Cullman Bancorp, Inc.
Form 10-Q
May 06, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 2011

Or

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

For transition period from to

Commission File Number 000-53801

Cullman Bancorp, Inc.

(Exact Name of Registrant as Specified in Charter)

Federal **(State of Other Jurisdiction of Incorporation)**	**63-0052835** **(I.R.S Employer Identification Number)**
316 Second Avenue S.W., Cullman, Alabama **(Address of Principal Executive Officer)**	**35055** **(Zip Code)**

256-734-1740

Registrant s telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated file	¨	Smaller reporting company	x

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

Indicate the number of shares outstanding of each of the Issuer s classes of common stock as of the latest practicable date.

2,561,996 of Common Stock, par value $.01 per share, were issued and outstanding as of May 6, 2011.

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CULLMAN BANCORP, INC.

Form 10-Q Quarterly Report

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Part I

ITEM 1. FINANCIAL STATEMENTS

CULLMAN BANCORP, INC.

CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, except share and per share data)

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 2,062	$ 2,368
Federal funds sold	2,959	174
Cash and cash equivalents	5,021	2,542
Securities available for sale	22,585	24,117
Loans, net of allowance of $898 and $854, respectively	174,477	177,317
Loans held for sale	173	320
Premises and equipment, net	10,569	10,612
Foreclosed real estate	2,276	1,997
Accrued interest receivable	1,193	1,157
Restricted equity securities	2,595	2,595
Bank owned life insurance	2,375	2,349
Other assets	919	849
Total assets	$ 222,183	$ 223,855
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Non-interest bearing	$ 5,265	$ 6,188
Interest bearing	128,692	130,211
Total deposits	133,957	136,399
Federal Home Loan Bank advances	47,000	47,000
Long-term debt	816	816
Accrued interest payable and other liabilities	1,765	1,370
Total liabilities	183,538	185,585
Shareholders equity		
Common stock, $0.01 par value; 20,000,000 shares authorized; 2,561,996 and 2,512,750 shares outstanding, respectively, at March 31, 2011 and December 31, 2010	26	25
Additional paid-in capital	10,359	10,330
Retained earnings	29,532	29,134
Accumulated other comprehensive income (loss)	(285)	(232)
Unearned ESOP shares, at cost	(874)	(887)
Amount reclassified on ESOP shares	(113)	(100)

Total shareholders equity	38,645	38,270
Total liabilities and shareholders equity	$ 222,183	$ 223,855

See accompanying notes to the consolidated financial statements

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CULLMAN BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(All amounts in thousands, except share and per share data)

	Three Months Ended March 31, 2011	2010
Interest and dividend income:		
Loans, including fees	$ 2,768	$ 2,759
Securities, taxable	227	227
Federal funds sold and other	6	4
Total interest income	3,001	2,990
Interest expense:		
Deposits	441	540
Federal Home Loan Bank advances and other borrowings	424	511
Total interest expense	865	1,051
Net interest income	2,136	1,939
Provision for loan losses	92	57
Net interest income after provision for loan losses	2,044	1,882
Noninterest income:		
Service charges on deposit accounts	99	110
Income on bank owned life insurance	26	26
Gain on sales of mortgage loans	57	64
Net gain on sales of securities		11
Other	14	12
Total noninterest income	196	223
Noninterest expense:		
Salaries and employee benefits	766	679
Occupancy and equipment	157	165
Data processing	132	127
Professional and supervisory fees	139	95
Office expense	34	23
Advertising	20	13
FDIC deposit insurance	32	37
Losses on foreclosed real estate	50	74
Other	84	74
Total noninterest expense	1,414	1,287
Income before income taxes	826	818
Income tax expense	303	300
Net income	$ 523	$ 518

Other comprehensive income, net of tax		
Unrealized gain (loss) on securities available for sale, net of tax	$ (53)	$ 32
Reclassification adjustment for losses (gains) realized in income, net of tax		(7)
Other comprehensive income (loss)	(53)	25
Comprehensive income	$ 470	$ 543
Earnings per share: (Note 3)		
Basic	$ 0.21	$ 0.21
Diluted	$ 0.21	N/A
Dividends declared per common share	$ 0.08	

See accompanying notes to the consolidated financial statements

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CULLMAN BANCORP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Unaudited)

(All amounts in thousands, except share and per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Unearned ESOP Shares	Amount Reclassified on ESOP Shares	Total
Balance at January 1, 2010	$ 25	$ 10,330	$ 27,082	$ 64	$ (936)	$ (51)	$ 36,514
Net income			518				518
Net change in accumulated other comprehensive income				25			25
Balance at March 31, 2010	$ 25	$ 10,330	$ 27,600	$ 89	$ (936)	$ (51)	$ 37,057
Balance at January 1, 2011	$ 25	$ 10,330	$ 29,134	$ (232)	$ (887)	$ (100)	$ 38,270
Net income			523				523
Net change in accumulated other comprehensive income				(53)			(53)
ESOP shares earned					13		13
Stock-based compensation expense		30					30
Dividends (1)			(125)				(125)
Issuance of 49,249 shares of restricted stock	1	(1)					
Reclassification of common stock in ESOP subject to repurchase obligation						(13)	(13)
Balance at March 31, 2011	$ 26	$ 10,359	$ 29,532	$ (285)	$ (874)	$ (113)	$ 38,645

Cash dividends of $0.08 per share were declared on March 15, 2011 for 1,554,984 of the 2,561,996 shares at March 31, 2011. The Company was granted a dividend payment waiver from the Office of Thrift Supervision for all but 375,000 of the 1,382,012 shares of the Company s stock held by Cullman Savings Mutual Holding Company.

See accompanying notes to the consolidated financial statements

CULLMAN BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(All amounts in thousands, except share and per share data)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash Flows From Operating Activities		
Net income	$ 523	$ 518
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	92	57
Depreciation and amortization, net	80	59
Deferred income tax benefit (expense)	(45)	21
Net gain on sale of securities		(11)
Loss on sale and impairments of foreclosed real estate	50	74
Income on bank owned life insurance	(26)	(26)
ESOP compensation expense	13	
Stock based compensation expense	30	
Gain on sale of mortgage loans	(57)	(64)
Mortgage loans originated for sale	(2,937)	(3,100)
Mortgage loans sold	3,141	3,417
Net change in operating assets and liabilities		
Accrued interest receivable	(36)	(60)
Accrued interest payable	(14)	(21)
Other	277	178
Net cash from operating activities	1,091	1,042
Cash Flows From Investing Activities		
Purchases of premises and equipment	(36)	
Purchases of securities	(1,000)	(6,497)
Proceeds from maturities, paydowns and calls of securities	2,447	4,878
Proceeds from sale of securities		250
Proceeds from sales of foreclosed real estate		124
Loan originations and payments, net	2,419	(1,184)
Net cash from (used in) investing activities	3,830	(2,429)
Cash Flows from Financing Activities		
Net change in deposits	(2,442)	6,111
Repayment of Federal Home Loan Bank advances		(96)
Net cash from (used in) financing activities	(2,442)	6,015
Change in cash and cash equivalents	2,479	4,628
Cash and cash equivalents, beginning of period	2,542	5,232
Cash and cash equivalents, end of period	$ 5,021	$ 9,860

Cash paid during the period for:		
Interest paid	$ 879	$ 1,072
Income taxes paid	$	$ 19
Supplemental noncash disclosures:		
Transfers from loans to foreclosed assets	$ 966	$
Loans advanced for sales of foreclosed assets	$ 627	$

See accompanying notes to the consolidated financial statements

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Cullman Bancorp, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulations S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements of Cullman Bancorp, Inc. (the Bancorp or the Company) include the accounts of its wholly owned subsidiary, Cullman Savings Bank (the Bank) and its 99% ownership of Cullman Village Apartments (collectively referred to herein as the Company, we, us, or our). Intercompany transactions and balances are eliminated in the consolidation. The Company is majority owned (53.9%) by Cullman Savings Bank, MHC. These financial statements do not include the transactions and balances of Cullman Savings Bank, MHC.

