such claims or suits and Licensee acts reasonably to mitigate any damages. No settlement of any such claims or suits involving more than the payment of money by Licensor shall be made without the prior written consent of Licensee (which consent shall not be unreasonably withheld). In no event shall Licensor be liable for punitive or exemplary damages, nor for lost profits. Licensor does not warrant any present or future commercial value of the Property.

(d) Indemnification of Licensor. Licensee shall defend, indemnify and hold Licensor and its parents, subsidiaries, and associated and affiliated companies, harmless of, from and against any charges, suits, actual damages, costs, expenses (including reasonable attorneys' fees), judgments, penalties, claims, liabilities or losses of any kind or nature whatsoever, which may be sustained or suffered by or secured against Licensor in connection with the Licensed Articles, or based upon or arising out of any actual or alleged unauthorized use of any patent, trade secret, process, idea, method or device, or any copyright or trademark, other than under this license, or the packaging, distribution, promotion, sale or exploitation of the Licensed Articles, any actual or alleged defect in the Licensed Articles or their packaging, whether latent or patent, including failure of said Licensed Articles or their packaging, distribution, promotion, sale or exploitation to meet any Federal, State or local, or other applicable laws or standards; or any other actual or alleged unauthorized action of Licensee, including a breach by Licensee of any of its representations or warranties or other term of this Agreement, provided that: prompt notice is given to Licensee of any such claims or suits (but failure to give such notice shall relieve Licensee of its obligations under this subsection only to the extent that such failure is prejudicial to Licensee) and provided further that: Licensee shall have the option to undertake and conduct the defense and/or settlement of any such claims or suits against third parties and that Licensor reasonably cooperates with Licensee in the defense of any such claims or suits and Licensor acts to reasonably to mitigate any damages. No settlement of any such claims or suits involving more than the payment of money by Licensee shall be made without the prior written consent of Licensor (which consent shall not be unreasonably withheld). In no event shall Licensee be liable for punitive or exemplary damages, nor for lost profits.

(e) Insurance. Licensee shall obtain at its own expense and maintain during the Term of this Agreement and for three (3) years thereafter, general liability insurance including advertising, blanket contractual, product liability coverages. Hasbro declares it is "self-insured" for all other types of claims. All insurance must be provided by a recognized insurance company having a Best's Rating of no less than "A" providing adequate protection at least in the amounts specified in Section 1(k) for personal bodily injury and property damage for Licensor and also for Licensee. Said insurance shall be primary and non-contributory with respect to any insurance carried by Licensor. *Upon return to Licensor of Licensee's signed originals of this Agreement, Licensee shall furnish to Licensor's New York Office, to the attention of Senior Contracts Administrator, a certificate evidencing that such insurance is in force, naming Licensor its subsidiaries, associated and affiliated companies as additional insured parties and providing that such coverage will not be canceled without at least thirty (30) days notice to Licensor.*

Failure to provide the insurance certificate shall be a matter for Dispute Resolution. *Said insurance coverage shall be effective as of the Commencement Date.* Any proposed change in the insurance policy(ies) affecting Licensor's coverage shall be submitted for review as to the policy compliance with the terms and conditions of this Agreement, to Licensor's New York Office, to the attention of Senior Contracts Administrator. The policy(ies) of insurance must be non-cancelable except after thirty (30) days prior written notice to Licensor's New York Office, sent to the attention of Senior Contracts Administrator. As used in Section 10 (d), "Licensor" shall also include the agents, employees, assignees of Licensor, and their respective officers, directors, agents and employees. As used in Section 10 (c), "Licensee" shall also include the agents, employees, assignees of Licensee, and their respective officers, directors, agents and employees. This provision shall survive the termination or expiration of this Agreement.

11. ARTWORK

(a) Licensee shall have, at no cost to Licensee, access to Marvel's online style guides (the "**Style Guide(s)**"), which shall depict the Property for use in the Licensed Articles, as well as other information relating to the Property that Licensee may reasonably request. Licensee understands that in the event any fees or royalties are due creators or artists who are independent of Licensor as a result of certain artwork or story-lines, Licensee shall be responsible for the payment of such fees and/or royalties upon invoicing therefor; provided Licensor has notified Licensee of such fees in writing in advance. Payment of any fees associated therewith shall not be credited against any guarantee or other amount due Licensor. During the Term, Licensee shall at its cost and upon Licensor's reasonable request, promptly provide Licensor (by CD, T - -1 line or other digital means) with any high-resolution artwork of the Property created by Licensee. Licensor shall use commercially reasonable efforts to support Licensee's presentations to retail customers with any available creative materials (sizzle tapes, images, trailers) cleared for use and pertaining to Marvel/LP Entertainment Properties.

