

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

FORM 10-Q

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

For the quarterly period ended March 29, 2009

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 Telephone Number, Including Area Code)

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

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

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

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

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

The number of shares of Common Stock, par value \$.50 per share, outstanding as of April 20, 2009 was 139,835,080.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 29, 2009	March 30, 2008	Dec. 28, 2008
	-----	-----	-----
Assets			
Current assets			
Cash and cash equivalents	\$ 590,388	832,180	630,390
Accounts receivable, less allowance for doubtful accounts of \$31,200, \$33,100 and \$32,400	365,037	388,693	611,766
Inventories	295,248	291,199	300,463
Prepaid expenses and other current assets	199,147	210,739	171,387
Total current assets	----- 1,449,820	----- 1,722,811	----- 1,714,006
Property, plant and equipment, less accumulated depreciation of \$405,200, \$415,200 and \$403,100	217,919	201,682	211,707
-----	-----	-----	-----
Other assets			
Goodwill	473,850	479,542	474,497
Other intangibles, less accumulated amortization of \$819,200, \$743,400 and \$799,500	548,485	538,430	568,412
Other	237,748	184,014	200,175
Total other assets	----- 1,260,083	----- 1,201,986	----- 1,243,084
-----	-----	-----	-----
Total assets	\$ 2,927,822	3,126,479	3,168,797
	=====	=====	=====

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

	March 29, 2009	March 30, 2008	Dec. 28, 2008
	-----	-----	-----
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 45,716	171,249	7,586
Current portion of long-term debt	-	135,311	-
Accounts payable	120,591	163,608	184,453
Accrued liabilities	404,945	425,713	607,853
	-----	-----	-----
Total current liabilities	571,252	895,881	799,892
Long-term debt, excluding current portion	709,723	709,723	709,723
Other liabilities	265,992	254,164	268,396
	-----	-----	-----
Total liabilities	1,546,967	1,859,768	1,778,011
	-----	-----	-----
Shareholders' equity			
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of \$.50 par value. Authorized 600,000,000 shares; issued 209,694,630	104,847	104,847	104,847
Additional paid-in capital	441,921	381,330	450,155
Retained earnings	2,448,405	2,271,427	2,456,650
Accumulated other comprehensive earnings	58,785	82,022	62,256
Treasury stock, at cost; 69,867,161 shares at March 29, 2009, 70,089,465 at March 30, 2008 and 70,465,216 at December 28, 2008	(1,673,103)	(1,572,915)	(1,683,122)
	-----	-----	-----
Total shareholders' equity	1,380,855	1,266,711	1,390,786
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 2,927,822	3,126,479	3,168,797
	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	March 29, 2009	March 30, 2008
Net revenues	\$ 621,340	704,220
Cost of sales	244,753	271,161
Gross profit	376,587	433,059
Expenses		
Amortization	19,887	18,438
Royalties	54,453	58,422
Research and product development	37,131	41,770
Advertising	62,309	76,983
Selling, distribution and administration	161,590	176,193
Total expenses	335,370	371,806
Operating profit	41,217	61,253
Nonoperating (income) expense		
Interest expense	9,715	11,428
Interest income	(1,265)	(7,706)
Other (income) expense, net	4,180	1,861
Total nonoperating expense, net	12,630	5,583
Earnings before income taxes	28,587	55,670
Income taxes	8,857	18,200
Net earnings	\$ 19,730	37,470
Net earnings per common share		
Basic	\$ 0.14	0.26
Diluted	\$ 0.14	0.25
Cash dividends declared per common share	\$ 0.20	0.20

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	March 29, 2009	March 30, 2008
Cash flows from operating activities		
Net earnings	\$ 19,730	37,470
Adjustments to reconcile net earnings to net cash (utilized) provided by operating activities:		
Depreciation of plant and equipment	15,228	15,313
Amortization	19,887	18,438
Deferred income taxes	11,725	(606)
Stock-based compensation	6,020	9,917
Change in operating assets and liabilities:		
Decrease in accounts receivable	225,980	282,789
Decrease (increase) in inventories	320	(18,413)
(Increase) decrease in prepaid expenses and other current assets	(18,339)	11,902
Decrease in accounts payable and accrued liabilities	(253,435)	(197,889)
Other, including long-term portion of royalty advances	(49,773)	(5,069)
Net cash (utilized) provided by operating activities	(22,657)	153,852
Cash flows from investing activities		
Additions to property, plant and equipment	(24,535)	(24,764)
Investments and acquisitions, net of cash acquired	-	(67,166)
Purchases of short-term investments	-	(42,000)
Proceeds from sales of short-term investments	-	42,000
Other	1,045	(2,282)
Net cash utilized by investing activities	(23,490)	(94,212)
Cash flows from financing activities		
Net proceeds of other short-term borrowings	37,256	159,829
Purchases of common stock	-	(151,997)
Stock option transactions	814	10,245
Excess tax benefits from stock-based compensation	1,088	480
Dividends paid	(27,854)	(22,917)
Net cash provided (utilized) by financing activities	11,304	(4,360)
Effect of exchange rate changes on cash	(5,159)	2,442
(Decrease) increase in cash and cash equivalents	(40,002)	57,722
Cash and cash equivalents at beginning of year	630,390	774,458
Cash and cash equivalents at end of period	\$ 590,388	832,180

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

	Quarter Ended	
	March 29, 2009	March 30, 2008
Supplemental information		
Cash paid during the period for:		
Interest	\$15,013	19,454
Income taxes	\$31,349	1,931

See accompanying condensed notes to consolidated financial statements.

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

	Quarter Ended	
	March 29, 2009	March 30, 2008
Net earnings	\$ 19,730	37,470
Other comprehensive (loss) earnings	(3,471)	7,084
Total comprehensive earnings	\$ 16,259	44,554

See accompanying condensed notes to consolidated financial statements.

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

(1) In the opinion of management, the accompanying unaudited interim financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of Hasbro, Inc. and all majority-owned subsidiaries ("Hasbro" or the "Company") as of March 29, 2009 and March 30, 2008, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

The quarters ended March 29, 2009 and March 30, 2008 are both 13-week periods.

The results of operations for the quarter ended March 29, 2009 are not necessarily indicative of results to be expected for the full year.

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

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

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

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

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

(2) Net earnings per share data for the fiscal quarters ended March 29, 2009 and March 30, 2008 were computed as follows:

	2009		2008	
	----- Basic -----	----- Diluted -----	----- Basic -----	----- Diluted -----
Net earnings	\$ 19,730	19,730	37,470	37,470
Effect of dilutive securities:				
Interest expense on contingent convertible debentures due 2021	-	1,082	-	1,059
Adjusted net earnings	\$ 19,730	20,812	37,470	38,529
	=====	=====	=====	=====
Average shares outstanding	140,047	140,047	142,314	142,314
Effect of dilutive securities:				
Contingent convertible debentures due 2021	-	11,566	-	11,566
Options	-	1,343	-	2,366
Equivalent shares	140,047	152,956	142,314	156,246
	=====	=====	=====	=====
Net earnings per common share	\$ 0.14	0.14	0.26	0.25
	=====	=====	=====	=====

For the quarters ended March 29, 2009 and March 30, 2008, the effect of the Company's contingent convertible debt was dilutive and, accordingly, for the diluted earnings per share calculation, the numerator includes an adjustment to earnings to exclude the interest expense incurred for these debentures and the denominator includes an adjustment to include the shares issuable upon conversion.

Options to acquire shares totaling 5,535 at March 29, 2009 and 6,768 at March 30, 2008 were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

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

(3) Other comprehensive earnings for the quarters ended March 29, 2009 and March 30, 2008 consist of the following:

	2009	2008
	-----	-----
Foreign currency translation adjustments	\$ (16,078)	19,548
Changes in value of available-for-sale securities, net of tax	(806)	(900)
Change in unrecognized pension and postretirement amounts, net of tax	(571)	-
Gain (loss) on cash flow hedging activities, net of tax	22,933	(14,460)
Reclassifications to earnings, net of tax:		
Net (gains) losses on cash flow hedging activities	(8,949)	2,896
	-----	-----
Other comprehensive (loss) earnings	\$ (3,471)	7,084
	=====	=====

At March 29, 2009, the Company had recorded deferred gains on hedging instruments, net of tax, of \$77,497 in accumulated other comprehensive earnings ("AOCE"). These instruments hedge certain anticipated inventory purchases and other cross-border transactions through 2011. These amounts will be reclassified into the consolidated statement of operations upon the sale of the related inventory or receipt or payment of the related royalties and expenses. Of the amount included in AOCE at March 29, 2009, the Company expects approximately \$34,000 to be reclassified to earnings within the next twelve months. However, the amount ultimately realized in earnings is dependent on the fair value of the contracts on the settlement dates.

(4) The Company, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Substantially all United States employees are covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans which principally cover non-union employees are based primarily on salary and years of service. One of these major plans is funded. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. Of these remaining plans, the plan covering union employees is also funded. Effective at the end of December 2007, the Company froze pension benefits being accrued for its non-union employees in the United States. Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans.

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

The components of the net periodic cost of the Company's defined benefit pension and other postretirement plans for the quarters ended March 29, 2009 and March 30, 2008 are as follows:

	Pension		Postretirement	
	-----		-----	
	2009	2008	2009	2008
	-----	-----	-----	-----
Service cost	\$ 1,031	1,215	156	142
Interest cost	5,286	5,417	476	517
Expected return on assets	(5,375)	(7,058)	-	-
Net amortization and deferrals	1,411	375	3	29
	-----	-----	-----	-----
Pension expense (benefit)	\$ 2,353	(51)	635	688
	=====	=====	=====	=====

In the first quarter of fiscal 2009, the Company made cash contributions to its defined benefit pension plans of approximately \$10,700. The Company expects to contribute approximately \$17,100 during the remainder of fiscal 2009.

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

The U.S. Internal Revenue Service has commenced an examination related to the 2004 and 2005 U.S. federal income tax returns. The Company is also under income tax examination in Mexico and in several other U.S. state and foreign jurisdictions. The ultimate resolution of the U.S. and Mexican examinations, as well as other matters that may be resolved in the next twelve months, is not yet determinable. In connection with the Mexican examinations for the years 2000 to 2003, the Company has received tax assessments related to transfer pricing which the Company is vigorously defending. The Company expects to be successful in sustaining its position with respect to these assessments as well as similar positions which may be taken by the Mexican tax authorities in future periods. In order to continue the process of defending its position, the Company was required to guarantee the amount of the outstanding assessments, as is usual and customary in Mexico in these matters. Accordingly, as of March 29, 2009, bonds totaling \$87,484 have been provided to the Mexican government, allowing the Company to defend its position.