Cullman Bancorp, Inc., headquartered in Cullman, Alabama was formed to serve as the stock holding company for Cullman Savings Bank as part of the mutual-to-stock conversion of Cullman Savings Bank. On October 8, 2009, the Bank completed its conversion and reorganization from a mutual savings bank into a two-tier mutual holding company. In accordance with the plan of reorganization, Cullman Bancorp, Inc. (of which Cullman Savings Bank became a wholly-owned subsidiary) issued and sold shares of capital stock to eligible depositors of Cullman Savings Bank and others.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the Company s financial position as of March 31, 2011 and December 31, 2010 and the results of operations and cash flows for the interim periods ended March 31, 2011 and 2010. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the year. These consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in the Form 10-K Annual Report of Cullman Bancorp, Inc. for the year ended December 31, 2010.

(2) NEW ACCOUNTING STANDARDS

In July 2010, FASB issued an update to previously issued accounting standards with regard to disclosures about the credit quality of financing receivables and the allowance for credit losses. This update is intended to provide additional information to assist financial statement users in assessing an entity s credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in this update encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company has complied with all disclosure requirements under this update.

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

(3) EARNINGS PER SHARE (EPS)

Basic EPS is determined by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding for the period. ESOP shares are considered outstanding for this calculation unless unearned. Diluted EPS is determined by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding for the period, adjusted for the dilutive effect of common share equivalents. The factors used in the earnings per common share computation follow:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Earnings per share		
Net Income	$ 523	$ 518
Less: Distributed earnings allocated to participating securities	(4)	
Less: (Undistributed income) dividends in excess of earnings allocated to participating securities	(8)	
Net earnings allocated to common stock	$ 511	$ 518
Weighted common shares outstanding including participating securities	2,552,147	2,512,750
Less: Participating securities	(49,249)	
Less: Average Unallocated ESOP Shares	(88,650)	(93,575)
Weighted average shares	2,414,248	2,419,175
Basic earnings per share	$ 0.21	$ 0.21
Net earnings allocated to common stock	$ 511	$ 518
Weighted average shares	2,414,248	2,419,175
Add: dilutive effects of assumed exercises of stock options		
Average shares and dilutive potential common shares	2,414,248	2,419,175
Dilutive earnings per share	$ 0.21	$ 0.21

Options to purchase 123,124 shares of the Company s common stock at a weighted-average exercise price of $10.30 per share were outstanding during the three months ended March 31, 2011 but were not included in the computation of diluted EPS because their assumed exercise would be antidilutive. There were no potential dilutive common shares for the three months ended March 31, 2010.

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

(4) SECURITIES AVAILABLE FOR SALE

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) income at March 31, 2011 and December 31, 2010 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2011 (Unaudited)				
U.S. Government agencies	$ 12,997	$	$ (552)	$ 12,445
Municipal taxable	5,152	28	(122)	5,058
Residential mortgage-backed, GSE	2,678	103		2,781
Residential mortgage-backed, private label	796	14		810
Ultra Short mortgage mutual fund	1,414	77		1,491
Total	$ 23,037	$ 222	$ (674)	$ 22,585

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010				
U.S. Government agencies	$ 13,997	$ 13	$ (478)	$ 13,532
Municipal taxable	5,154	23	(122)	5,055
Residential mortgage-backed, GSE	2,959	92		3,051
Residential mortgage-backed, private label	961	22		983
Ultra Short mortgage mutual fund	1,414	82		1,496
Total	$ 24,485	$ 232	$ (600)	$ 24,117

The Company s mortgage-backed securities are primarily issued by government agencies and government sponsored enterprises (GSEs) such as Fannie Mae and Ginnie Mae as denoted in the table above as GSE. At March 31, 2011 and December 31, 2010, the Company had only one private label mortgage-backed security.

Sales of available for sale securities during the three months ended March 31, 2011 and 2010 were as follows:

	Three Months Ended March 31, 2011 (Unaudited)	Three Months Ended March 31, 2010 (Unaudited)
Proceeds	$	$ 250
Gross gains		11

Gross losses

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The amortized cost and fair value of the investment securities portfolio are shown below by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2011 (Unaudited)	
	Amortized Cost	Estimated Fair Value
Due from one to five years	$	$
Due from five to ten years	5,004	4,871
Due after ten years	13,145	12,632
Mutual fund	1,414	1,491
Residential mortgage-backed	3,474	3,591
Total	$ 23,037	$ 22,585

Carrying amounts of securities pledged to secure public deposits, repurchase agreements, and Federal Home Loan Bank advances as of March 31, 2011 and December 31, 2010 were $7,430 and $6,320, respectively. At March 31, 2011 and December 31, 2010, there were no holdings of securities of any one issuer, other than the U.S. Government agencies, in an amount greater than 10% of shareholders equity.

The following table shows securities with unrealized losses at March 31, 2011 and December 31, 2010, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2011 (Unaudited)						
U.S. Government agencies	$ 12,445	$ (552)	$	$	$ 12,445	$ (552)
Municipal taxable	5,058	(122)			5,058	(122)
Total temporarily impaired	$ 17,503	$ (674)	$	$	$ 17,503	$ (674)

	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2010						
U.S. Government agencies	$ 10,519	$ (478)	$	$	$ 10,519	$ (478)
Municipal taxable	3,589	(122)			3,589	(122)
Total temporarily impaired	$ 14,108	$ (600)	$	$	$ 14,108	$ (600)

There were twelve US Government agency and six municipal securities with unrealized losses at March 31, 2011. None of the unrealized losses for these securities have been recognized into net income for the three months ended March 31, 2011 because the issuer s bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes interest rates. The fair value is expected to recover as the bonds approach their maturity date or reset date.

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company considers the length of time and the extent to which the fair value has been less than cost and the financial condition and near-term prospects of the issuer. Additionally, the Company considers its intent to sell or whether it will be more likely than not it will be required to sell the security prior to the security s anticipated recovery in fair value. In analyzing an issuer s financial condition, the Company may consider whether the securities are issued by the federal Government agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer s financial condition.

(5) LOANS

Loans at March 31, 2011 and December 31, 2010 were as follows:

	March 31, 2011 (Unaudited)	December 31, 2010
Real estate loans:		
One-to four-family	$ 83,866	$ 83,721
Multi-family	5,372	4,837
Commercial real estate	63,620	63,443
Construction	4,779	8,936
Total real estate loans	157,637	160,937
Commercial loans	7,491	7,371
Consumer loans	10,635	10,276
Total loans	175,763	178,584
Net deferred loan fees	(388)	(413)
Allowance for loan losses	(898)	(854)
Loans, net	$ 174,477	$ 177,317

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The following tables present the activity in the allowance for loan losses for the three months ended March 31, 2011 and the balances of the allowance for loan losses and recorded investment in loans by portfolio class based on impairment method at March 31, 2011 and December 31, 2010. The recorded investment in loans in any of the following tables does not include accrued and unpaid interest or any deferred loan fees or costs, as amounts are not significant.