(b) All artwork involving the Property only to the extent that it embodies the Property, or any reproduction thereof, and all copyrights therein shall, notwithstanding its use by Licensee, be and remain solely the property of Licensor and Licensor shall be entitled to use the same and to license the use of the same by others. Any reproduction or use of such artwork shall be on a non-exclusive basis.

(c) Licensee shall obtain and promptly furnish to Licensor's New York Office, sent to the attention of Senior Contracts Administrator, on the form annexed hereto as Exhibit B, an Agreement signed by each independent contractor who creates, prepares or produces for or on behalf of Licensee any artwork involving the Property only to the extent that it embodies the Property or any reproduction thereof, stating that such artwork is a work made for hire for Licensee under the U.S. Copyright Laws and acknowledging that such person has no copyright or other rights of any kind in or to such artwork. Licensee shall be deemed to have automatically assigned to Licensor all copyrights in any materials created by or for Licensee in the Licensed Articles only to the extent that they embody the Property; provided that Licensee shall not be obligated to assign, and shall remain the owner of, Licensee's copyrights contained in the Licensed Articles to the extent that they are separate or separable from the Property. Further, each party shall execute any instruments requested by the other party to accomplish or confirm the foregoing assignment.

12. PROMOTION

Licensor shall have the right, but shall not be under any obligation, to use the Property so as to give the Property, Licensee, Licensor and/or programs connected with the Property full and favorable prominence and publicity; provided that nothing in this section shall mitigate the effects of Sections 3(c) and 5(b) hereof. If the Licensed Articles appear in film produced by or under authority of Licensor, there shall be no obligation by Licensor to discontinue use of such film or any part thereof at the expiration or termination of this license and such continued use shall in no way be construed as an extension of the Term hereof or of this license.

13. DISTRIBUTION, AND BUSINESS PLANNING/MARKETING AND TOOLING COMMITMENTS

(a) Distribution. Licensee shall diligently and continuously use reasonable efforts, as determined in Licensee's business judgment, in the Territory licensed hereunder and during the Term of this license, to sell the Licensed Articles, to make and maintain adequate arrangements for the distribution of the Licensed Articles, and to promote and expand its sales hereunder. Licensee shall not sell or distribute the Licensed Articles on a consignment basis. Licensee shall also have the right to distribute and sell the Licensed Articles on home shopping television programs provided Licensor's prior written approval of the dates for the shows, and the Licensor product to be featured thereon, is obtained so that Licensor may avoid any conflicts with any previously scheduled home shopping television shows featuring Licensor product. Failure to submit for prior written approval the dates of the show or the product shall be considered a matter for Dispute Resolution. Licensee acknowledges that it has no right to and shall not, without prior written consent of Licensor, sell or distribute the Licensed Articles to anyone whose sales or distribution are or will be made for publicity, promotional or tie-in purposes, combination sales, premiums, giveaways, or whose business methods are or are reported to be questionable.

(b) *****

Licensor is therefore subject to any penalty or expense, Licensee shall fully compensate Licensor for any cost or expense Licensor may sustain.

19. GENERAL

(a) Integrity of Agreement. This Agreement and the Service Agreement contain and embodies the entire Agreement and understanding of the parties concerning the subject matter hereof. No warranties, representations, understandings, inducements, promises, guarantees, agreements or conditions, express or implied, not expressly contained herein, have been made or shall be enforceable by either party concerning the subject matter hereof or any relationship between the parties. Nothing contained herein shall be deemed an express or implied warranty on the part of Licensor that efforts to gain copyright, trademark or service mark registration will be successful, or that the Property has or will in the future have any commercial value, and it is understood that no liability shall attach to Licensor for any failure to secure such registration, nor shall there be any modification hereof for such reason.