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

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

At March 29, 2009, the Company had the following assets measured at fair value in its consolidated balance sheet:

	Fair Value Measurements at March 29, 2009 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	-----	-----	-----	-----
Available-for-sale securities	\$ 3,359	51	-	3,308
Derivatives	86,469	-	86,469	-
	-----	-----	-----	-----
Total	\$89,828	51	86,469	3,308
	=====	=====	=====	=====

For a portion of the Company's available-for-sale securities, the Company is able to obtain quoted prices from stock exchanges to measure the fair value of these securities. The remaining available-for-sale securities consist of warrants to purchase common stock. The Company uses the Black-Scholes model to value these warrants. One of the inputs used in the Black-Scholes model, historical volatility, is considered an unobservable input in that it reflects the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement. The Company's derivatives are measured using inputs that are observable indirectly through corroboration with readily available market data, in this case foreign exchange rates. The Company's derivatives consist of foreign currency forward contracts. The Company uses current forward rates of the respective foreign currencies to measure the fair value of these contracts. There were no changes in these valuation techniques during the first quarter of 2009.

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

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Company's available-for-sale securities that use significant unobservable inputs (Level 3):

Balance at December 28, 2008	\$4,591
Loss included in other comprehensive income	(1,283)

Balance at March 29, 2009	\$3,308
	=====

(7) In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities", ("SFAS 161"), which requires enhanced disclosures related to derivative instruments and hedging activities. The Company adopted the provisions of SFAS 161 during the quarter ended March 29, 2009.

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

Cash Flow Hedges

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

At March 29, 2009, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

Hedged Transaction	Notional Amount	Fair Value
-----	-----	-----
Inventory Purchases	\$ 494,662	62,123
Intercompany Royalty Transactions	190,298	24,569
Other	11,856	(378)
	-----	-----
Total	\$ 696,816	86,314
	=====	=====

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

The Company has a master agreement with each of its counterparties that allows for the netting of outstanding forward contracts. The fair values of the Company's foreign currency forward contracts designated as cash flow hedges are recorded in the consolidated balance sheet at March 29, 2009 as follows:

Prepaid expenses and other current assets

Unrealized Gains	\$ 38,707
Unrealized Losses	(1,177)

Net Unrealized Gain	37,530

Other Assets	

Unrealized Gains	48,784

Total	\$ 86,314
	=====

During the quarter ended March 29, 2009, the Company reclassified net gains from other comprehensive earnings to net earnings of \$10,145. Of this amount, \$8,092 and \$2,053 were reclassified to cost of sales and royalty expense, respectively. There were no reclassifications to earnings as a result of hedge ineffectiveness in the first quarter of 2009.

Undesignated Hedges

The Company also enters into foreign currency forward contracts to minimize the impact of changes in the fair value of intercompany loans due to foreign currency changes. Due to the short-term nature of the derivative contracts involved, the Company does not use hedge accounting for these contracts. As of March 29, 2009, the total notional amount of the Company's undesignated derivative instruments was \$38,175.

At March 29, 2009, the fair values of the Company's undesignated derivative financial instruments are recorded in prepaid expenses and other current assets in the consolidated balance sheet as follows:

Unrealized Gains	\$ 468
Unrealized Losses	(313)

Net Unrealized Gain	\$ 155
	=====

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

The Company recorded a net loss of \$402 on these instruments to other (income) expense, net for the quarter ended March 29, 2009, relating to the change in fair value of such derivatives, substantially offsetting gains from the change in fair value of intercompany loans to which the contracts relate.

For additional information related to the Company's derivative financial instruments see notes 3 and 6.

(8) Hasbro is a worldwide leader in children's and family leisure time products and services, including toys, games and licensed products ranging from traditional to high-tech and digital. The Company's segments are U.S. and Canada, International, Global Operations and Other.

The U.S. and Canada segment includes the development, marketing and selling of boys' action figures, vehicles and playsets, girls' toys, electronic toys and games, plush products, preschool toys and infant products, electronic interactive products, toy-related specialty products, traditional board games and puzzles, DVD-based games and trading card and role-playing games within the United States and Canada. Within the International segment, the Company develops, markets and sells both toy and certain game products in markets outside of the U.S. and Canada, primarily the European, Asia Pacific, and Latin and South American regions. The Global Operations segment is responsible for manufacturing and sourcing finished product for the Company's U.S. and Canada and International segments. The Company's Other segment licenses out the rights to certain of its toy and game properties in connection with the sale of non-competing toys and games and non-toy products, as well as consumer promotions and digital gaming.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain corporate expenses, the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs, including global development and marketing expenses, are allocated to segments based upon foreign exchange rates fixed at the beginning of the year, with adjustments to actual foreign exchange rates included in Corporate and eliminations. The accounting policies of the segments are the same as those referenced in Note 1.

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

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

Information by segment and a reconciliation to reported amounts for the quarters ended March 29, 2009 and March 30, 2008 are as follows.

	Quarter Ended			
	March 29, 2009		March 30, 2008	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. and Canada	\$ 404,502	2,461	428,522	4,290
International	189,192	16	248,255	196
Global Operations (a)	413	219,347	1,157	249,463
Other Segment	27,233	-	26,286	-
Corporate and eliminations	-	(221,824)	-	(253,949)
	-----	-----	-----	-----
	\$ 621,340	-	704,220	-
	=====	=====	=====	=====
		Quarter ended	Quarter ended	
		March 29, 2009	March 30, 2008	
		-----	-----	
Operating profit (loss)				
U.S. and Canada		\$ 41,550	37,311	
International		(14,471)	13,027	
Global Operations (a)		(5,443)	270	
Other Segment		13,627	12,393	
Corporate and eliminations		5,954	(1,748)	
		-----	-----	
		\$ 41,217	61,253	
		=====	=====	
		March 29, 2009	March 30, 2008	
		-----	-----	
Total assets				
U.S. and Canada		\$3,624,001	3,212,892	
International		1,193,849	1,089,948	
Global Operations		1,399,454	1,301,466	
Other Segment		279,182	201,867	
Corporate and eliminations (b)		(3,568,664)	(2,679,694)	
		-----	-----	
		\$2,927,822	3,126,479	
		=====	=====	

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

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

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

The following table presents consolidated net revenues by class of principal products for the quarters ended March 29, 2009 and March 30, 2008. Certain 2008 amounts have been reclassified to conform to the current period presentation.

	2009	2008
	-----	-----
Boys toys	\$229,064	267,179
Games and puzzles	213,087	209,668
Girls toys	111,123	149,294
Preschool toys	66,753	66,577
Other	1,313	11,502
	-----	-----
Net revenues	\$621,340	704,220
	=====	=====

(9) In April 2009, the Company announced the entry into an agreement to form a joint venture with Discovery Communications ("Discovery") to create a television network in the United States dedicated to high-quality children's and family entertainment and educational programming. Upon the closing of the transaction, the Company will purchase a 50% interest in the joint venture, which will own the DISCOVERY KIDS network in the United States. The Company will purchase the 50% interest in the joint venture from Discovery for an upfront payment of \$300,000 and certain future payments based on the value of certain tax benefits received by the Company. The transaction is expected to close during the second quarter of 2009 and is conditioned on fulfillment of the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Upon close, the Company will enter into a license agreement with the venture which will require the payment of royalties by the Company to the joint venture based on a percentage of revenue derived from products related to television shows broadcast by the joint venture. The license agreement will include a minimum royalty guarantee of \$125,000, payable in 5 annual installments of \$25,000 per year, commencing in 2009, which can be earned out over a 10-year period.

Voting control of the joint venture is shared 50/50 between the Company and Discovery. However, the Company believes that the joint venture meets the definition of a variable interest entity pursuant to Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, and that it will be the primary beneficiary and therefore will be required to consolidate the joint venture.

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

In April 2009, the Company entered into a committed 364-day borrowing facility which provides up to \$200,000 in borrowing availability. The interest rate is based on LIBOR plus an applicable margin. The facility contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations, including with respect to liens, mergers and incurrence of indebtedness.

(10) In May 2009, the Company amended its license agreement with Lucas Licensing, Ltd. ("Lucas") related to the STAR WARS brand. The amendment included the extension of the term of the license for an additional two years, from the end of 2018 to the end of 2020. The fair value of the extension of the license rights, totaling \$45,000, will be paid to Lucas and recorded as an intangible asset during the second quarter of 2009, and amortized over the term of the extension. The amendment also provides for the settlement of certain royalty audit issues, primarily related to contractual interpretations associated with the computation of royalties dating back to 1999, and the clarification of certain terms and interpretations of the agreement on a prospective basis through the end of the term, including the scope of licensed rights to future developed properties by Lucas. As of March 29, 2009, the Company had an accrual of \$ 30,000 to be paid to Lucas in the second quarter of 2009 related to the settlement of these issues, of which \$10,000 was recorded during the first quarter of 2009 as a component of royalty expense.

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

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

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

EXECUTIVE SUMMARY

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

The Company's business is primarily separated into two principal business segments, U.S. and Canada and International. The U.S. and Canada segment develops, markets and sells both toy and game products in the U.S. and Canada. The International segment consists of the Company's European, Asia Pacific and Latin and South American marketing operations, including Mexico. In addition to these two primary segments, the Company's world-wide manufacturing and product sourcing operations are managed through its Global Operations segment. The Company's Other segment is responsible for the worldwide out-licensing of the Company's intellectual properties and works closely with the U.S. and Canada and International segments on the development and out-licensing of the Company's brands.

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

The Company also seeks to drive product-related revenues by increasing the visibility of its core brands through entertainment. As an example of this, in July of 2007, the TRANSFORMERS motion picture was released and the Company developed and marketed products based on the motion picture. As a result of pairing this core brand with this type of entertainment, both the movie and the product line benefited. The Company expects to continue this strategy and anticipates increased revenues as a result of the theatrical releases of both TRANSFORMERS: REVENGE OF THE FALLEN and G.I. JOE: RISE OF COBRA motion pictures during 2009. In addition, the Company has entered into a six-year strategic relationship with Universal Pictures to produce at least four motion pictures based on certain of Hasbro's core brands. The first movie is expected to be released in 2010 or 2011, followed by anticipated releases of at least one movie per year thereafter. As part of its strategy, in addition to using theatrical entertainment, the Company continues to seek opportunities to use other entertainment outlets and forms of entertainment as a way to build awareness of its brands and broaden the ability of consumers to experience its brands.