	Real estate						
March 31, 2011	**One-to-Four Family**	**Multi-family**	**Commercial**	**Construction**	**Commercial**	**Consumer**	**Total**
Allowance for loan losses:							
Beginning balance	$ 332	$ 9	$ 356	$ 9	$ 47	$ 101	$ 854
Charge-offs	(2)		(47)				(49)
Recoveries						1	1
Provisions	61	1	31	(4)		3	92
Ending balance	$ 391	$ 10	$ 340	$ 5	$ 47	$ 105	$ 898
Ending allowance attributed to loans:							
Individually evaluated for impairment	25		35		25		$ 85
Collectively evaluated for impairment	366	10	305	5	22	105	813
Total ending allowance balance:	$ 391	$ 10	$ 340	$ 5	$ 47	$ 105	$ 898
Loans:							
Loans individually evaluated for impairment:	$ 2,464	$ 1,980	$ 4,198	$	$ 109	$ 158	$ 8,909
Loans collectively evaluated for impairment:	81,402	3,392	59,422	4,779	7,382	10,477	166,854
Total ending loans balance	$ 83,866	$ 5,372	$ 63,620	$ 4,779	$ 7,491	$ 10,635	$ 175,763

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

	Real estate						
December 31, 2010	**One-to-Four Family**	**Multi-family**	**Commercial**	**Construction**	**Commercial**	**Consumer**	**Total**
Allowance for loan losses:							
Ending allowance attributed to loans:							
Individually evaluated for impairment	$	$	$ 95	$	$ 25	$	$ 120
Collectively evaluted for impairment	332	9	261	9	22	101	734
Total ending allowance balance:	$ 332	$ 9	$ 356	$ 9	$ 47	$ 101	$ 854
Loans:							
Loans individually evaluated for impairment:	$ 2,713	$ 1,993	$ 3,724	$	$ 112	$ 165	$ 8,707
Loans collectively evaluated for impairment:	81,008	2,844	59,719	8,936	7,259	10,111	169,877
Total ending loans balance	$ 83,721	$ 4,837	$ 63,443	$ 8,936	$ 7,371	$ 10,276	$ 178,584

The following table presents the activity in the allowance for loan losses for the three months ended March 31, 2010:

	2010 (Unaudited)
Beginning balance	$ 747
Provision for loan losses	57
Loans charged off	(3)
Recoveries	1
Ending balance	$ 802

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The following table presents loans individually evaluated for impairment by portfolio class at March 31, 2011 and December 31, 2010, including the average recorded investment balance and interest earned for the three months ended March 31, 2011:

	March 31, 2011 (Unaudited)					December 31, 2010		
	Unpaid principal balance	Recorded investment	Related allowance	Average Recorded Investment	Interest Income Recognized	Unpaid principal balance	Recorded investment	Related allowance
With no recorded allowance:								
Real estate loans:								
One- to four-family	$ 1,439	$ 1,439	$	$ 2,077	$ 19	$ 2,714	$ 2,714	$
Multi-family	1,980	1,980		1,987	37	1,993	1,993	
Commercial	4,074	4,074		3,760	48	3,445	3,445	
Construction								
Total real estate loans	7,493	7,493		7,824	104	8,152	8,152	
Commercial	59	59		60		61	61	
Consumer loans	158	158		162	1	165	165	
Total	$ 7,710	$ 7,710	$	$ 8,046	$ 105	$ 8,378	$ 8,378	$
With recorded allowance:								
Real estate loans:								
One- to four-family	$ 1,025	$ 1,025	$ 25	$ 513	$ 13	$	$	$
Multi-family								
Commercial	124	124	35	202	1	280	280	95
Construction								10
Total real estate loans	1,149	1,149	60	715	14	280	280	95
Commercial	50	50	25	50		49	49	25
Consumer loans								
Total	$ 1,199	$ 1,199	$ 85	$ 765	$ 14	$ 329	$ 329	$ 120
Totals:								
Real estate	$ 8,642	$ 8,642	$ 60	$ 8,539	$ 118	$ 8,432	$ 8,432	$ 95
Commercial and Consumer	267	267	25	272	1	275	275	25
Total	$ 8,909	$ 8,909	$ 85	$ 8,811	$ 119	$ 8,707	$ 8,707	$ 120

The average balance of loans individually evaluated for impairment for the three months ended March 31, 2010 was $5,060. Interest income recognized and cash basis interest income recognized during the impairment period in December 31, 2010 was $197. Interest income recognized was equal to cash collected during the three months ended March 31, 2011.

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The following tables present the aging of the recorded investment in past due loans at March 31, 2011 and December 31, 2010 by portfolio class of loans:

March 31, 2011 (Unaudited)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing loans past due 90 days or more
Real estate loans:							
One-to four-family	$ 413	$ 502	$ 76	$ 991	$ 82,875	$ 83,866	$
Multi-family	608			608	4,764	5,372	
Commercial	570	106		676	62,944	63,620	
Construction					4,779	4,779	
Total real estate loans	1,591	608	76	2,275	155,362	157,637	
Commercial loans			50	50	7,441	7,491	
Consumer loans	6		35	41	$ 10,594	10,635	
Total	$ 1,597	$ 608	$ 161	$ 2,366	$ 173,397	$ 175,763	$

December 31, 2010	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing loans past due 90 days or more
Real estate loans:							
One-to four-family	$ 654	$ 118	$ 61	$ 833	$ 82,888	$ 83,721	$
Multi-family	613			613	4,224	4,837	
Commercial		107	156	263	63,180	63,443	
Construction					8,936	8,936	
Total real estate loans	1,267	225	217	1,709	159,228	160,937	
Commercial loans					7,371	7,371	
Consumer loans	82	121	4	207	$ 10,069	10,276	
Total	$ 1,349	$ 346	$ 221	$ 1,916	$ 176,668	$ 178,584	$

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

Nonaccrual loans at March 31, 2011 and December 31, 2010 were $161 and $221, respectively. These loans are disclosed by portfolio segment above in the 90 days or more past due column. Additional required disclosure by class was deemed immaterial to the financial statements. Non-performing loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Troubled Debt Restructurings:

Troubled debt restructurings at March 31, 2011 and December 31, 2010 were $6,441 and $5,459, respectively. The amount of impairment allocated to loans whose loan terms have been modified in troubled debt restructurings at March 31, 2011 and December 31, 2010 was $85 and $35, respectively. The Company has committed to no additional amounts at March 31, 2011 to customers with outstanding loans that are classified as troubled debt restructurings.

Credit Quality Indicators:

The Company utilizes a grading system whereby all loans are assigned a grade based on the risk profile of each loan. Loan grades are determined based on an evaluation of relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. All loans, regardless of size, are analyzed and are given a grade based upon the management s assessment of the ability of borrowers to service their debts. Loans with balances greater than $100 are evaluated on a quarterly basis and smaller loans are reviewed as necessary based on change in borrower status or payment history.