(b) Relationship Between the Parties. The relationship between the parties hereto is that of licensor and licensee, and this Agreement is not to be construed as creating a partnership, joint venture, master-servant, principal-agent, or other relationship for any purpose whatsoever. Except as may be expressly provided herein, neither party may be held for the acts either of omission or commission of the other party, and neither party is authorized to or has the power to obligate or bind the other party by contract, Agreement, warranty, representation or otherwise in any manner whatsoever.

(c) Force Majeure. Licensee and Licensor shall be released from their obligations hereunder and this license shall terminate with respect to such territory, field or part thereof as to which governmental regulations or other causes arising out of a state of national emergency render performance impossible for a period of more than ninety (90) days, and provided that one party informs the other in writing of such causes and its desire to be released. In such event, all royalties on sales theretofore made with respect to such territory, field or part shall become immediately due and payable to Licensor. In the event of such a termination or partial termination, Licensee shall be entitled to a refund of all or a portion of its guarantee payments in the manner described above in Section 16(c)(ii)

(d) Mailing Addresses. All notices, reports and statements to be given and all payments to be made hereunder, shall be given or made by hand delivery, email, first class, Registered or Certified mail, or Federal Express or any overnight delivery service providing notice of receipt at the address of Licensee set forth above with notice to Licensor to the attention of Licensor's legal department to Licensor Characters, Inc. and (if applicable) Spider-Man Merchandising L.P., 417 Fifth Avenue, Mezzanine, New York, NY 10016, unless notification of a change of address is given in writing. The date of applicable tracking information (tracking information, post-mark, email confirmations) shall be deemed the date the notice, report or statement is given. The mailing of a notice by Registered or Certified mail shall constitute notice hereunder even in the event of refusal to accept by addressee.

(e) Survival and Separability. Notwithstanding anything to the contrary herein, all provisions hereof are hereby limited to the extent mandated by any applicable law or decisions. If any one or more paragraphs, clauses or other portions hereof should ever be determined to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction or be illegal, invalid or invalidated or unenforceable within any jurisdiction by reason of any existing law or statute, then to that extent and within the jurisdiction in which it is illegal, invalid or unenforceable it shall be limited, construed or severed and deleted herefrom, and the remaining extent and/or remaining portions hereof shall survive, remain in full force and effect and continue to be binding and shall not be affected except insofar as may be necessary to make sense hereof, and shall be interpreted to give effect to the intention of the parties insofar as that is possible. In no event shall this Agreement be construed as requiring Licensee or Licensor to commit any unlawful act or acts whatsoever. All payments hereunder shall be subject to any and all applicable withholding taxes.

(f) Assignment or Sublicense. This Agreement and the license rights granted hereunder are personal to Licensee and shall not in any manner whatsoever be assigned, sublicensed, hypothecated, mortgaged, divided or otherwise encumbered by Licensee to or with any other person or entity other than to Licensee's wholly owned subsidiaries and (to the extent necessary to allow them to act as distributors) Licensee's distributors without Licensor's prior written consent which it may withhold in its sole discretion but no such assignment by Licensee shall release Licensee from any of its obligations or liabilities hereunder. This Agreement and the provisions hereof shall be binding at all times upon and inure to the benefit of the parties hereto, their successors and permitted assigns. Any attempted assignment in violation of the provisions hereof shall be void ab initio and the assignee shall obtain no rights by reason thereof.

(g) Construction and Jurisdiction. This Agreement shall be construed and interpreted in accordance with the laws of the State of New York applying to contracts fully executed and performed in New York. With respect to any provisions of this Agreement that provide for relief in court, each party agrees to submit to exclusive jurisdiction in the courts (both Federal and State) of New York State for any action brought by Licensor or Licensee hereunder, to bring no action in any other Court, and each party further agrees to accept service of process by mail at its above written address. The titles and headings of the sections, subsections and other divisions of this Agreement are

inserted merely for convenience and identification and shall not be used or relied upon in connection with the construction or interpretation of this Agreement.

(h) No Waiver. None of the provisions hereof shall be deemed to be waived or modified, nor shall they be renewed, extended, altered, changed or modified in any respect except by an express agreement in writing duly executed by the party against whom enforcement of such waiver, modification, etc. is sought. The failure of either party hereto to object to the failure on the part of the other party to perform any of the terms, provisions or conditions hereof or to exercise any option herein given or to require performance on the part of the other party of any term, provision or condition hereof, or any delay in doing so, or any custom or practice of the parties at variance therewith, shall not constitute a waiver or modification hereof or of any subsequent breach or default of the same or a different nature, nor affect the validity of any part hereof, nor the right of either party thereafter to enforce the same, nor constitute a novation or laches.