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

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

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

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

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

While the Company remains committed to investing in the growth of its business, it also continues to be focused on reducing fixed costs through efficiencies and on profit improvement. Over the last 6 years the Company has improved its full year operating margin from 7.8% in 2002 to 12.3% in 2008. The Company reviews its operations on an ongoing basis and seeks to reduce the cost structure of its underlying business and promote efficiency. The Company is also investing to grow its business in emerging markets. In 2008, the Company expanded its operations in China, Brazil, Russia, Korea and the Czech Republic. In addition, the Company is seeking to grow its business in entertainment and digital gaming, and will continue to evaluate strategic alliances and acquisitions which may complement its current product offerings, allow it entry into an area which is adjacent to and complementary to the toy and game business, or allow it to further develop awareness of its brands and expand the ability of consumers to experience its brands in different forms of media. For example, in January of 2008, the Company acquired Cranium, Inc., a developer and marketer of CRANIUM branded games and related products. In the second quarter of 2008, the Company acquired the rights to TRIVIAL PURSUIT, a brand which the Company had previously licensed on a long-term basis. Ownership of the rights will allow the Company to further leverage the brand in different media.

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

In recent years, the Company has been seeking to return excess cash to its shareholders through share repurchases and dividends. As part of this initiative, over the last four years, the Company's Board of Directors (the "Board") has adopted four share repurchase authorizations with a cumulative authorized repurchase amount of \$1,700,000. After fully exhausting the prior three authorizations, the fourth authorization was approved on February 7, 2008 for \$500,000. During the first quarter of 2009, there were no repurchases of common stock under these authorizations. For the years ended 2008, 2007 and 2006, the Company spent \$357,589, \$587,004 and \$456,744, respectively, to repurchase 11,736, 20,795 and 22,767 shares, respectively, in the open market. The Company intends to, at its discretion, opportunistically repurchase shares in the future subject to market conditions and the Company's uses of cash. At March 29, 2009, the Company had \$252,364 remaining under the February 2008 authorization.

During the first quarter of 2009, the Company continued to be negatively impacted by both the strengthening of the U.S. dollar relative to foreign currencies as well as the weakened overall economic conditions in 2009 compared to 2008. Accordingly, the Company has sought to mitigate the impact of these conditions by instituting a variety of cost control initiatives, including salary freezes, limitations on new hires, and an effort to reduce its overall SKU count. As of March 29, 2009 the Company had \$590,388 in cash and cash equivalents and had available capacity, if needed, under its revolving credit agreement. In connection with the announcement of a joint venture agreement with Discovery in April 2009, the Company has committed to a \$300,000 initial investment to purchase its 50% share of the joint venture. The Company intends to initially fund its investment through cash on hand, availability under its existing borrowing facilities, and/or the offering of debt. The Company has also entered into a 364-day borrowing facility which provides up to \$200,000 in borrowing availability which it may utilize for liquidity during its peak working capital period. The Company currently has an open authorization from its Board of Directors to issue up to \$425,000 of additional long-term debt. The Company may seek to utilize some or all of this debt authorization during 2009, subject to market conditions. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through its available lines of credit, accounts receivable securitization program and other borrowing facilities are adequate to meet its working capital needs for the remainder of 2009.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
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SUMMARY OF FINANCIAL PERFORMANCE

The components of the results of operations, stated as a percent of net revenues, are illustrated below for the quarters ended March 29, 2009 and March 30, 2008.

	2009	2008
	-----	-----
Net revenues	100.0 %	100.0 %
Cost of sales	39.4	38.5
	-----	-----
Gross profit	60.6	61.5
Amortization	3.2	2.7
Royalties	8.8	8.3
Research and product development	6.0	5.9
Advertising	10.0	10.9
Selling, distribution and administration	26.0	25.0
	-----	-----
Operating profit	6.6	8.7
Interest expense	1.5	1.6
Interest income	(0.2)	(1.1)
Other (income) expense, net	0.7	0.3
	-----	-----
Earnings before income taxes	4.6	7.9
Income taxes	1.4	2.6
	-----	-----
Net earnings	3.2 %	5.3 %
	=====	=====

RESULTS OF OPERATIONS

The quarters ended March 29, 2009 and March 30, 2008 were both 13-week periods. Net earnings for the first quarter of 2009 were \$19,730, compared to \$37,470 for the first quarter of 2008. Basic and diluted earnings per share for the first quarter of 2009 were each \$0.14 compared to basic and diluted earnings per share in the first quarter of 2008 of \$0.26 and \$0.25, respectively. Consolidated net revenues for the quarter ended March 29, 2009 decreased 12% to \$621,340 compared to \$704,220 for the quarter ended March 30, 2008. Consolidated net revenues were negatively impacted by foreign currency translation in the amount of \$40,200 as the result of the stronger U.S. dollar in 2009. Operating profit for the quarter ended March 29, 2009 was \$41,217 compared to \$61,253 for the quarter ended March 30, 2008.

In January 2008 the Company acquired Cranium, Inc. ("Cranium"). The results of operations for the first quarter of 2008 include the operations of Cranium from the acquisition closing date of January 25, 2008.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
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Most of the Company's revenues and operating profit are derived from its two principal segments: the U.S. and Canada segment and the International segment, which are discussed in detail below. The following table presents net external revenues and operating profit data for the Company's two principal segments for the first quarter of fiscal years 2009 and 2008.

	2009 -----	2008 -----	% Change -----
Net Revenues			
U.S. and Canada segment	\$404,502	428,522	-6 %
International segment	189,192	248,255	-24 %
Operating Profit (Loss)			
U.S. and Canada segment	\$ 41,550	37,311	11 %
International segment	(14,471)	13,027	-211 %

U.S. AND CANADA SEGMENT

The U.S. and Canada segment's net revenues for the quarter ended March 29, 2009 decreased 6% to \$404,502 from \$428,522 for the quarter ended March 30, 2008. U.S. and Canada segment net revenues were negatively impacted by currency translation of approximately \$4,100 as the result of the stronger U.S. dollar in the first quarter of 2009. The decrease in net revenues was primarily the result of decreased product sales in the girls' toys and boys' toys categories, primarily relating to LITTLEST PET SHOP and TRANSFORMERS products, respectively. Although revenues from LITTLEST PET SHOP and TRANSFORMERS products decreased, these lines remained significant contributors to U.S. and Canada segment net revenues in the first quarter of 2009. The overall decrease in revenues in the boy's toys category was partially mitigated by increased sales of NERF and STAR WARS products. Revenues from the games and puzzles category increased in the first quarter of 2009 compared to the first quarter of 2008 as a result of increased sales of traditional board games including SORRY, CONNECT 4 and OPERATION. In addition, revenues in the preschool category also increased, driven by increased sales of PLAY DOH and TONKA products, and to a lesser extent, PLAYSKOOL products.

U.S. and Canada segment operating profit increased to \$41,550 for the quarter ended March 29, 2009 compared to \$37,311 for the quarter ended March 30, 2008. Decreased gross profit as a result of lower revenues in the first quarter of 2009 was more than offset by lower levels of expenses, primarily royalties, advertising, and selling, distribution and administrative. The decrease in royalties primarily reflects decreased sales of entertainment-based products, primarily TRANSFORMERS. Decreased selling, distribution and administrative expenses reflect lower shipping and distribution costs associated with decreased revenues and lower fixed costs in the first quarter of 2009.

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INTERNATIONAL SEGMENT

International segment net revenues decreased by 24% to \$189,192 for the quarter ended March 29, 2009 from \$248,255 for the quarter March 30, 2008. International segment net revenues were negatively impacted by currency translation of approximately \$36,100, as the result of the stronger U.S. dollar in the first quarter of 2009. The decrease in net revenues for the quarter was primarily the result of decreased product sales in the boys' toys category driven by decreased sales of TRANSFORMERS and ACTION MAN products and decreased revenues in the games and puzzles categories as a result of decreased sales of board games, including MONOPOLY and TRIVIAL PURSUIT. Net revenues were also negatively impacted by decreased revenues in the girls' toys and preschool categories, primarily as a result of decreased sales of MY LITTLE PONY and IN THE NIGHT GARDEN products, respectively.

International segment operating loss was \$14,471 for the quarter ended March 29, 2009 compared to an operating profit of \$13,027 for the quarter ended March 30, 2008. For the quarter ended March 29, 2009, International segment operating profit was positively impacted by currency translation of approximately \$4,400. The decrease in operating profit for the quarter was due to the decline in revenue as well as the impact of unhedged U.S. dollar denominated costs, primarily resulting from the weakening of the Mexican peso. In addition, international operating profit in 2008 was positively impacted by the recognition of a pension surplus in the United Kingdom of approximately \$6,000.

GROSS PROFIT

The Company's gross profit margin decreased to 60.6% for the quarter ended March 29, 2009 from 61.5% for the quarter ended March 30, 2008. This decrease was primarily due to the mix of products sold in the first quarter of 2009 as compared to the first quarter of 2008, as well as lower royalty income in the first quarter of 2009.

EXPENSES

The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the quarters ended March 29, 2009 and March 30, 2008.

	2009	2008
	-----	-----
Amortization	3.2%	2.7%
Royalties	8.8	8.3
Research and product development	6.0	5.9
Advertising	10.0	10.9
Selling, distribution and administration	26.0	25.0

Amortization expense increased to \$19,887, or 3.2% of net revenues in the first quarter of 2009 from \$18,438 or 2.7% of net revenues in the first quarter of 2008. The increase is primarily the result of the acquisition of Cranium in January 2008 and the purchase of the intellectual property rights related to Trivial Pursuit in the second quarter of 2008. Property rights of \$68,500 and \$80,800 were recorded as a result of the Cranium acquisition and the purchase of Trivial Pursuit, respectively, and are each being amortized over fifteen years.

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Royalty expense for the quarter ended March 29, 2009 decreased in dollars to \$54,453 from \$58,422 for the quarter ended March 30, 2008, but increased as a percentage of net revenues to 8.8% of net revenues in 2009 from 8.3% of net revenues in 2008. Absent the effect of foreign exchange in the quarter ended March 29, 2009, royalty expense increased slightly in dollars, and included costs associated with a royalty audit.