The Company uses the following definitions for loan grades:

Special Mention. Loans classified as special mention have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loan or of the institution s credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above are graded Pass. These loans are included within groups of homogenous pools of loans based upon portfolio segment and class for estimation of the allowance for loan losses on a collective basis. Loan relationships graded substandard and doubtful of $100 or more are individually evaluated for impairment.

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CULLMAN BANCORP, INC.

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(All amounts in thousands, except share and per share data)

At March 31, 2011 and December 31, 2010 and based on the most recent analysis performed, the loan grade for each loan by portfolio class is as follows:

	Real estate													
	One-to-four Family		Multi-family		Commercial		Construction		Commercial		Consumer		Totals	
	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	2010	2011 (Unaudited)	201
	$ 79,314	$ 78,909	$ 3,392	$ 2,844	$ 50,608	$ 51,184	$ 4,779	$ 8,936	$ 7,382	$ 7,234	$ 10,452	$ 10,272	$ 155,927	$ 159,
al ion	620	955			7,072	6,987							7,692	7,
tandard	3,932	3,857	1,980	1,993	5,940	5,272			109	137	183	4	12,144	11,
tful														
	$ 83,866	$ 83,721	$ 5,372	$ 4,837	$ 63,620	$ 63,443	$ 4,779	$ 8,936	$ 7,491	$ 7,371	$ 10,635	$ 10,276	$ 175,763	$ 178,

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as 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 market data.

Level 3: Significant unobservable inputs that reflect a reporting entity s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Nonrecurring adjustments to certain commercial and residential real estate properties classified as foreclosed real estate are measured at fair value, less costs to sell. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

The tables below present the balances of assets and liabilities measured at fair value on a recurring and non-recurring basis by level within the hierarchy as of March 31, 2011 and December 31, 2010:

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements

Using Significant Other Observable Inputs

(Level 2)

	March 31, 2011 (Unaudited)	**December 31, 2010**
Financial assets:		
U.S. Government sponsored agencies	$ 12,445	$ 13,532
Municipal taxable	5,058	5,055
Residential mortgage-backed, GSE	2,781	3,051
Residential mortgage-backed, private label	810	983
Ultra Short mortgage mutual fund	1,491	1,496
Total investment securities available for sale	$ 22,585	$ 24,117

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

Fair Value Measurements

Using Significant Unobservable Inputs

(Level 3)

	March 31, 2011 (Unaudited)	**December 31, 2010**
Assets:		
Impaired loans, with specific allocations		

Real estate loans:		
One-to four-family	$ 1,000	$
Multi-family		
Commercial	89	185
Construction		
Total real estate loans	1,089	185
Commercial	25	24
Total loans	$ 1,114	$ 209
Foreclosed real estate:		
One-to four-family	$ 1,672	$ 987
Multi-family		
Commercial	603	1,010
Construction		
Total foreclosed real estate	$ 2,276	$ 1,997

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had carrying amounts of $1,114 and $209, which consists of the unpaid principal balances of $1,199 and $329 less valuation allowances of $85 and $120 at March 31, 2011 and December 31, 2010, respectively. The impact to the provision to loan losses from the change in the valuation allowances was not material for the three months ended March 31, 2011 and an increase in the provision of $24 for the year ended December 31, 2010.

Foreclosed real estate, which is measured at fair value less costs to sell, had a net carrying amount of $2,276 and $1,997 at March 31, 2011 and December 31, 2010, respectively. The net carrying amount consists of the outstanding balance net of a valuation allowance. The outstanding balance and valuation allowance of other real estate owned at March 31, 2011 and December 31, 2010 were $2,485 and $209, and $2,206 and $209, respectively. The resulting write-downs for the three months ended March 31, 2011 and for the year ended December 31, 2010 were $0 and $209, respectively.

Loans held for sale, which are carried at the lower of cost or fair value, had fair values in excess of cost at March 31, 2011 and December 31, 2010 and were therefore carried at cost with no fair value valuation allowance at both period ends.

The carrying amounts and estimated fair value of the Company s on-balance sheet financial instruments at March 31, 2011 and December 31, 2010 are summarized below:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Unaudited)			
Financial assets				
Cash and cash equivalents	$ 5,021	$ 5,021	$ 2,542	$ 2,542
Securities available for sale	22,585	22,585	24,117	24,117
Loans, net	174,477	186,131	177,317	190,054
Loans held for sale	173	173	320	320
Accrued interest receivable	1,193	1,193	1,157	1,157
Restricted equity securities	2,595	N/A	2,595	N/A
Financial liabilities				
Deposits	133,957	135,485	136,399	137,685
Federal Home Loan Bank Advances	47,000	49,687	47,000	50,801
Long-term debt	816	816	816	816
Accrued interest payable	234	234	247	247

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. The methods for determining the fair values for securities were described previously. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk (including consideration of widening credit spreads). Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of restricted equity securities due to restrictions placed on transferability. The fair value of off-balance sheet items is not consider material.

CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts in thousands, except share and per share data)

(7) STOCK BASED COMPENSATION

In December of 2010, the stockholders approved the Cullman Bancorp, Inc. 2010 Equity Incentive Plan (the Equity Incentive Plan) for employees and directors of the Company. The Equity Incentive Plan authorizes the issuance of up to 172,373 shares of the Company s common stock, with no more than 49,249 of shares as restricted stock awards and 123,124 as stock options, either incentive stock options or non-qualified stock options. The exercise price of options granted under the Equity Incentive Plan may not be less than the fair market value on the date the stock option is granted. The compensation committee of the board of directors has sole discretion to determine the amount and to whom equity incentive awards are granted.

On January 18, 2011, the compensation committee of the board of directors approved the issuance of 123,124 options to purchase Company stock and 49,249 shares of restricted stock. Stock options and restricted stock vest over a five year period, and stock options expire ten years after issuance. Apart from the vesting schedule for both stock options and restricted stock, there are no performance-based conditions or any other material conditions applicable to the awards issued. At March 31, 2011 there were no shares available for future grants under this plan.

The following table summarizes stock option activity for the three months ended March 31, 2011:

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding - January 1, 2011				
Granted	123,124	10.30		
Exercised				
Forfeited				
Outstanding - March 31, 2011	123,124	$ 10.30	9.80	$ 76,337(1)
Fully vested and exercisable at March 31, 2011		$		$
Expected to vest in future periods	123,124			
Fully vested and expected to vest - March 31, 2011	123,124	$ 10.30	9.80	$ 76,337(1)

(1) Based on closing price of $10.92 per shared on March 31, 2011.
Intrinsic value for stock options is defined as the difference between the current market value and the exercise price.

The fair value for each option grant is estimated on the date of grant using the Black-Scholes option pricing model that uses the following assumptions. The Company uses the U.S. Treasury yield curve in effect at the time of the grant to determine the risk-free interest rate. The expected dividend yield is estimated using the projected annual dividend level and recent stock price of the Company s common stock at the date of grant. Expected stock volatility is based on historical volatilities of the SNL Financial Index of Thrifts. The expected life of the options is calculated based on the simplified method as provided for under Staff Accounting Bulletin No. 110.