(i) Ethics. Each party agrees that no part of the consideration paid pursuant to this Agreement shall be offered, paid or payable, directly or indirectly, to any governmental official, political party or official thereof, or any candidate for political office, for the purpose of influencing any act or decision of such person or party or inducing such person or party to use his or its influence to affect or influence any act or decision of any national, state or local government or instrumentality thereof. For the purposes of this Section (i), the term "governmental official" shall include any officer or employee of a national, state or local government, or any department, agency or instrumentality thereof, or any person acting in an official capacity of or on behalf of such government or department, agency or instrumentality.

(j) Prevailing Languages. In the event of any conflict of interpretation between this Agreement and any translation, the original English version shall prevail.

(k) Code of Conduct. Licensee agrees, on its own behalf and on behalf of any suppliers/third parties/manufacturers ("**Third Party Vendors**") (i) it shall, at its cost, enroll in, and comply with, all requirements of the Customs-Trade Partnership Against Terrorism ("**C-TPAT**") and (ii) wherever located, it shall ensure that no child labor will be used in the performance of this Agreement whatsoever. For this purpose, a "child" shall refer to any person younger than 15 (or 14 where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education. Third Party Vendors that are young persons or that are employing young persons who do not fall within the definition of "children" will also comply with any laws and regulations applicable to such persons. Additionally, all employees will be provided with a safe and healthy workplace environment, and all employees will work on a voluntary basis, and shall not be subject to physical or mental punishment of any kind. Further, Licensee and all Third Party Vendors shall comply with all local laws, including but not limited to, applicable wage laws and fair employment practices including the practice of non-discrimination on the basis of race, religion, national origin, political affiliation, sexual preference, or gender. Licensee and all Third Party Vendors will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation, and provide legally mandated benefits. Licensee and Third Party Vendors will further comply with all applicable environmental laws and regulations. Licensee and Third Party Vendors shall submit to reasonable on-site inspections conducted by Licensor or its designated representative, to ensure compliance with all of the provisions of this Section.

(l) Confidentiality. This Agreement and the contents hereof constitute a confidential business relationship between the parties. Each party acknowledges that significant irreparable damage could be done to the other party should the terms of this Agreement as well as any technical, financial, customer, personnel, and/or other business information in written, graphic, oral, visual or other tangible or intangible forms, financial statements and other financial data, specifications, patent applications, records, data, computer programs, drawings, schematics, know-how, notes, models, reports, and samples of a party (together, "**Confidential Information**") become public knowledge. Each party agrees that it will not reveal the terms of this Agreement or any Confidential Information to any third party (excluding employees, agents, attorneys, accountants and others to whom Licensor or Licensee has a legal obligation to disclose and, provided that the other party is given, to the extent reasonably practicable, an opportunity to review and comment, excluding other legally required disclosures), and each party shall exercise reasonable precautions to ensure that it or any of the foregoing persons shall not allow the terms of this Agreement or any Confidential Information to become public knowledge. If either party is directed by legal process to disclose such information to any third party, each party shall notify the other party at least fifteen (15) days (or, if less than 15 days, as much time as is possible under the time constraints imposed by the applicable legal process) prior to disclosing the information. Additionally, the parties agree that Confidential Information shall not be used by the receiving party for any purpose other than as expressly provided for herein.

20. HART-SCOTT-RODINO APPROVAL

The parties acknowledge that the transaction contemplated by this Agreement will require approval of the Federal government pursuant to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Approval"). Each party will cooperate with the other party in timely filing all appropriate documentation required to be filed in connection with applying for HSR Approval and each party will be responsible for its own costs and filing fees associated therewith. The parties acknowledge that no payment will be payable hereunder until and unless the parties receive final HSR Approval from the applicable government authorities. If the parties do not receive final HSR Approval within ninety (90) days after filing, then this Agreement shall be null and void and have no further effect.

IN WITNESS WHEREOF, and intending to be legally bound thereby the parties hereto have caused this instrument to be duly executed as of the day and year first above written.

MARVEL CHARACTERS, INC.