Research and product development expenses for the quarter ended March 29, 2009 decreased in dollars to \$37,131 from \$41,770 for the quarter ended March 30, 2008, but remained consistent at 6.0% of net revenues in 2009 compared to 5.9% of net revenues in 2008.

Advertising expense for the quarter ended March 29, 2009 decreased to \$62,309, or 10.0% of net revenues compared to \$76,983, or 10.9% of net revenues for the quarter ended March 30, 2008. The decrease for the quarter is primarily the result of decreased sales volume and the impact of foreign exchange. In addition, in years in which the Company expects significant sales of products related to major motion picture releases, such as in 2009, advertising expense as a percentage of revenue is generally lower.

For the quarter ended March 29, 2009, the Company's selling, distribution and administration expenses were \$161,590 or 26.0% compared to \$176,193 or 25.0% for the quarter ended March 30, 2008. The decrease in dollars for the quarter reflects the impact of foreign exchange and, to a lesser extent, decreased shipping and distribution costs associated with decreased sales volume. In addition, selling, distribution and administration expense in 2008 was positively impacted by the recognition of a pension surplus in the United Kingdom of approximately \$6,000.

NONOPERATING (INCOME) EXPENSE

Interest expense for the first quarter of 2009 was \$9,715 compared with \$11,428 in the first quarter of 2008. The decrease for the quarter was the result of lower average borrowings in 2009 primarily as a result of the repayment of \$135,092 of notes in July 2008.

Interest income for the quarter ended March 29, 2009 was \$1,265 compared to \$7,706 for the quarter ended March 30, 2008. The decrease in interest income for the quarter was primarily the result of lower returns on invested cash as well as lower average invested balances. Other (income) expense, net, was \$4,180 for the first quarter of 2009, compared to \$1,861 for the first quarter of 2008. The 2008 results included a gain on the sale of an investment of approximately \$1,100.

INCOME TAXES

Income tax expense totaled 31.0% of pretax earnings in the first quarter of 2009 compared with 32.7% in the first quarter of 2008. Both quarterly rates are impacted by certain discrete tax events, primarily the accrual of interest and penalties on uncertain tax positions. Absent these items the first quarter 2009 effective tax rate would have been 29.1% compared with 31.3% for the first quarter 2008. The decrease in the adjusted rate to 29.1% from 31.3% primarily reflects the decision to reinvest 2009 international earnings outside the U.S.

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The first quarter of 2009 adjusted income tax rate of 29.1% compares to an adjusted 2008 full year income tax rate of 32.8%. The adjusted 2008 full year income tax rate excludes certain discrete events, the accrual for potential interest and penalties on uncertain tax positions and the impact of dividend repatriation. The decrease in the adjusted first quarter of 2009 income tax rate to 29.1% compared with the adjusted full year 2008 income tax rate of 32.8% is primarily due to the decision to reinvest 2009 international earnings outside the U.S.

OTHER INFORMATION

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

The toy and game business is characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of product lines, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which we have product licenses, and changes in overall economic conditions. As a result, comparisons of our unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of our expected sales for that year. Moreover, quick response inventory management practices result in fewer orders being placed significantly in advance of shipment and more orders being placed for immediate delivery. Unshipped orders at March 29, 2009 and March 30, 2008 were approximately \$318,600 and \$314,400, respectively. It is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog of unshipped orders at any date in a given year can also be affected by programs that we may employ to incent customers to place orders and accept shipments early in the year. These programs follow general industry practices.

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

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In April 2009, the FASB issued FASB Staff Position No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly", ("FSP FAS 157-4"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased and on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of FSP FAS 157-4 is not expected to have an impact on the Company's statements of operations or statement of financial position.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments", ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 requires disclosures about fair value of financial instruments for interim reporting periods as well as annual financial statements for any financial instruments that are not reflected on the balance sheet at fair value. FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. The disclosures required by FSP FAS 107-1 and APB 28-1 will be applicable for the Company in the second quarter of 2009.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2008, the Company funded its operations and liquidity needs primarily through cash flows from operations, and, when needed, using borrowings under its available lines of credit and proceeds from its accounts receivable securitization program. During the first quarter of 2009, the Company has continued to fund its working capital needs primarily through cash flows from operations and, when needed, using borrowings under its available lines of credit and proceeds from its accounts receivable securitization program. The Company believes that the funds available to it, including cash expected to be generated from operations and funds available through its available lines of credit and accounts receivable securitization program are adequate to meet its working capital needs for the remainder of 2009, however, unexpected events or circumstances such as material operating losses or increased capital or other expenditures may reduce or eliminate the availability of external financial resources. In addition, significant disruptions to credit markets may also reduce or eliminate the availability of external financial resources. Although we believe the risk of nonperformance by the counterparties to our financial facilities is not significant, in times of severe economic downturn in the credit markets it is possible that one or more sources of external financing may be unable or unwilling to provide funding to us.

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

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Net cash utilized by operating activities in the first quarter of 2009 was \$22,657 compared to net cash provided of \$153,852 in the first quarter of 2008. Net cash utilized in 2009 as compared to net cash provided in 2008 reflects lower 2009 net earnings, decreased collections of accounts receivable as a result of lower sales in the first quarter of 2009 and the fourth quarter of 2008, increased royalty payments as a result of the utilization of the remaining Lucas prepaid royalty advance in the third quarter of 2008 and a \$50,000 guaranteed royalty payment to Marvel in the first quarter of 2009 related to the extension of the current agreement from the end of 2011 through the end of 2017.

Accounts receivable decreased to \$365,037 at March 29, 2009 from \$388,693 at March 30, 2008. The accounts receivable balance at March 29, 2009 includes a decrease of approximately \$36,900 as a result of the strengthening of the U.S. dollar. Absent the impact of foreign exchange, accounts receivable increased approximately \$13,200 as a result of increased sales occurring later in the quarter. Days sales outstanding increased to 53 days at March 29, 2009 compared to 50 days at March 30, 2008.

Inventories increased to \$295,248 at March 29, 2009 from \$291,199 at March 30, 2008. The inventory balance at March 29, 2009 includes a decrease of approximately \$33,900 as a result of the strengthening of the U.S. dollar. The increase in inventories, excluding the impact of foreign exchange, reflects overall lower revenues in the first quarter of 2009 as well as higher levels in Mexico and Latin America, which includes the impact of the Company's operations in Brazil, which did not have inventory at March 30, 2008.

Prepaid expenses and other current assets decreased to \$199,147 at March 29, 2009 compared to \$210,739 at March 30, 2008. This decrease is primarily due to a decrease in the current portion of the Marvel royalty advance as well as the utilization of the remainder of the Lucas prepaid royalty advance during the third quarter of 2008. 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. At March 29, 2009, the Company had prepaid royalties related to the Marvel license in both current and non-current assets. Each reporting period, the Company reflects as current prepaid expense the amount of royalties it expects to recognize in the statement of operations in the upcoming twelve months. The decrease as a result of the decrease in prepaid royalties was partially offset by an increase in the value of the Company's outstanding foreign currency contracts as a result of the strengthening of the U.S. dollar.

Accounts payable and accrued expenses decreased to \$525,536 at March 29, 2009 from \$589,321 at March 30, 2008. The accounts payable and accrued expenses balance includes a decrease of approximately \$22,200 as a result of the strengthening of the U.S. dollar. The remaining decrease is primarily due to a decrease in accounts payable primarily due to lower levels of inventory purchases. In addition, as of March 30, 2008, the Company's foreign currency forward contracts were in a loss position and were recorded as a liability at fair value on the statement of financial position. At March 29, 2009, the Company's foreign currency contracts were in a gain position and, accordingly, are recorded at fair value as an asset on the statement of financial position. These decreases were partially offset by an increase in accrued royalties, primarily as a result of the utilization of the remainder of the Lucas prepaid royalty advance in the third quarter of 2008.

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Collectively, property, plant and equipment and other assets at March 29, 2009 increased \$74,334 from March 30, 2008. The increase is primarily the result of an increase in the value of the Company's outstanding foreign currency contracts as a result of the strengthening of the U.S. dollar and an increase in long-term prepaid royalty advances as a result of a \$50,000 guaranteed royalty payment to Marvel in the first quarter of 2009. These increases were partially offset by a decrease in long-term pension plan assets. In 2008, the Company's U.S. pension plans' assets exceeded the estimated pension obligation and, as such, an asset was recognized on the statement of financial position at March 30, 2008. In 2009, as a result of the decrease in the market value of the plans' assets due to the overall market decline the estimated pension obligation exceeds the value of the plans' assets and accordingly a liability has been recognized in the statement of financial position at March 29, 2009. The increase in intangible assets of approximately \$80,800 as a result of the TRIVIAL PURSUIT acquisition in the second quarter of 2008 was largely offset by amortization expense in the last three quarters of 2008 and the first quarter of 2009.

At March 29, 2009, cash and cash equivalents, net of short-term borrowings, were \$544,672 compared to \$660,931 at March 30, 2008. The decrease over the last twelve months reflects cash expenditures of approximately \$208,200 to repurchase shares of the Company's common stock, \$80,800 in cash used to purchase the intellectual property rights related to the Trivial Pursuit brand in the second quarter of fiscal 2008, dividends paid of approximately \$112,000, the repayment of \$135,092 of long-term debt in July 2008 and a \$50,000 guaranteed royalty payment to Marvel in the first quarter of 2009 related to the extension of the current agreement from the end of 2011 through the end of 2017. These decreases were partially offset by cash generated from operations, excluding the \$50,000 guaranteed royalty payment to Marvel in the first quarter of 2009, of approximately \$467,000.

Net cash utilized by investing activities was \$23,490 in the first quarter of 2009 compared to \$94,212 in the first quarter of 2008. The first quarter 2008 utilization includes approximately \$67,000 in cash, net of cash acquired, used to acquire Cranium, Inc. in January 2008. Additions to property, plant and equipment were \$24,535 in 2009 compared to \$24,764 in 2008.