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CULLMAN BANCORP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in thousands, except share and per share data)

The weighted-average assumptions used in the Black-Scholes option pricing model for the years indicated were as follows:

	2011
Risk-free interest rate	2.86%
Expected dividend yield	$ 4.37
Expected stock volatility	10.29
Expected life (years)	7
Fair value	$ 0.675

There were no options that vested during the three months ended March 31, 2011. Stock-based compensation expense for stock options was $5 for the three months ended March 31, 2011. Total unrecognized compensation cost related to nonvested stock options was $79 at March 31, 2011 and is expected to be recognized over a weighted-average period of 5 years.

The following table summarizes non-vested restricted stock activity for the three months ended March 31, 2011:

	2011
Balance - beginning of year	
Granted	49,249
Forfeited	
Earned and issued	
Balance - end of period	49,249

The fair value of the restricted stock awards is amortized to compensation expense over the vesting period (generally five years) and is based on the market price of the Company s common stock at the date of grant multiplied by the number of shares granted that are expected to vest. The weighted-average grant date fair value of restricted stock granted during the three months ended March 31, 2011 was $10.30 per share or $507. Stock-based compensation expense for restricted stock included in non-interest expense was $25 for the three months ended March 31, 2011. Unrecognized compensation expense for nonvested restricted stock awards was $482 and is expected to be recognized over 5 years.

(8) SUBSEQUENT EVENT

On April 27, 2011, massive storms, including tornadoes struck several areas in Alabama, including Cullman County. Management has not yet determinRAP VALIGN="bottom" ALIGN="right">

Other

48,503 4,986 5,919

Net cash utilized by investing activities

(485) (217,743) (106,172)

Cash flows from financing activities

Net proceeds from borrowings with maturity greater than three months

559,986

Repayments of borrowings with maturity greater than three months

(425,000)

Net proceeds from (repayments of) other short-term borrowings

246,054 (215,273) 43,106

Purchases of common stock

(459,564) (103,488) (98,005)

Stock option transactions

60,519 118,122 54,963

Excess tax benefits from stock-based compensation

10,914 22,300 14,477

Dividends paid

(216,855) (156,129) (225,464)

Other

(7,010) (6,541) (8,456)

Net cash utilized by financing activities

(230,956) (341,009) (219,379)

Effect of exchange rate changes on cash

(12,252) (9,632) (1,232)

Increase (decrease) in cash and cash equivalents

210,718 (167,252) 208,013

Cash and cash equivalents at beginning of year

682,449 849,701 641,688

Cash and cash equivalents at end of year

$893,167	682,449	849,701

Supplemental information

Interest paid

$106,755	90,605	93,957

Income taxes paid

$182,158	88,189	110,544

See accompanying notes to consolidated financial statements.

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HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity and Redeemable Noncontrolling Interests

(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Earnings	Treasury Stock	Total Shareholders Equity	Redeemable Noncontrolling Interests
Balance, December 25, 2011	$ 104,847	630,044	3,205,420	(35,943)	(2,486,853)	$ 1,417,515	$
Net earnings			335,999			335,999	
Other comprehensive loss				(36,364)		(36,364)	
Stock-based compensation transactions		6,695			51,015	57,710	
Purchases of common stock					(100,041)	(100,041)	
Stock-based compensation expense		19,204			230	19,434	
Dividends declared			(186,874)			(186,874)	
Balance, December 30, 2012	$ 104,847	655,943	3,354,545	(72,307)	(2,535,649)	$ 1,507,379	$
Redeemable noncontrolling interest related to acquisition of Backflip Studios, LLC							48,000
Net earnings attributable to Hasbro, Inc.			286,198			286,198	
Net loss attributable to noncontrolling interests							(2,270)
Other comprehensive earnings				38,172		38,172	
Stock-based compensation transactions		57,070			83,324	140,394	
Purchases of common stock					(102,505)	(102,505)	
Stock-based compensation expense		21,168			104	21,272	
Dividends declared			(208,567)			(208,567)	
Distributions paid to noncontrolling owners							(285)
Balance, December 29, 2013	$ 104,847	734,181	3,432,176	(34,135)	(2,554,726)	$ 1,682,343	$ 45,445
Net earnings attributable to Hasbro, Inc.			415,930			415,930	
Net loss attributable to noncontrolling interests							(2,620)
Other comprehensive loss				(61,319)		(61,319)	
Stock-based compensation transactions		36,063			35,370	71,433	
Purchases of common stock					(460,841)	(460,841)	
Stock-based compensation expense		36,021			131	36,152	
Dividends declared			(218,034)			(218,034)	
Net distributions paid to noncontrolling owners							(95)
Balance, December 28, 2014	$ 104,847	806,265	3,630,072	(95,454)	(2,980,066)	$ 1,465,664	$ 42,730

See accompanying notes to consolidated financial statements.

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HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Thousands of Dollars and Shares Except Per Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all majority-owned subsidiaries (Hasbro or the Company). Investments representing 20% to 50% ownership interests in other companies are accounted for using the equity method. All intercompany balances and transactions have been eliminated.

Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto. Actual results could differ from those estimates.

Fiscal Year

Hasbro s fiscal year ends on the last Sunday in December. The fiscal years ended December 28, 2014 and December 29, 2013 were fifty-two week periods while the fiscal year ended December 30, 2012 was a fifty-three week period.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments purchased with a maturity to the Company of three months or less.

Marketable Securities

Marketable securities consist of investments in private investment funds. These investments are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets, and, due to the nature and business purpose of these investments, the Company has selected the fair value option which requires the Company to record the unrealized gains and losses on these investments in the consolidated statements of operations at the time they occur. Marketable securities also include common stock in a public company arising from a business relationship which are also included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Due to its nature and business purpose, the Company records unrealized gains and losses on this investment in accumulated other comprehensive loss in the consolidated balance sheets until it is sold at which point the realized gains or losses will be recognized in the consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is granted to customers predominantly on an unsecured basis. Credit limits and payment terms are established based on extensive evaluations made on an ongoing basis throughout the fiscal year with regard to the financial performance, cash generation, financing availability and liquidity status of each customer. The majority of customers are formally reviewed at least annually; more frequent reviews are performed based on the customer s financial condition and the level of credit being extended. For customers on credit who are experiencing financial difficulties, management performs additional financial analyses before shipping orders. The Company uses a variety of financial transactions, based on availability and cost, to increase the collectability of certain of its accounts, including letters of credit, credit insurance, and requiring cash in advance of shipping.

The Company records an allowance for doubtful accounts based on management s assessment of the business environment, customers financial condition, historical collection experience, accounts receivable aging and customer disputes. When a significant event occurs, such as a bankruptcy filing by a specific customer, and on a quarterly basis, the allowance is reviewed for adequacy and the balance is adjusted to reflect current risk assessments.

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HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Thousands of Dollars and Shares Except Per Share Data)

Accounts receivable, net on the consolidated balance sheet represents amounts due from customers less the allowance for doubtful accounts as well as allowances for discounts, rebates and returns.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its estimated net realizable value. At December 28, 2014 and December 29, 2013, finished goods comprised 94% and 90% of inventories, respectively.

Equity Method Investment

For the Company s equity method investments, only the Company s investment in and amounts due to and from the equity method investment are included in the consolidated balance sheets and only the Company s share of the equity method investment s earnings (losses) is included in other expense, net in the consolidated statements of operations. Dividends, cash distributions, loans or other cash received from the equity method investment, additional cash investments, loan repayments or other cash paid to the investee are included in the consolidated statements of cash flows.