By: /s/ John Turitzin
Name: John Turitzin
Title: President
Date: 1/6/06

SPIDER-MAN MERCHANDISING L.P.

By: Marvel Characters, Inc. as General Partner

By: /s/ John Turitzin
Name: John Turitzin
Title: President
Date: 1/6/06

HASBRO, INC.

By: /s/ Alfred J. Verrecchia
Name: Alfred J. Verrecchia
Title: President & Chief Executive Officer
Date: 1/6/06

Attachments:

- ∅ Exhibit A: Licensee's Royalty Report Form
- ∅ Exhibit B: Work Made For Hire Letter Form
- ∅ Exhibit C: Subcontract Manufacturer Letter Form
- ∅ Exhibit D: Product and Packaging Approval Process and Stages/Policy and Procedures
- ∅ Exhibit E: Licensing Product Approval Form

LICENSEE TO PROVIDE STANDARD ROYALTY REPORT

{00033449 JMS} 4

AGREEMENT made this ___ day of ____, 200___, by and between _____ residing at _____ (herein "Supplier") and _____ residing at _____ (herein "Licensee").

Licensee has been granted the rights by Marvel Characters, Inc. (herein "Marvel") and Spider-Man Merchandising L.P. (herein "LP") to produce and/or market certain merchandise based upon and utilizing literary and/or artistic properties owned or controlled by Marvel and LP. Licensee wishes to order or commission either written material or artwork from Supplier as a work made for hire pursuant to the Copyright Act of 1976 for use by Licensee, on behalf of Marvel and LP, including but no limited to use as a contribution to a collective work. Marvel and LP has informed Licensee that Marvel and LP will permit the preparation of such written material or artwork only if it is commissioned on a work made for hire basis, with a waiver of moral rights therein.

THEREFORE, the parties agree as follows:

In consideration of Licensee's commissioning and ordering from Supplier written material or artwork and paying therefore on behalf of Licensee, Marvel and LP, Supplier acknowledges, agrees and confirms that any and all work, writing, art work material or services, including without limitation, any writings, artwork, drawings, stories, scripts, character designs, plots, pencils, templates, photographic, graphic or computer-generated material or the like already produced or to be produced by Supplier for Licensee on behalf of Licensee, Marvel and LP involving, based upon, utilizing, derived from, incorporating or referring to any properties, characters or materials owned by Marvel and LP, have been and will be specially ordered or commissioned by Licensee, on behalf of Licensee, Marvel and LP, for use as a work made for hire, including, but not limited to, use as a contribution to a collective work (herei nafter, the "Work"); that the Work was produced under the supervision and control and pursuant to the direction of Licensee on behalf of Licensee, Marvel and LP; and that as such, the Work was and is expressly agreed to be considered a work made for hire pursuant to all copyright laws applicable to the work, and Supplier shall waive any moral rights therein. If, for any reason, the Work produced by Supplier hereunder shall not be deemed a "work made for hire", Supplier hereby also assigns all such rights to Marvel and LP to the extent such Work embodies the Property and to Licensee in all other respects. Supplier hereby waives any and all rights, including any moral rights, in and to the Works which Supplier may acquire pursuant to this Agreement or by operation of law. For purposes of Marvel's and LP's rights hereunder, the term "Work" shall not include any elements that are separate or separable from properties, characters, or materials owned by Marvel and LP and all adaptations, compilations, modifications, translations and versions thereof and such separate or separable elements shall be deemed owned by Licensee.

Supplier expressly grants to Licensee, Marvel and LP forever all worldwide rights of any kind and nature in and to the Work and agrees that as between Supplier, Licensee and Marvel and LP, Marvel and LP are the sole and exclusive copyright proprietor thereof throughout the world to the extent such Work embodies the Property and to Licensee in all other respects. Supplier perpetually agrees (i) not to contest Licensee, Marvel and LP's exclusive, complete and unrestricted ownership in and to the Work, (ii) not to claim any ownership in the Work, (iii) not to use or exploit or claim the right to use or exploit the Work in any manner, and (iv) not to object to any exploitation or use of the Work or to any changes, modifications, or revisions to the Work made by or on behalf of Licensee, Marvel and LP. Supplier hereby waives any moral rights of any kind or nature in the Work.