Net cash provided by financing activities was \$11,304 in the first quarter of 2009 compared to net cash utilized of \$4,360 in the first quarter of 2008. The 2008 utilization reflects cash payments related to purchases of the Company's common stock of \$151,997. There were no repurchases of the Company's common stock in the first quarter of 2009. Proceeds from short-term borrowings decreased to \$37,256 in 2009 from \$159,829 in 2008 reflecting higher short-term borrowings in 2008 to fund repurchases of the Company's common stock and the acquisition of Cranium. Proceeds from stock option transactions decreased to \$814 in the first quarter of 2009 compared to \$10,245 in the first quarter of 2008 reflecting lower stock option exercises attributed to the overall lower Company stock price during the first quarter of 2009 compared to the first quarter of 2008. Dividends paid increased to \$27,854 in 2009 from \$22,917 in 2008 due to an increase in the dividend rate, partially offset by a lower number of shares outstanding due to the Company's share repurchase program. In February 2008 the Company's Board of Directors authorized the repurchase of an additional \$500,000 of the Company's common stock after three previous authorizations dated May 2005, July 2006 and August 2007 with a cumulative authorized repurchase amount of \$1,200,000 were fully utilized. At March 29, 2009, the Company had \$252,364 remaining available under the February 2008 authorization.

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The Company has a revolving credit agreement (the "Agreement"), which provides it with a \$300,000 committed borrowing facility. The Company has the ability to request increases in the committed facility in additional increments of at least \$50,000, subject to lender agreement, up to a total committed facility of \$500,000. The agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Company was in compliance with all covenants as of and for the quarter ended March 29, 2009. The Company had borrowings of \$35,000 outstanding under its committed revolving credit facility at March 29, 2009. In addition, the Company has letters of credit outstanding under this facility of approximately \$1,400 at March 29, 2009. Amounts available and unused under the committed line at March 29, 2009 were approximately \$263,600. The Company also has other uncommitted lines from various banks, of which approximately \$30,300 was utilized at March 29, 2009. Of the amount utilized under the uncommitted lines, approximately \$10,700 and \$19,600 represent outstanding borrowings and letters of credit, respectively.

The Company is party to an accounts receivable securitization program whereby the Company sells, on an ongoing basis, substantially all of its U.S. trade accounts receivable to a bankruptcy remote special purpose entity, Hasbro Receivables Funding, LLC ("HRF"). HRF is consolidated with the Company for financial reporting purposes. The securitization program then allows HRF to sell, on a revolving basis, an undivided interest of up to \$250,000 in the eligible receivables it holds to certain bank conduits. During the period from the first day of the October fiscal month through the last day of the following January fiscal month, this limit is increased to \$300,000. The program provides the Company with a source of working capital. Based on the amount of eligible accounts receivable as of March 29, 2009, the Company had availability under this program to sell approximately \$157,800, of which approximately \$100,000 was utilized.

The Company has principal amounts of long-term debt at March 29, 2009 of \$709,723 due at varying times from 2017 through 2028. The Company also had letters of credit and other similar instruments of approximately \$108,500 and purchase commitments of \$314,948 outstanding at March 29, 2009. Letters of credit and similar instruments include \$87,484 related to the defense of tax assessments in Mexico. These assessments relate to transfer pricing that the Company is defending and expects to be successful in sustaining its position. The Company currently has an open authorization from its Board of Directors to issue up to an additional \$425,000 of long-term debt.

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In February 2009, the Company entered into an agreement with Marvel that resulted in the extension of the current agreement from the end of 2011 through the end of 2017. The extended agreement includes an additional \$100,000 in minimum guaranteed royalties, with the potential for up to an additional \$140,000 in guaranteed royalties contingent upon the release by Marvel of certain MARVEL character-based theatrical releases that meet certain defined criteria. Other contractual obligations and commercial commitments, as detailed in the Company's annual report on Form 10-K for the year ended December 28, 2008, did not materially change outside of payments made in the normal course of business. The table detailed in the Company's annual report on Form 10-K does not include certain tax liabilities recorded in accordance with FASB Interpretation No. 48 because the Company does not know the ultimate resolution of these liabilities and as such, does not know the ultimate timing of payments related to these liabilities. These liabilities were \$93,899 and \$70,257 at March 29, 2009 and March 30, 2008, respectively, and are included as a component of other liabilities in the accompanying consolidated balance sheets.

In April 2009, the Company announced the entry into an agreement to form a joint venture with Discovery Communications ("Discovery") to create a television network in the United States dedicated to high-quality children's and family entertainment and educational programming. Upon closing of the transaction, the Company will purchase a 50% interest in the joint venture, which will own the DISCOVERY KIDS network in the United States. The Company will purchase the 50% interest in the joint venture from Discovery for an upfront payment of \$300,000 and certain future payments based on the value of certain tax benefits received by the Company. The transaction is expected to occur during the second quarter of 2009 and is conditioned on fulfillment of the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Upon close, the Company will enter into a license agreement with the joint venture which will require the payment of royalties by the Company to the joint venture based on a percentage of revenue derived from products related to television shows broadcast by the venture. The license agreement will include a minimum royalty guarantee of \$125,000, payable in 5 annual installments of \$25,000 per year, commencing in 2009, which can be earned out over a 10-year period. Voting control of the joint venture is shared 50/50 between the Company and Discovery. However, the Company believes that the venture meets the definition of a variable interest entity pursuant to Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, and that it will be the primary beneficiary and therefore will be required to consolidate the joint venture.

In April 2009, the Company entered into a committed 364-day borrowing facility which provides up to \$200,000 in borrowing availability. The interest rate is based on LIBOR plus an applicable margin. The facility contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations, including with respect to liens, mergers and incurrence of indebtedness.

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In May 2009, the Company amended its license agreement with Lucas Licensing, Ltd. ("Lucas") related to the STAR WARS brand. The amendment included the extension of the term of the license for an additional two years, from the end of 2018 to the end of 2020. The fair value of the extension of the license rights, totaling \$45,000, will be paid to Lucas and recorded as an intangible asset during the second quarter of 2009, and amortized over the term of the extension. The amendment also provides for the settlement of certain royalty audit issues, primarily related to contractual interpretations associated with the computation of royalties dating back to 1999, and the clarification of certain terms and interpretations of the agreement on a prospective basis through the end of the term, including the scope of licensed rights to future developed properties by Lucas. As of March 29, 2009, the Company had an accrual of \$30,000 to be paid to Lucas in the second quarter of 2009 related to the settlement of these issues, of which \$10,000 was recorded during the first quarter of 2009 as a component of royalty expense.

At March 29, 2009, the Company has outstanding \$249,828 in principal amount of senior convertible debentures due 2021. The senior convertible debentures bear interest at 2.75%, which could be subject to an upward adjustment in the rate, not to exceed 11%, should the price of the Company's common stock trade at or below \$9.72 per share for 20 of 30 trading days preceding the fifth day prior to an interest payment date. This contingent interest feature represents a derivative instrument that is recorded on the balance sheet at its fair value, with changes in fair value recognized in the statement of operations. If the closing price of the Company's common stock exceeds \$23.76 for at least 20 trading days within the 30 consecutive trading day period ending on the last trading day of the calendar quarter, or upon other specified events, the debentures will be convertible at an initial conversion price of \$21.60 in the next calendar quarter. At December 31, 2008 this conversion feature was met and the debentures were convertible during the first quarter of 2009. There were no debentures converted during the first quarter of 2009. At March 29, 2009, this contingent feature was not met and the debentures will not be convertible through June 30, 2009, at which time the requirements of the conversion feature will be reevaluated. In addition, if the closing price of the Company's common stock exceeds \$27.00 for at least 20 trading days in any 30 day period, the Company has the right to call the debentures by giving notice to the holders of the debentures. During a prescribed notice period, the holders of the debentures have the right to convert their debentures in accordance with the conversion terms described above. At certain times during the first quarter of 2009, based on the Company's common stock price, the Company had the right to call the debentures under this provision. As of March 29, 2009, the Company did not have the right to call the debentures. The Company believes a call would result in conversion by the holders of the debentures and issuance of the shares, thereby increasing the number of shares outstanding. Thus far, based on the Company's targeted capital structure and the low cost of the debentures, when the debentures have been callable the Company has believed that it was more economically beneficial for it to not exercise its right to call the debentures. Currently, this economic benefit includes a lower cash cost of paying interest on the debentures than the Company would pay in dividends on the incremental number of shares that would be outstanding. The Company will continue to assess, at times when it is available, the desirability of exercising the call option in the future based on the then existing economic circumstances and the Company's business objectives.

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The holders of these debentures may also put the notes back to Hasbro in December 2011 and December 2016 at the original principal amount. At that time, the purchase price may be paid in cash, shares of common stock or a combination of the two, at the Company's discretion. While the Company's current intent is to settle in cash any puts exercised, there can be no guarantee that the Company will have the funds necessary to settle this obligation in cash.

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

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include sales allowances, recoverability of goodwill and intangible assets, recoverability of royalty advances and commitments, pension costs and obligations, stock-based compensation and income taxes. These critical accounting policies are the same as those detailed in the Annual Report on Form 10-K for the year ended December 28, 2008.

FINANCIAL RISK MANAGEMENT

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

To manage this exposure, the Company has hedged a portion of its forecasted foreign currency transactions for fiscal years 2009 through 2011 using foreign exchange forward contracts. The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in currencies other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company's revenues and costs have been, and will likely continue to be, affected by changes in foreign currency rates. A significant change in foreign exchange rates can materially impact the Company's revenues and earnings due to translation of foreign revenues and costs. The Company does not hedge against translation impacts of foreign exchange. From time to time, affiliates of the Company may make or receive intercompany loans in 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.

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The Company reflects all derivatives at their fair value as an asset or liability on the balance sheet. The Company does not speculate in foreign currency exchange contracts. At March 29, 2009, these contracts had unrealized gains of \$86,469, of which \$37,685 are recorded in prepaid expenses and other current assets and \$48,784 are recorded in other assets. Included in accumulated other comprehensive income at March 29, 2009 are deferred gains, net of tax, of \$77,497.

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 March 29, 2009. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended March 29, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company has outstanding tax assessments from the Mexican tax authorities relating to the years 2000, 2001, 2002 and 2003. These tax assessments are based on transfer pricing issues between the Company's subsidiaries with respect to the Company's operations in Mexico. The Company has entered an Administrative Appeal contesting the 2000 and 2001 assessments and the Company filed suit in the Federal Tribunal of Fiscal and Administrative Justice in Mexico challenging the 2002 and 2003 assessments. The Company expects to be successful in sustaining its positions for all of these years. However, in order to challenge these outstanding tax assessments, as is usual and customary in Mexico in these matters, the Company was required to either make a deposit or post a bond in the full amount of the assessments. The Company elected to post a bond and accordingly, as of March 29, 2009, bonds totaling approximately \$87.5 million (at March 29, 2009 exchange rates) have been posted related to the 2000, 2001, 2002 and 2003 assessments. These bonds guarantee the full amounts of the outstanding tax assessments in the event the Company is not successful in its challenge to them.