The Company reviews its equity method investments for impairment on a periodic basis. If it has been determined that the fair value of the equity investment is less than its related carrying value and that this decline is other-than-temporary, the carrying value of the investment is adjusted downward to reflect these declines in value. The Company has one significant equity method investment, its 40% interest in a joint venture with Discovery Communications, Inc (Discovery).

The Company and Discovery are party to an option agreement with respect to this joint venture. The Company has recorded a liability for this option agreement at fair value which is included in other liabilities in the consolidated balance sheets. Unrealized gains and losses on this option are recognized in the consolidated statements of operations as they occur.

See notes 5 and 12 for additional information.

Long-Lived Assets

The Company s long-lived assets consist of goodwill and intangible assets with indefinite lives, other intangibles, and property, plant and equipment the Company considers to have a defined life.

Goodwill results from acquisitions the Company has made over time. Substantially all of the other intangibles consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers existing trademarks, copyrights, patents, license agreements and other product-related rights. These rights were valued on their acquisition date based on the anticipated future cash flows from the underlying product line. The Company has certain intangible assets related to the Tonka and Milton Bradley acquisitions that have an indefinite life.

Goodwill and intangible assets deemed to have indefinite lives are not amortized and are tested for impairment at least annually. The annual test begins with goodwill and all intangible assets being allocated to applicable reporting units. This quantitative two-step process begins with an estimation of fair value of the reporting unit using an income approach, which looks to the present value of expected future cash flows. The first step is a screen for potential impairment while the second step measures the amount of impairment if there is an indication from the first step that one exists. When performing the quantitative two-step impairment test, goodwill and intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value, also calculated using the present value of expected future cash flows.

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HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Thousands of Dollars and Shares Except Per Share Data)

The Company may bypass the quantitative two-step impairment process and perform a qualitative assessment if it is not more likely than not that impairment exists. Performing a qualitative assessment of goodwill requires a high degree of judgment regarding assumptions underlying the valuation. Qualitative factors and their impact on critical inputs are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value.

During the fourth quarter of 2014, the Company performed a qualitative assessment with respect to goodwill associated with all but one of its reporting units which determined that it was not necessary to perform a quantitative assessment. The Company also performed quantitative two-step annual impairment tests related to its intangible assets with indefinite lives, as well as goodwill associated with Backflip Studios, the Company s majority owned mobile gaming reporting unit, in the fourth quarter of 2014 and no impairments were indicated as the estimated fair values were in excess of the carrying value of the related intangible assets or reporting units, as applicable.

The remaining intangibles having defined lives are being amortized over periods ranging from four to twenty years, primarily using the straight-line method. At December 28, 2014, approximately 13% of other intangibles, net are being amortized in proportion to actual and projected revenues.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using accelerated and straight-line methods to depreciate the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment (including computer hardware and software) 3 to 12. Depreciation expense is classified in the consolidated statements of operations based on the nature of the property and equipment being depreciated. Tools, dies and molds are depreciated over a three-year period or their useful lives, whichever is less, using an accelerated method. The Company generally owns all tools, dies and molds related to its products.

The Company reviews property, plant and equipment and other intangibles with defined lives for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated by the asset or asset group. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. Assets to be disposed of are carried at the lower of the net book value or their estimated fair value less disposal costs.

Financial Instruments

Hasbro s financial instruments include cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and certain accrued liabilities. At December 28, 2014, the carrying cost of these instruments approximated their fair value. The Company s financial instruments at December 28, 2014 also include long-term borrowings (see note 9 for carrying cost and related fair values) as well as certain assets and liabilities measured at fair value (see notes 9, 12 and 16).

Revenue Recognition

Revenue from product sales is recognized upon the passing of title to the customer, generally at the time of shipment. Provisions for discounts, rebates and returns are made when the related revenues are recognized. The Company bases its estimates for discounts, rebates and returns on agreed customer terms and historical experience.

The Company enters into arrangements licensing its brands on specifically approved products or formats. The licensees pay the Company royalties based on their revenues derived from the brands, in some cases subject to minimum guaranteed amounts. Royalty revenues are recognized as they are reported as earned and payment becomes assured, over the life of the license agreement.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Thousands of Dollars and Shares Except Per Share Data)

The Company produces television programming for license to third parties. Revenues from the licensing of television programming are recorded when the content is available for telecast by the licensee and when certain other conditions are met.

Revenue from product sales less related provisions for discounts, rebates and returns, as well as royalty revenues and television programming revenues comprise net revenues in the consolidated statements of operations.

Costs of Sales

Cost of sales primarily consists of purchased materials, labor, tooling, manufacturing overheads and other inventory-related costs, such as obsolescence.

Royalties

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. These agreements may call for payment in advance or future payment of minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense as revenue from the related products is recognized. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under license, the non-recoverable portion of the guaranty is charged to expense at that time.

Advertising

Production costs of commercials are expensed in the fiscal year during which the production is first aired. The costs of other advertising and promotion programs are expensed in the fiscal year incurred.

Program Production Costs

The Company incurs costs in connection with the production of television programming. These costs are capitalized by the Company as they are incurred and amortized using the individual-film-forecast method, whereby these costs are amortized in the proportion that the current year s revenues bear to management s estimate of total ultimate revenues as of the beginning of such period related to the program. These capitalized costs are reported at the lower of cost, less accumulated amortization, or fair value, and reviewed for impairment when an event or change in circumstances occurs that indicates that impairment may exist. The fair value is determined using a discounted cash flow model which is primarily based on management s future revenue and cost estimates.

Shipping and Handling

Hasbro expenses costs related to the shipment and handling of goods to customers as incurred. For 2014, 2013 and 2012, these costs were $157,326, $155,316 and $157,035, respectively, and are included in selling, distribution and administration expenses.

Operating Leases

Hasbro records lease expense on a straight-line basis inclusive of rent concessions and increases. Reimbursements from lessors for leasehold improvements are deferred and recognized as a reduction to lease expense over the remaining lease term.

Income Taxes

Hasbro uses the asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of

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assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using rates expected to apply to taxable income in years in which those temporary differences are expected to reverse. A valuation allowance is provided for deferred tax assets if it is more likely than not such assets will be unrealized. Deferred income taxes have not been provided on the majority of undistributed earnings of international subsidiaries as the majority of such earnings are indefinitely reinvested by the Company.

The Company uses a two-step process for the measurement of uncertain tax positions that have been taken or are expected to be taken in a tax return. The first step is a determination of whether the tax position should be recognized in the consolidated financial statements. The second step determines the measurement of the tax position. The Company records potential interest and penalties on uncertain tax positions as a component of income tax expense.

Foreign Currency Translation

Foreign currency assets and liabilities are translated into U.S. dollars at period-end exchange rates, and revenues, costs and expenses are translated at weighted average exchange rates during each reporting period. Net earnings include gains or losses resulting from foreign currency transactions and, when required, translation gains and losses resulting from the use of the U.S. dollar as the functional currency in highly inflationary economies. Other gains and losses resulting from translation of financial statements are a component of other comprehensive earnings (loss).