Supplier agrees and acknowledges that Licensee, Marvel and LP shall have the right, but not the obligation, to use Supplier's name in connection with the Work and/or any rights granted hereunder, without compensation to Supplier. However, Marvel and LP and Licensee shall not present Supplier, in Marvel and LP and Licensee's judgment, as endorsing any product or service, or use Supplier's name on any merchandise that is not directly connected with the Work without Supplier's prior written consent.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and to the benefit of Licensee, Marvel and LP, and their respective heirs, successors, administrators and assigns.

In WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Supplier:
By: _____
Name: _____
Title: _____
Date: _____

Licensee:
By: _____
Name: _____
Title: _____
Date: _____

Dated _____

Marvel Characters, Inc. and Spider-Man Merchandising L.P.
417 Fifth Avenue, Mezzanine
New York, NY 10016

This letter will serve as notice to you that pursuant to Section 18 of the License Agreement dated _____ between you and _____, we have been engaged as the subcontract manufacturer for _____ in connection with the manufacture of the Licensed Articles defined in the aforesaid License Agreement. We hereby acknowledge that we have received an appropriately redacted copy and are cognizant of the terms and conditions set forth in said License Agreement and hereby agree to be bound by those provisions of said License Agreement which are applicable to our function as manufacturer of the Licensed Articles, including but not limited to the right of Marvel and Spider-Man Merchandising L.P., pursuant to Section 5(e) of the License Agreement, to examine our Books of Account Records with respect to the manufacture of the Licensed Articles. It is understood that this engagement as subcontract manufacturer is on a royalty-free basis, and that we have no right to sublicense or subcontract thereunder.

We understand that our engagement as the subcontract manufacturer for _____ is subject to your approval. We request, therefore, that you sign in the space below, thereby showing your acceptance of our engagement as aforesaid.

Very truly yours,

(Manufacturer)

By:
Name:
Title:
Date:

Accepted:

MARVEL CHARACTERS, INC.

By:
Name:
Title:
Date:

SPIDER-MAN MERCHANDISING L.P.

By: Marvel Characters, Inc. as General Partner

By:
Name:
Title:
Date:

“*****” DENOTE MATERIAL THAT HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

D05184-1

**AMENDMENT
TO
LICENSE AGREEMENT**

This Amendment ("Amendment") when executed by both parties is effective as of the 8th day of February 2006, by and between Hasbro, Inc. ("Licensee") and Marvel Characters, Inc. and Spider-Man Merchandising L.P. (collectively the "Licensor").

Reference is made to the License Agreement D05184 between Licensee and Licensor (the "Agreement"). All capitalized terms used but not defined herein, which have been defined in the Agreement, shall have the same meaning herein as set forth therein.

In consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Licensor and Licensee hereby agree that the Agreement is amended as follows:

1. Section 1(c)- Licensed Categories shall be amended by adding the following immediately before "Note on QSR Premiums":

8) Plush (Basic or Feature and Figural or Non-Figural): in all styles/types, sizes and materials. Feature Plush is defined as Plush with animatronics, electronic or mechanical interactive features or attributes (i.e. lights, sounds and/or movement).

Note: Styles/types included in this Licensed Category shall include, but not be limited to Plush figures, Bean Bag Filled Plush, Plush Squeezer (Plush speaks when squeezed), Plush with Roto-Molded Heads, Plush with Animatronics, Plush with Electronics, Plush with Mechanical Features, Plush Puppets, Talking Plush, Washable Plush and the "Itsy Bitsy Spider-Man" Plush. Notwithstanding the forgoing, appropriately sized Key-Chain Plush and appropriately sized Clip-On Plush are specifically excluded from this Licensed Category.

Note: For the avoidance of doubt, the following items are not "Plush (Basic or Feature and Figural or Non-Figural)" for the purposes hereof and Licensee accepts and understands that Licensor has on-going licenses, some of which are mentioned below, in each of these business segments, which shall continue throughout the Term:

- Furniture and Backpacks (for example, ABC Development, Duotex, Character World, Ltd., Operadora Ruz, Spin Master, Ltd., Hunter Leisure Pty Ltd., Hebron International Sales Corporation and IMT Accessories)
- Publishing Plush (for example, Flair Leisure Products Limited)

2. Section 1(d)(ii)- Channels of Distribution shall be amended by adding the following at the end thereof:

Note: Licensed Articles in Licensed Category #8 {Plush (Basic or Feature and Figural or Non-Figural)} are excluded from the following Channels of Distribution:

- Amusement.
- Redemption.
- Crane.
- Charity/Fundraising.