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

Item 1A. Risk Factors.

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

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

- the Company's ability to manufacture, source and ship new and continuing products in a timely and cost-effective basis and customers' and consumers' acceptance and purchase of those products in quantities and at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs;
- recessions or other economic downturns which negatively impact the retail and credit markets, and the financial health of the Company's retail customers and consumers, and which can result in lower employment levels, less consumer disposable income, lower consumer confidence and, as a consequence, lower consumer spending, including lower spending on purchases of the Company's products;
- other economic and public health conditions in the various markets in which the Company and its customers and suppliers operate throughout the world, which impact the Company's ability and cost to manufacture and deliver products, such as higher fuel and other commodity prices, higher labor costs, higher transportation costs, outbreaks of SARs, bird flu or other diseases which affect public health and the movement of people

and goods, and other factors, including government regulations, which can create potential manufacturing and transportation delays or impact costs;

- currency fluctuations, including movements in foreign exchange rates, which can lower the Company's net revenues and earnings, and significantly impact the Company's costs;
- the concentration of the Company's customers;
- the Company's ability to generate sales during the fourth quarter, particularly during the relatively brief holiday shopping season, which is the period in which the Company derives a substantial portion of its revenues;
- the inventory policies of the Company's retail customers, including the concentration of the Company's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management techniques, which increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules;
- work stoppages, slowdowns or strikes, which may impact the Company's ability to manufacture or deliver product in a timely and cost-effective manner;
- concentration of manufacturing of many of the Company's products in the People's Republic of China and the associated impact to the Company of health conditions and other factors affecting social and economic activity in China, affecting the movement of people and products into and out of China, impacting the cost of producing products in China and the cost of exporting them to the Company's other markets or affecting the exchange rates for the Chinese Renminbi, including, without limitation, the impact of tariffs or other trade restrictions being imposed upon goods manufactured in China;
- the costs of complying with product safety and consumer protection requirements worldwide, including the risk that greater regulation in the future may increase such costs, may require changes in the Company's products and/or may impact the Company's ability to sell some products in particular markets in the absence of making changes to such products;
- the risk that one of the Company's third-party manufacturers will not comply with the labor, consumer, product safety or other aspects of the Company's Global Business Ethics Principles and that such noncompliance will not be immediately detected which could cause damage to the Company's reputation, harm sales of its products and potentially create liability for the Company;
- an adverse change in purchasing policies or the bankruptcy or other lack of success of one or more of the Company's significant retailers comprising its relatively concentrated retail customer base, which could negatively impact the Company's revenues or bad debt exposure;
- the risk that the market appeal of the Company's licensed products will be less than expected or that sales revenue generated by these products will be insufficient to cover the minimum guaranteed royalties;
- the risk that the Company may face product recalls or product liability suits relating to products it manufactures or distributes; which may have significant direct costs to the Company and which may also harm the reputation of the Company and its products, potentially harming future product sales;
- the impact of competition on revenues, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the Company's ability to obtain and enforce intellectual property rights both in the United States and other worldwide territories;

- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense and result in significant fines or other harm to the Company's business;
- the Company's ability to obtain external financing on terms acceptable to it in order to meet working capital needs;
- the risk that one or more of the counterparties to the Company's financing arrangements may experience financial difficulties or otherwise be unable or unwilling to allow the Company to access financing under such arrangements;
- the Company's ability to generate sufficient available cash flow to service its outstanding debt;
- restrictions that the Company is subject to under its credit agreement;
- unforeseen circumstances, such as severe softness in or collapse of the retail environment that may result in a significant decline in revenues and operating results of the Company, thereby causing the Company to be in non-compliance with its debt covenants and the Company being unable to utilize borrowings under its revolving credit facility, a circumstance likely to occur when operating shortfalls would result in the Company being in the greatest need of such supplementary borrowings;
- market conditions, third party actions or approvals, the impact of competition and other factors that could delay or increase the cost of implementation of the Company's programs, or alter the Company's actions and reduce actual results;
- the risk that the Company may be subject to governmental sanctions for failure to comply with applicable regulations
- the risk that the Company's reported goodwill may become impaired, requiring the Company to take a charge against its income;
- other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC, such as filings on Forms 8-K, 10-Q and 10-K.

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

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

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

There were no repurchases made by the Company in the first quarter of 2009. At March 29, 2009, \$252,364,317 remained available under the above authorization.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Effective May 6, 2009, the Company amended its license agreement with Lucas Licensing, Ltd. ("Lucas") related to the STAR WARS brand. The amendment included the extension of the term of the license for an additional two years, from the end of 2018 to the end of 2020. The fair value of the extension of the license rights, totaling \$45,000, will be paid to Lucas and recorded as an intangible asset during the second quarter of 2009, and amortized over the term of the extension. The amendment also provides for the settlement of certain royalty audit issues, primarily related to contractual interpretations associated with the computation of royalties dating back to 1999, and the clarification of certain terms and interpretations of the agreement on a prospective basis through the end of the term, including the scope of licensed rights to future developed properties by Lucas. As of March 29, 2009, the Company had an accrual of \$30,000 to be paid to Lucas in the second quarter of 2009 related to the settlement of these issues, of which \$10,000 was recorded during the first quarter of 2009 as a component of royalty expense.

Item 6. Exhibits.

- 3.1 Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.2 Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.3 Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
- 3.4 Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 1-6682.)
- 3.5 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
- 3.6 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)
- 4.1 Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
- 4.2 Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b) (i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, File No. 1-6682.)
- 4.3 Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)
- 4.4 First Supplemental Indenture, dated as of September 17, 2007, between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)

Item 6. Exhibits (continued)

- 4.5 Revolving Credit Agreement, dated as of June 23, 2006, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A. Citibank, N.A., Citizens Bank of Massachusetts, Commerzbank AG, New York and Grand Cayman Branches, BNP Paribas, Banc of America Securities LLC and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 23, 2006, File No. 1-6682.)
- 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 fiscal year ended December 31, 2000, File No. 1-6682.)
- 4.8 Second Amendment to Rights Agreement, dated as of February 13, 2007, between the Company and Computershare Trust Company N.A. as the Rights Agent. (Incorporated by reference to Exhibit 4(g) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 1-6682.)
- 10.1 Hasbro, Inc. 2009 Management Incentive Plan
- 10.2 License Agreement, dated February 17, 2009, by and between Hasbro, Inc., Marvel Characters B.V. 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.)
- 12 Computation of Ratio of Earnings to Fixed Charges
Quarter Ended March 29, 2009.
- 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.

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 7, 2009

By: /s/ David D.R. Hargreaves

David D. R. Hargreaves
Chief Operating Officer 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 March 29, 2009

Exhibit Index

Exhibit No. -----	Exhibits -----
3.1	Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
3.2	Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
3.3	Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
3.4	Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, File No. 1-6682.)
3.5	Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
3.6	Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No 1-6682.)
4.1	Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
4.2	Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b) (i) to the Company's Annual Report on Form 10-K for the year ended December 26, 1999, File No. 1-6682.)
4.3	Indenture, dated as of November 30, 2001, by and between the Company and The Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 333-83250, filed February 22, 2002.)

- 4.4 First Supplemental Indenture, dated as of September 17, 2007, between the Company and the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)
- 4.5 Revolving Credit Agreement, dated as of June 23, 2006, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A. Citibank, N.A., Citizens Bank of Massachusetts, Commerzbank AG, New York and Grand Cayman Branches, BNP Paribas, Banc of America Securities LLC and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 23, 2006, File No. 1-6682.)
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Hasbro, Inc.

Management Incentive Plan 2009

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 (net revenues), operating margin and returns (free cash flow) 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

No individual officer or employee of the Company has any legal entitlement to participate in the MIP or to receive an award under the MIP.

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 Company's method of job evaluation as appropriate. Worldwide employees in positions classified in broad bands 30 and above generally will be eligible to participate.

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

1.3.2 Exclusion of Senior Management Performance Plan Participants

Notwithstanding any of the above, those executive officers of Hasbro, Inc. who are identified as participants under the Company's 2004 Senior Management Annual Performance Plan (or any successor shareholder approved bonus plan) are not eligible to participate in the MIP. However, executive officers who are not identified as participants in the 2004 Senior Management Annual Performance Plan (or a successor plan) are eligible to participate in the Plan.

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 for employees below band WW80 is 200% of the target award. As is provided in Section 3.3.3 of the Plan, the maximum award for employees in band WW80 or above is 300% of the target award.

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

<u>WW Band</u>	<u>Target</u>
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 2009

3.1 Establishing Company and Business Unit Performance Targets

In the first quarter of 2009 the Company's senior management established the level of target performance for 2009 associated with each of the Company and Business Unit performance metrics. Those target levels were reviewed and approved by the Company's President and Chief Executive Officer and by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee").

3.2 Overall Company Performance

Each MIP formula award contains a performance component related to overall Hasbro performance. For 2009, 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
Sales (net revenues) Growth	Third Party Gross Sales (after returns) less Sales Allowances plus Third Party Royalty Income	40
Operating Margin	Operating Profit divided by Net Revenues	40%
Returns (Free Cash Flow)	Net cash provided by operating activities – Capital Expenditures	20%

3.3 Individual Performance

Individual performance will be determined by the participant’s supervisor and approved by the Division/Subsidiary senior executive 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.

3.4 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
Sales (net revenues) Growth	Third Party Gross Sales (after returns) less Sales Allowances plus Third Party Royalty income	50%
Operating Margin	Operating Profit divided by Net Revenues	50%

Global Operations uses a Scorecard in lieu of Net Revenues 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.

3.4.1 Bonus formula metrics for employees in WW30 to WW70 are used to assess performance at the overall Company level, business unit level (where applicable), and individual level.

A portion of all MIP formulas will have metrics tied to Corporate performance and individual performance. The weighting of these components may range from 25% to 75%, where appropriate. Similarly, the Business unit, region or country component will be used in formulas where appropriate.

Bonus formula metrics are subject to review annually by the CEO.