Pension Plans, Postretirement and Postemployment Benefits

Pension expense and related amounts in the consolidated balance sheet are based on actuarial computations of current and future benefits. Actual results that differ from the actuarial assumptions are accumulated and, if outside a certain corridor, amortized over future periods and, therefore affect recognized expense in future periods. The Company s policy is to fund amounts which are required by applicable regulations and which are tax deductible. In 2015, the Company expects to contribute approximately $4,000 to its pension plans. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense. Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of its United States defined benefit pension plans and meet certain age and length of service requirements. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of substantially all employees who retire after 1992 is borne by the employee. It also has several plans covering certain groups of employees, which may provide benefits to such employees following their period of employment but prior to their retirement. The Company measures the costs of these obligations based on actuarial computations.

Stock-Based Compensation

The Company has a stock-based employee compensation plan for employees and non-employee members of the Company s Board of Directors. Under this plan the Company may grant stock options at or above the fair market value of the Company s stock, as well as restricted stock, restricted stock units and contingent stock performance awards. All awards are measured at fair value at the date of the grant and amortized as expense on a straight-line basis over the requisite service period of the award. For awards contingent upon Company performance, the measurement of the expense for these awards is based on the Company s current estimate of its performance over the performance period. For awards contingent upon the achievement of market conditions, the probability of satisfying the market condition is considered in the estimation of the grant date fair value. See note 13 for further discussion.

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Risk Management Contracts

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 purchases of inventory and other cross-border currency requirements not denominated in the functional currency of the business unit, are primarily denominated in United States and Hong Kong dollars as well as Euros. Further, the Company also used forward-starting interest rate swap agreements to hedge the interest payments related to the refinancing of the Company s long-term debt which came due in 2014. All contracts are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a 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.

At the inception of the contracts, Hasbro designates its derivatives as either cash flow or fair value hedges. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking various hedge transactions. All hedges designated as cash flow hedges are linked to forecasted transactions and the Company assesses, both at the inception of the hedge and on an on-going basis, the effectiveness of the derivatives used in hedging transactions in offsetting changes in the cash flows of the forecasted transaction. The ineffective portion of a hedging derivative, if any, is immediately recognized in the consolidated statements of operations.

The Company records all derivatives, such as foreign currency exchange contracts and forward-starting interest rate swap contracts, on the consolidated balance sheets at fair value. Changes in the derivative fair values that are designated as cash flow hedges and are effective are deferred and recorded as a component of Accumulated Other Comprehensive (Loss) Earnings (AOCE) until the hedged transactions occur and are then recognized in the consolidated statements of operations. The Company s foreign currency and forward-starting interest rate swap contracts hedging anticipated cash flows are designated as cash flow hedges. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting prospectively. Any gain or loss deferred through that date remains in AOCE until the forecasted transaction occurs, at which time it is reclassified to the consolidated statements of operations. To the extent the transaction is no longer deemed probable of occurring, hedge accounting treatment is discontinued and amounts deferred would be reclassified to the consolidated statements of operations. In the event hedge accounting requirements are not met, gains and losses on such instruments are included currently in the consolidated statements of operations. The Company uses derivatives to economically hedge intercompany loans denominated in foreign currencies. The Company does not use hedge accounting for these contracts as changes in the fair value of these contracts are substantially offset by changes in the fair value of the intercompany loans.

The Company also used interest rate swap agreements to adjust the amount of long-term debt subject to fixed interest rates. The interest rate swaps were matched with long-term debt due in 2014 and designated as fair value hedges of the change in fair value of the related debt obligations. These agreements were recorded at their fair value as an asset or liability. Gains and losses on these contracts were included in the consolidated statements of operations and wholly offset by changes in the fair value of the related long-term debt. In November 2012, these interest rate swap agreements were terminated. The realized gain on the interest rate swaps was recorded as an adjustment to long-term debt and was amortized through the consolidated statements of operations over the term of the related long-term debt using a straight-line method.

Net Earnings Per Common Share

Basic net earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted net earnings per share is similar except that the weighted average number of shares outstanding is increased by dilutive securities, and net earnings are adjusted, if necessary, for certain

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amounts related to dilutive securities. Dilutive securities include shares issuable upon exercise of stock options for which the market price exceeds the exercise price, less shares which could have been purchased by the Company with the related proceeds. Dilutive securities also include shares issuable under restricted stock unit award agreements. Options and restricted stock unit awards totaling 674, 760 and 3,409 for 2014, 2013 and 2012, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

A reconciliation of net earnings and average number of shares for each of the three fiscal years ended December 28, 2014 is as follows:

	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	$ 415,930	415,930	286,198	286,198	335,999	335,999
Average shares outstanding	128,411	128,411	130,186	130,186	130,067	130,067
Effect of dilutive securities:						
Options and other share-based awards		1,475		1,602		1,859
Equivalent shares	128,411	129,886	130,186	131,788	130,067	131,926
Net earnings attributable to Hasbro, Inc. per share	$ 3.24	3.20	2.20	2.17	2.58	2.55

(2) <u>Other Comprehensive Earnings (Loss)</u>

Components of other comprehensive earnings (loss) are presented within the consolidated statements of comprehensive earnings. The following table presents the related tax effects on changes in other comprehensive earnings (loss) for the three years ended December 28, 2014.

	2014	2013	2012
Other comprehensive earnings (loss), tax effect:			
Tax benefit (expense) on cash flow hedging activities	$ 8,259	(511)	(384)
Tax benefit (expense) on unrealized holding gains	(1,077)		
Tax benefit (expense) on unrecognized pension and postretirement amounts	23,869	(25,193)	18,714
Reclassifications to earnings, tax effect:			
Tax (benefit) expense on cash flow hedging activities	(2,488)	946	1,378
Tax (benefit) expense on unrecognized pension and postretirement amounts reclassified to the consolidated statements of operations	(1,327)	(4,275)	(2,498)
Total tax effect on other comprehensive earnings (loss)	$ 27,236	(29,033)	17,210

In 2014, 2013 and 2012, net (gains) losses on cash flow hedging activities reclassified to earnings, net of tax, included losses of $(58), $(168) and $90, respectively, as a result of hedge ineffectiveness.

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At December 28, 2014, the Company had remaining net deferred gains on hedging instruments, net of tax, of $43,689 in AOCE. These instruments hedge payments related to inventory purchased in the fourth quarter of 2014 or forecasted to be purchased during 2015 and 2016, intercompany expenses expected to be paid or received during 2015 and 2016, cash receipts for sales made at the end of 2014 or forecasted to be made in 2015 and interest payments related to long-term notes due 2021 and 2044. These amounts will be reclassified into the consolidated statements of operations upon the sale of the related inventory or recognition of the related sales, royalties or expenses. Of the net deferred gains included in AOCE at December 28, 2014, the Company expects approximately $28,834 to be reclassified to the consolidated statements of operations within the next 12 months. However, the amount ultimately realized in earnings is dependent on the fair value of the hedging instruments on the settlement dates.