Note: Notwithstanding anything to the contrary, and despite the restrictions in Section 1(f) and 3(a), Licensor may itself utilize or grant to any other party the right to sell, distribute or otherwise exploit the Property in connection with Licensed Category #8 (Plush (Basic or Feature and Figural or Non-Figural)) in the following Channels of Distribution:

- Gift (e.g., Spencer Gift, Hallmark Gold Crown Stores and Hot Topic etc.)
- Specialty (e.g., FAO Schwartz and Build a Bear, etc.);
- Upstairs Department Stores (e.g., Macys, Nordstrom's and Bloomingdales, etc.).

Note: Additional Channels of Distribution may be added to this Agreement on case-by-case basis in Marvel's sole written discretion.

3. Section 1(e)- Term shall be amended by adding the following at the end thereof:

Note: Licensee shall be permitted to manufacture, sell, distribute or otherwise exploit the "Itsy Bitsy Spider-Man" Plush upon the date of execution of this Amendment by both parties.

4. Section 1(f) Exclusive/Non-Exclusive shall be deleted in its entirety and replaced with the following:

Notwithstanding the overall non-exclusive nature of this Agreement, except to the extent provided in Section 1(d)(ii), so long as Licensee is not in material and uncured default under this Agreement, Licensor shall not, during the Term as it may be extended and in the Territory, grant to any third party, nor shall it or any of its affiliates utilize, the right to sell, distribute or otherwise exploit the Property (to the extent that the Property continues to be licensed hereunder) in Licensed Categories #1 (Action Figures), #5 (Non-Costume/Non-Dress Up Action and Role Play Weapons and Accessories) and #8 (Plush (Basic or Feature and Figural or Non-Figural)) in the Channels of Distribution.

5. Section 1(g)- Royalty Rate shall be amended by adding a new subsection A(4) as follows:

6. Section 1(h)- Minimum Royalty Guarantee shall be deleted in its entirety and replaced with the following:

Minimum Royalty Guarantee: Two Hundred Fifteen Million Dollars (U.S. \$215,000,000).

Paid: Licensor acknowledges that Licensee paid the original Advance of One Hundred Million Dollars (U.S. \$100,000,000) on February 3, 2006, the second business day after the Commencement Date.

Amended Advance: Five Million Dollars (U.S. \$5,000,000) payable within three (3) days from signing of this Amendment by the Licensee.

Balance:

Two Million Five Hundred Thousand Dollars (U.S. \$2,500,000) payable on or before January 10, 2008;

Two Million Five Hundred Thousand Dollars (U.S. \$2,500,000) payable on or before January 10, 2009;

Seventy Million Dollars (U.S. \$70,000,000) payable upon national release of a Qualifying Theatrical Release (as defined herein) in the United States of the third Spider-Man film (tentatively entitled "Spider-Man 3");

Thirty-Five Million Dollars (U.S. \$35,000,000) payable upon national release of a Qualifying Theatrical Release in the United States of the fourth Spider-Man film (tentatively entitled "Spider-Man 4").

Note: Subject to the Licensed Category Minimum Royalty Guarantee Allocations provided below, all sums payable as Advances and Balances of the Minimum Royalty Guarantee are recoupable

*****against any royalty payments due in connection with this Agreement, whether accruing before or after the date of payment, and all are cross-collateralized against one another.

Note: For the avoidance of doubt, Ten Million Dollars (U.S. \$10,000,000) are being added by this Amendment.

Licensed Category Minimum Royalty Guarantee Allocation:

Licensed Categories #1 through #7:

Two Hundred Five Million Dollars (U.S. \$205,000,000).

Licensed Category #8:

Ten Million Dollars (U.S. \$10,000,000).

Licensee acknowledges and agrees that royalties earned from the sale of Licensed Articles in Licensed Categories #1 through #7 shall be calculated separately and shall be offset solely against the Licensed Category Minimum Royalty Guarantee Allocation for such Licensed Categories #1 through #7 identified above. Royalties earned from the sale of Licensed Articles in Licensed Category #8 shall be calculated separately and shall be offset solely against the Licensed Category Minimum Royalty Guarantee Allocation for Licensed Category #8 identified above.