3.4.2 Bonus formula metrics for WW 80 employees are based on the employee’s role and will be comprised of either 100% overall company performance with a personal performance modifier (see note below) or be based on 40% overall company performance and 60% business unit performance with a personal performance modifier (see note below).

*Definition of the personal performance modifier: Individual 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 end of the fiscal year, the overall Company and each business unit's actual performance for each financial component of the formula portion of the bonus awards will be calculated (based on the Company’s and each business unit’s performance as of year end) and approved by the Chief Financial Officer, ("CFO"). An acceleration or deceleration scale will be applied to the component’s payout performance as shown below to develop the formula bonus*:

Performance %	Payout %*	
< 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 all of the business units have calculated the formula incentive awards, the award pools by business unit are developed. These business unit award pools, combined with the formula incentive award at the corporate level, will equal the aggregate of the formula incentive awards for all eligible employees in the Company, including the budgeted individual performance component for all eligible employees.

4.1. Formula Award

The formula incentive award is a calculation of an award based on the actual performance achieved by the overall Company, and each of its applicable business units, as well as the budgeted individual performance percentage to be applied across the Company as a whole.

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

4.2 Formula Pool

The Company calculates, based on the Company's performance through the end of the year, the performance at the corporate level, and for each business unit at the business unit level, against the applicable performance targets. The Company also calculates, based on the Company's and its business units' performances, the targeted total pool to be used for the year for rewarding individual performances across the Company as a whole. Those pools as established (composed of the pools for the Company's performance, the performance of each of the Company's business units, and for the total individual performances across the Company) are aggregated. Collectively these amounts constitute one aggregate formula pool (referred to hereafter as the "Formula Pool"), based on performance as of the end of the year, which the Company will pay out to all participants in the MIP collectively for performance during the year.

Although the Chief Executive Officer of the Company and the Compensation Committee reserve the right to alter the Formula Pool after year end, but prior to the actual payment of awards to participants in the MIP, it is expected that such discretion will only be exercised in rare or extreme circumstances, and that generally the entire Formula Pool, as it has been computed, will be paid (absent any affirmative exercise of this discretion) out to the participants in the MIP collectively following the closing of the year in question.

4.3 Additional Individual Performance Awards in Excess of the Formula Award

Following the end of the year, but prior to the payment of all awards under the MIP with respect to the completed fiscal year, management of the Company may determine to add additional funding to the plan to cover individual performance awards, and personal performance multipliers, for some employees or officers in excess of the amounts used to compute the Formula Pool. To the extent such determinations are made they are subject to the approval of the appropriate management of the Company. Collectively any amounts set aside to reward individual performances across the Company beyond the aggregate amount reflected in the Formula Pool will hereafter be referred to as the "Additional Individual Performance Pool". The aggregate amount of the Additional Individual Performance Pool is subject to the approval of both the Chief Executive Officer and the Compensation Committee.

4.4 Total Awards under the MIP

The aggregate of all payouts under the MIP shall consist of the sum of the Formula Pool and the Additional Individual Performance Pool. In addition to the procedures set forth above, any performance awards recommended under the MIP which exceed one times a participant's base salary must be reviewed and approved by the Company's Chief Executive Officer.

5.0 Removals, Transfers, Terminations, Promotions and Hiring Eligibility

Except to the extent applicable legal requirements mandate a different result for a Plan participant, the following scenarios will be dealt with under the Plan in the manner set forth below.

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. For any such participant who is not given an incentive award, the portion of such person's potential award that might have been reflected in the Formula Pool will remain in the Formula Pool and be allocated to other plan participants in the manner determined by management.

§ 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. For any such participant, the portion of such person's potential award that might have been reflected in the Formula Pool will remain in the Formula Pool and be allocated to other plan participants in the manner determined by management.

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. For any such participant, the portion of such person's potential award that might have been reflected in the Formula Pool will remain in the Formula Pool and be allocated to other plan participants in the manner determined by management.

5.5 Participants who are discharged from the employ of the Company or any of its subsidiaries due to any reason other than the ones enumerated above, including, without limitation, participants who are discharged 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. For any such participant who is not given an incentive award, the portion of such person's potential award that might have been reflected in the Formula Pool will remain in the Formula Pool and be allocated to other plan participants in the manner determined by management.

§ 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 notices as may be required by applicable law:

§ On December 31st of the plan year, may be awarded an incentive award for the plan year. Except as may be required by applicable laws, no award shall be granted unless authorized at the sole discretion of the CEO. For any such participant who is not given an incentive award, the portion of such person's potential award that might have been reflected in the Formula Pool will remain in the Formula Pool and be allocated to other plan participants in the manner determined by management.

§ 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 Committee of the Board of Directors reserve the right to interpret, amend, modify, or terminate the Plan in accordance with changing conditions at any time in their sole discretion.

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. In furtherance of the preceding sentence, any incentive awards under the Plan will be paid out no later than March 15th of 2010. 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 receive 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

D09001

This license agreement (this "**Agreement**"), which is effective upon signature by all parties hereto, is by and between Marvel Characters B.V., with an office at 1600 Rosecrans Avenue, Manhattan Beach, CA 90266 ("**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.

Reference is made to License Agreement D05184 (as amended to date, "**License Agreement D05184**"), the Service Agreement executed on or about January 1, 2006 between Licensee and Marvel Entertainment, Inc. (as amended to date, the "**2006 Service Agreement**"), the Fourth Amendment to License Agreement of even date herewith (the "**Fourth Amendment to License Agreement D05184**"), the Third Amendment by Licensee and Marvel Entertainment, Inc. to the 2006 Service Agreement of even date herewith (the "**Third Amendment to 2006 Service Agreement**"), and the Service Agreement between Licensee and Marvel of even date herewith (the "**New Service Agreement**").

1. BASIC INFORMATION AND TERMS

		Numbered Section
(a) <u>Licensee:</u> Hasbro, Inc. 1027 Newport Avenue Pawtucket, Rhode Island 02862	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	
(b) <u>Characters:</u>	<p>All Marvel Classic Characters. "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 of 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 as well as all Marvel/LP Entertainment Properties (i.e., media style guides based on films, live-action TV and/or animation).</p> <p>All Marvel Movie Characters, 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 Marvel Movie Characters 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 Marvel Movie 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.</p> <p>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</p>	2

2. Flying Action Figures: defined as any figure (articulated or non-articulated) that can be, by hand or by air pump, projected, launched, fired, or propelled through the air or whose primary play pattern is to take place in mid-air. The Flying Action Figures shall not be motorized nor electronically powered nor shall they be tethered, remote, radio and/or infra-red controlled. Notwithstanding the foregoing, Licensee may use limited radio control or infra red technology to allow for the in-air separation of the Action Figure and its attachments (planes).

3. Articulated Figural Backpack Clips/Backpack Danglers: Notwithstanding the foregoing, non-articulated figural backpack clips permanently attached to a backpack (not sold separately) and sold to the “back to school” buyer are specifically excluded from this Licensed Category.

4. Licensee’s Proprietary “Attacktix” Branded Figure Tactics Game: defined as the existing Hasbro figure-based strategy and tactics tabletop game of this name, as well as substantially similar variations and extensions thereof.

5. Non-Costume/Non-Dress Up Action and Role-Play Weapons and Accessories: pretend-play wearable accessories, which embody and/or emulate key powers and/or re-produce key accessories of Marvel Super Heroes. This Licensed Category does not include prop replicas.

Note #3: By way of example, this Licensed Category would include Spider-Man Web Blasters, other blasters and weapons, and role play laser tag, Hulk Hands, helmets, masks, and Wolverine Claws. Other examples could include, for instance, a Thor hammer or Captain America shield (re-produce key accessories).

Note #4: All Non-Costume/Non-Dress Up Action and Role-Play Articles must be composed of not less than fifty percent (50%) plastic.

Note #5: For the avoidance of doubt, this Licensed Category does not cover all weapons (e.g. non-role plays laser tag), non-action Role Play, Video Game Accessories, Peripherals, and Controllers; provided that Licensor shall consider in good faith Licensee’s request to produce role play products which have a secondary feature which would allow a video game accessory or controller to be incorporated into such product.

6. Feature Plush (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). Notwithstanding the foregoing, basic plush with simple features that do not incorporate any form of electronics, battery power or motion of any kind are specifically excluded from this Licensed Category #6 and are included in Licensed Category #7 below.

7. Basic Plush (Figural or Non-Figural) (NON-EXCLUSIVE): in all styles/types, sizes, materials, and may include simple features that do not incorporate any form of electronics, battery power or motion of any kind.

8. Figural Wall-Crawling Radio or Infrared Control: in all styles/types, sizes and materials.

9. Co-Branded Transformers Brand Action Figures: defined as a co-branded program limited to Licensed Article #1 (Action Figures) combining the Characters and the images, copyrights, and marks of Hasbro’s Transformers brand.

10. ***and accessories.** Licensee shall not utilize the Marvel brand to

11. Licensee's Proprietary Foam Based "Nerf" Branded Sporting Goods and Blasters that shoot foam darts and balls: all styles/types. The category of foam based sporting goods shall be non-exclusive and the category of blasters that shoot foam darts and balls shall be exclusive.

12. Water Guns, Water Blasters and Water Cannons.

13. Board Games: 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", "Herescape"), in themed editions, as well as non-proprietary-branded children's, family and all-age board games. Notwithstanding the exclusive nature of this Licensed Category, Licensee agrees to consider in good faith on a case-by-case basis Licensor's requests to license out non-competitive age and/or gender specific executions.

14. Electronic Hand Held Electronic Games: self-contained dedicated electronic handheld devices with their corresponding software hard-coded into such device (which shall be similar to Tiger Electronic dedicated electronic handheld devices). Such device shall not accept cartridges or any additional software and/or shall not connect to a computer, television, pc or any other interactive device nor include any educational, teaching, or learning elements. Notwithstanding the exclusive nature of this Licensed Category, Licensee agrees to consider in good faith on a case-by-case basis Licensor's requests to license out non-competitive age and/or gender specific executions.

15. Puzzles: two-dimensional (2D) cardboard and foam puzzles in all shapes, piece counts and sizes and cardboard and foam three-dimensional (3D) puzzles (i.e. Wreabbit, Puz3D). Notwithstanding the exclusive nature of this Licensed Category, Licensee agrees to consider in good faith on a case-by-case basis Licensor's requests to license out to third parties non-competitive age and/or gender specific executions.