7. Section 3(a)- Licensed Articles shall be deleted in its entirety and replaced with the following:

Upon the terms and conditions and with the limitations and exceptions set forth in this Agreement, Licensor hereby grants to Licensee and Licensee hereby accepts the non-exclusive (exclusive, to the extent provided in Section 1(f) hereof, in Licensed Categories #1 (Action Figures), #5 (Non-Costume/Non-Dress Up Action and Role Play Weapons and Accessories)) and #8 (Plush (Basic or Feature and Figural or Non-Figural)) license and right to utilize the Property but solely upon and in connection with the manufacture, promotion, sale, and distribution of the categories of articles identified in Section 1(c) ("**Licensed Categories**") and in the Channels of Distribution identified in Section 1(d) (ii) ("**Channels of Distribution**") during the Term. Articles in the Licensed Categories that utilize the Property and are manufactured, promoted, sold and/or distributed hereunder are referred to herein as "**Licensed Articles.**"

8. Section 13(b) – International Distributor Requirements shall be amended by deleting the phrase "(except for Licensed Categories #3, #4, #6 and #7 (Puzzles, Board Games, "Titanium" Die-Cast Figures and Vehicles, and "Attacktix" Figure Tactics Game))" and replacing it with the phrase "(except for Licensed Categories #3, #4, #6, #7, and #8- Puzzles, Board Games, "Titanium" Die-Cast Figures and Vehicles, "Attacktix" Figure Tactics Game and Plush (Basic or Feature and Figural or Non-Figural))".

9. Section 13(g) – Advertising Commitment shall be added as a new subsection, and shall read as follows:

Licensee commits to purchase ***** of advertising in Marvel's Junior Network of comic books at the rate of ***** for total Advertising Commitment of *****

** The Advertising Commitment shall be satisfied on or before June 1, 2011. Licensee shall give Marvel two (2) months' prior notice for the placement of each page of advertising. The amount of the Advertising Commitment shall not be deducted from royalties owed Licensor or from the Minimum Royalty Guarantee; applied to any deductions permitted under Section 5(a)(ii); or credited against the Marketing Commitment identified in Section 13(c). Additionally, during the Term, Licensee agrees to commit to marketing and promotional expenditures in direct support of the "Itsy Bitsy Spider-Man" line and other mutually agreed Feature Plush items (specific lines to be determined) with domestic and international television advertising.

10. Except as specifically amended hereby, all provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, and intending to be legally bound thereby the parties hereto have caused this instrument to be duly executed as of the day and year first above written.

MARVEL CHARACTERS, INC.

By: /s/ John Turitzin

Name: John Turitzin

Title: President

Date: 2/8/06

SPIDER-MAN MERCHANDISING L.P.

By: Marvel Characters, Inc. as General Partner

By: /s/ John Turitzin

Name: John Turitzin

Title: President

Date: 2/8/06

HASBRO, INC.

By: /s/ Alfred J. Verrecchia

Name: Alfred J. Verrecchia

Title: President and CEO

Date: 2/8/06

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Quarter Ended April 2, 2006

(Thousands of Dollars)

Earnings available for fixed charges:

Net loss	(4,899)
Add:	
Fixed charges	9,899
Income taxes	(554)

Total	4,446
	=====

Fixed charges:

Interest on long-term debt	6,289
Other interest charges	518
Amortization of debt expense	319
Rental expense representative of interest factor	2,773

Total	9,899
	=====

Ratio of earnings to fixed charges

0.449
=====

CERTIFICATION

I, Alfred J. Verrecchia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hasbro, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2006

/s/ Alfred J. Verrecchia

Alfred J. Verrecchia
President and Chief
Executive Officer

CERTIFICATION

I, David D.R. Hargreaves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hasbro, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2006

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Senior Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2006, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alfred J. Verrecchia
Alfred J. Verrecchia
President and Chief Executive Officer of Hasbro, Inc.

Dated: May 5, 2006

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Hasbro, Inc., a Rhode Island corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2006, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D.R. Hargreaves
David D.R. Hargreaves
Senior Vice President and Chief Financial Officer
of Hasbro, Inc.

Dated: May 5, 2006

A signed original of this written statement required by Section 906 has been provided to Hasbro, Inc. and will be retained by Hasbro, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.