16. Licensee's Proprietary "Puzzle Shots": defined as the application of a digital photograph on to a digital puzzle and/or poster. The picture puzzle and/or poster shall be distributed through on-site portrait studio (kiosk) where a consumer's digital photograph is taken and super-imposed on a Character background to create a personalized foam fit puzzle. Licensor agrees to consider in good faith Licensee's request to exploit Puzzle Shots through on-line executions.

17. Licensee's Proprietary "Playskool" Branded Pre-School Toys: This category shall include Licensee's range of products of the general type developed by Licensee under License Agreement D06053. Actual styles/types of products shall be developed in consultation with Licensor with Licensor retaining final approval over the styles and types of products to be developed, such approval not to be unreasonably withheld. The category of pre-school toys shall be non-exclusive.

18. All Compounds: including, but not limited to Play-Doh.

19. Electronic IPOD/MP3 Speakers: limited to a dog or figure which interacts with an Ipod or MP3 player and displays motion, sound and light in reaction and relation to music in the manner consistent with Licensee's I-DOG line of products. Additional styles/types (e.g. fish, and cats) to be approved on a case-by-case basis in Licensor's sole written discretion, which approval shall not be unreasonably withheld.

20. Musical Toothbrushes: defined as a toothbrush that plays music.

21. Wall Decals: permanent and removable wall decals. Specifically to exclude wall paper and wall paper borders. Notwithstanding the exclusive nature of this Licensed Category, Licensor shall have the right to sell Wall Decals limited to the home décor buyer of retail customers and further the

Wall Decals sold by Licensor may not be sold in the toy or poster section of any retailer, and Licensee agrees to consider in good faith on a case-by-case basis Licensor's requests to license out non-competitive executions.

22. Licensee's Proprietary "Lite Brite" Branded Activity Products:

limited to the following styles types:

- a. "Lite Brite" Activity Set: defined as an activity set whereby the consumer uses child friendly pegs which are pushed through perforated paper/panel and paper to create designs.
- b. Spinning Paint Activity Sets: defined as a spinning mechanism with paint and sheets of paper or other material to create designs on the sheets of paper. The Spinning Paint Activity Sets may also include lights and sounds.

23. Licensee's Proprietary "Titanium" Branded Die-Cast Figures and

Vehicles): the existing Hasbro die-cast toy line of this name, as well as substantially similar variations and extensions thereof which maintain the existing distinctive chrome/metallic finish (painted or non-painted). The category of die-cast shall be non-exclusive.

Note #6: QSR premiums - Licensee acknowledges and understands that Licensor generally does not control promotional rights to Marvel/LP Entertainment Properties and therefore to third-party promotional/tie-in activities and the associated premiums which may accompany or be a part of such promotional activities. With respect to quick-service-restaurant ("QSR") promotions, Licensor shall use commercially reasonable and good-faith efforts to consult with Licensee on the premiums considered for use in Marvel/LP Entertainment Properties QSR promotions and attempt to influence the choice of such premiums to non-action-figure-type executions.

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) N/A

(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 Bank: HSBC Bank USA, Beverly Hills, CA 90210, Branch: HSBC Bank USA, 445 N. Bedford Drive, Beverly Hills, CA 90210, Account Name: Marvel Characters B.V., Account # 178-786527, ABA# 122240861, IF WIRE IS TO BE MADE VIA SWIFT OR CHIPS WIRE SERVICES: Swift Code #: HSBCUS33. Reference: HASBRO: D09001. (except for Spider-Man Movie Characters royalty payments, in which event the wire transfer shall be made to HSBC Bank USA, NA., Beverly Hills, CA; Bank Transit ABA #:122240861; Bank Account #:178788104; Account Name: Spider-Man Merchandising, L.P. Swift Code: HSBCUS33). 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 under the New 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 "Transformers" action figures, "Titanium" ; figures and vehicles, "Beyblade" tops and accessories, Licensee's owned or controlled game brands and "Attacktix" figure tactics games and unless otherwise approved in writing, 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", "Milton Bradley", "Parker Brothers", 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 B.V. and are used with permission. Copyright Ó [year of first publication of Marvel material by Licensee, in Arabic numerals] Marvel Characters B.V. 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 B.V. All Rights Reserved. (or such other legal line as Licensor may reasonably deem appropriate).

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(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, except as noted below, 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 developing, advertising, packaging and cross-selling its Transformers, Beyblade and 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.

(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 the ir 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 and 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

(iii) In the event of a full termination by either party of this Agreement pursuant to Section 15(b)(ii) above or Section 19(c) below, Licensee shall have no obligation to pay any further advances or minimum royalty guarantee payments scheduled to occur following such termination.

(iv) The parties acknowledge that in no event shall Licensee have any obligation whatsoever to pay to Licensor any portion of the Marketing Commitment which has not been expended by Licensee or its Affiliates as of the date of termination or expiration of this License.

(d) Inventory. Fifteen (15) days before the expiration of this license and, in the event of its termination, forty five (45) days after receipt of notice of termination or the happening of the event which terminates this license where no notice is required, a statement executed by an officer of Licensee certifying the number and description of the Licensed Articles in inventory or in process shall be furnished by Licensee to Licensor's New York Office to the attention of Senior Contracts Administrator. Licensor shall have the right to take a physical inventory to ascertain or verify such inventory and statement, and Licensee's failure to furnish such statement or the refusal by Licensee to submit to such physical inventory shall forfeit Licensee's right to dispose of such Licensed Articles as provided in Section 16(e) hereof.

(e) Disposal. After expiration of this license, for the Post-Expiration Disposal Period specified in Section 1(j), Licensee may, except as otherwise provided in this Agreement, dispose of, on a nonexclusive basis, and in compliance with all of the terms and conditions hereof, including Section 13, those Licensed Articles which are on hand or in process at expiration, provided royalties with respect to such Calendar Period are paid and Royalty Reports are furnished for such Calendar Period in accordance with Section 5 hereof. Royalties on Net Sales during the Disposal Period may be applied against any unearned balance of the Minimum Royalty Guarantee. Licensee specifically acknowledges and agrees that it shall carefully plan production, sales and inventory levels in the final year of the Term so as to leave minimal product and inventory levels of Licensed Articles within the trade and with in its own warehouses or those of distributors at the end of the Term.

***** In the event that Licensee sells or exploits the Licensed Articles after the Post Expiration Disposal Period or in excess of the permitted amount, the royalty due Licensor on such sales shall be the Net Sales. Notwithstanding anything to the contrary herein, Licensee shall not sell or dispose of any Licensed Articles after termination of this Agreement pursuant to Section 15.

(f) Undisposed Licensed Articles. Upon expiration or termination of this license, or upon the expiration of the period for disposal where permitted under the previous subsection, Licensee shall destroy and furnish to Licensor an affidavit attesting to the destruction of all remaining Licensed Articles, if any, and all tags, labels, packaging, advertising, promotional and display materials therefore, and elements of the Property and all adaptations, compilations, modifications, translations and versions thereof in all molds, plates, engravings and/or mechanicals used to make any of the Licensed Articles or any of the aforesaid materials.

17. REMEDIES

(a) No remedies provided for herein shall limit any other remedies available under this Agreement or otherwise, provided that the Dispute Resolution process is complied with wherever applicable.

(b) Use After Termination, etc. Licensee acknowledges that its failure to cease the use of the Property or to cease sale or distribution of the Licensed Articles at the termination or expiration of this license, except as expressly provided herein, will result in immediate and irreparable damage to Licensor and to the rights of any subsequent licensee. Licensee acknowledges and admits that there is no adequate remedy at law for such failure, and Licensee agrees that in the event of such failure, Licensor may be entitled to injunctive relief and such other and further relief as any court with jurisdiction may deem just and proper.

(c) Interest, Damages and Cost. In the event Licensee shall default in the payment of monies required to be paid to Licensor hereunder, in addition to any remedies which Licensor may have at law or in equity to recover any such

monies as may be due and owing, Licensor shall be entitled to receive from Licensee interest on such monies as may be owing from the date of default at a rate equal to three percent (3%) above the prime lending rate charged by Licensor's bank in New York on the date of default.

18. SUBCONTRACT MANUFACTURE

Licensee may utilize a third party subcontract manufacturer approved in writing by Licensor in connection with the manufacture and production of the Licensed Articles, provided that such subcontractor shall execute a letter in the form of Exhibit C attached hereto and by this reference made a part hereof. In such event, Licensee shall remain primarily obligated under all of the provisions of this Agreement. In no event shall any such subcontract manufacturer Agreement include the right to grant any further sublicenses. If any manufacturer utilizes the Property for any unauthorized purposes Licensee shall cooperate fully in bringing such utilization to an immediate halt. If, by reason of Licensee not having supplied Exhibit C, Licensor makes any representation or takes any action and 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 New 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 Marvel Characters B.V. 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.

[SIGNATURE PAGE FOLLOWS]

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 B.V.

By: /s/ Isaac Perlmutter
Name: Isaac Perlmutter
Title: Authorized Representative
Date: February 17, 2009

SPIDER-MAN MERCHANDISING L.P.

By: Marvel Characters, Inc. as General Partner

By: /s/ Isaac Perlmutter
Name: Isaac Perlmutter
Title: Chief Executive Officer
Date: February 17, 2009

HASBRO, INC.

By: /s/ Brian Goldner
Name: Brian Goldner
Title: Chief Executive Officer
Date: February 17, 2009

By: /s/ David D.R. Hargreaves
Name: David D.R. Hargreaves
Title: Chief Operating Officer and Chief Financial Officer
Date: February 17, 2009

Attachments:

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

HASBRO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
Quarter Ended March 29, 2009

(Thousands of Dollars)

Earnings available for fixed charges:	
Net earnings	19,730
Add:	
Fixed charges	13,101
Income taxes	8,857

Total	41,688
	=====
Fixed charges:	
Interest expense	9,715
Rental expense representative of interest factor	3,386

Total	13,101
	=====
Ratio of earnings to fixed charges	3.18
	=====

CERTIFICATION

I, Brian Goldner, certify that:

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

Date: May 7, 2009

/s/ Brian Goldner

Brian Goldner
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 7, 2009

/s/ David D.R. Hargreaves

David D.R. Hargreaves
Chief Operating Officer 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 March 29, 2009, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: May 7, 2009

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

**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 March 29, 2009, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D.R. Hargreaves
David D.R. Hargreaves
Chief Operating Officer and Chief Financial Officer of Hasbro, Inc.

Dated: May 7, 2009

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