Changes in the components of accumulated other comprehensive earnings (loss), net of tax are as follows:

		Pension and Postretirement Amounts	Gains (Losses) on Derivative Instruments	Unrealized Holding Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Earnings (Loss)
2014						
Balance at December 29, 2013	$	(64,841)	(7,313)		38,019	(34,135)
Current period other comprehensive earnings (loss)		(51,206)	47,600	1,900	(65,970)	(67,676)
Reclassifications from AOCE to earnings		2,955	3,402			6,357
Balance at December 28, 2014	$	(113,092)	43,689	1,900	(27,951)	(95,454)
2013						
Balance at December 30, 2012	$	(120,422)	(1,008)		49,123	(72,307)
Current period other comprehensive earnings (loss)		47,081	(3,075)		(11,104)	32,902
Reclassifications from AOCE to earnings		8,500	(3,230)			5,270
Balance at December 29, 2013	$	(64,841)	(7,313)		38,019	(34,135)
2012						
Balance at December 25, 2011	$	(86,822)	10,081		40,798	(35,943)
Current period other comprehensive earnings (loss)		(38,335)	(3,704)		8,325	(33,714)
Reclassifications from AOCE to earnings		4,735	(7,385)			(2,650)
Balance at December 30, 2012	$	(120,422)	(1,008)		49,123	(72,307)

See notes 14 and 16 for additional discussion on reclassifications from AOCE to earnings.

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(3) Property, Plant and Equipment

	2014	2013
Land and improvements	$ 6,784	7,870
Buildings and improvements	234,149	241,886
Machinery, equipment and software	447,434	435,778
	688,367	685,534
Less accumulated depreciation	508,600	500,478
	179,767	185,056
Tools, dies and molds, net of accumulated depreciation	57,722	51,207
Total property, plant and equipment, net	$ 237,489	236,263

Expenditures for maintenance and repairs which do not materially extend the life of the assets are charged to operations as incurred.

(4) Goodwill and Intangibles

Goodwill and certain intangible assets relating to rights obtained in the Company s acquisition of Milton Bradley in 1984 and Tonka in 1991 are not amortized. These rights were determined to have indefinite lives and total approximately $75,700. The Company s other intangible assets are amortized over their remaining useful lives, and accumulated amortization of these other intangibles is reflected in other intangibles, net in the accompanying consolidated balance sheets.

The Company performs an annual impairment test on goodwill and intangible assets with indefinite lives. This annual impairment test is performed in the fourth quarter of the Company s fiscal year. In addition, if an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim impairment test at that time. For the three fiscal years ended December 28, 2014, no such events occurred. The Company completed its annual impairment tests of goodwill in the fourth quarters of 2014, 2013 and 2012 concluding that there was no impairment of its goodwill or indefinite lived intangibles.

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A portion of the Company s goodwill and other intangible assets reside in the Corporate segment of the business. For purposes of the goodwill impairment testing, these assets are allocated to the reporting units within the Company s operating segments. Changes in the carrying amount of goodwill, by operating segment, for the years ended December 28, 2014 and December 29, 2013 are as follows:

	U.S. and Canada	International	Entertainment and Licensing	Total
2014				
Balance at December 29, 2013	$ 296,978	171,736	125,607	594,321
Foreign exchange translation		(883)		(883)
Balance at December 28, 2014	$ 296,978	170,853	125,607	593,438
2013				
Balance at December 30, 2012	$ 296,978	171,451	6,496	474,925
Acquired during the period			119,111	119,111
Foreign exchange translation		285		285
Balance at December 29, 2013	$ 296,978	171,736	125,607	594,321

On July 8, 2013, the Company acquired a majority interest in Backflip Studios, LLC (Backflip), a mobile game developer based in Boulder, Colorado. The Company paid $112,000 in cash to acquire a 70% interest in Backflip, and will be required to purchase the remaining 30% in the future contingent on the achievement by Backflip of certain predetermined financial performance metrics. The Company is consolidating the financial statements of Backflip and reporting the 30% redeemable noncontrolling interests as a separate line in the consolidated balance sheets and statements of operations.

Based on a valuation of approximately $160,000, the Company has allocated approximately $6,000 to net tangible assets, $35,000 to identifiable intangible assets, $119,000 to goodwill, and $48,000 to redeemable noncontrolling interests. The valuation was based on the income approach which utilizes discounted future cash flows expected to be generated from the acquired business. Identifiable intangible assets include property rights which are being amortized over the projected revenue curve over a period of four years. Actual results achieved from these acquired game titles may impact the carrying value of these intangibles or the timing of amortization expense. Goodwill reflects the value to the Company from leveraging Backflip s expertise in developing and marketing mobile digital games, including the continued expansion of its own brands in this arena. Goodwill is tested for impairment annually unless an event occurs or circumstances change that indicate that the carrying value may not be recoverable. The Company completed its two-step quantitative impairment test of this reporting unit during the fourth quarter of 2014 and concluded there was no impairment.

The value of the redeemable noncontrolling interests has been presented in the consolidated balance sheets as temporary equity between liabilities and shareholders equity. This presentation is required because the Company has the obligation to purchase the remaining 30% of Backflip in the future contingent on the achievement by Backflip of certain predetermined financial metrics. At December 28, 2014 and December 29, 2013, this 30% redeemable noncontrolling interest was $42,730 and $45,445, respectively.

The consolidated statements of operations for the year ended December 29, 2013 included the operations of Backflip from the closing date of July 8, 2013 whereas full year operations are included in the consolidated statements of operations for the year ended December 28, 2014. Actual and pro forma results have not been disclosed because they are not material to the consolidated financial statements. Net loss attributable to noncontrolling interests for the years ended December 28, 2014 and December 29, 2013 was $2,620 and $2,270 respectively.

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A summary of the Company s other intangibles, net at December 28, 2014 and December 29, 2013:

	2014	2013
Acquired product rights	$ 789,781	788,544
Licensed rights of entertainment properties	256,555	256,555
Accumulated amortization	(797,546)	(744,838)
Amortizable intangible assets	248,790	300,261
Product rights with indefinite lives	75,738	75,738
Total other intangibles, net	$ 324,528	375,999

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. During 2013, the Company incurred $19,736 in impairment charges related to certain product lines which the Company exited as well as product lines with reduced expectations. The Company will continue to incur amortization expense related to the use of acquired and licensed rights to produce various products. A portion of the amortization of these product rights will fluctuate depending on brand activation, related revenues during an annual period and future expectations, as well as rights reaching the end of their useful lives. The Company currently estimates amortization expense related to the above intangible assets for the next five years to be approximately:

2015	$ 44,000
2016	35,000
2017	33,000
2018	24,000
2019	40,000

(5) Equity Method Investment

The Company owns an interest in a joint venture, Hub Television Networks, LLC (the Network), with Discovery Communications, Inc. (Discovery). The Company has determined that it does not meet the control requirements to consolidate the Network and accounts for the investment using the equity method of accounting. The Network was established to create a cable television network in the United States dedicated to high-quality children s and family entertainment. In October 2009, the Company purchased an initial 50% share in the Network for a payment of $300,000 and certain future tax payments based on the value of certain tax benefits expected to be received by the Company. On September 23, 2014, the Company and Discovery amended their relationship with respect to the Network and Discovery has increased its equity interest in the Network to 60% while the Company retains a 40% equity interest in the Network. The change in equity interests was accomplished partly through a redemption of interests owned by the Company and partly through the purchase of interests by Discovery from the Company. In connection with this reduction in its equity ownership the Company was paid a cash purchase price of $64,400 by Discovery. In connection with the restructuring of the Network, the Company recognized a net expense of $28,326, which includes a charge resulting from an option agreement and the Company s share of severance charges and programming write-downs recognized by the Network, partially offset by a gain from the reduction of amounts due to Discovery under a tax sharing agreement and is primarily included in other (income) expense, net in the consolidated statements of operations.

In connection with amendments, the Company and Discovery also entered into an option agreement related to the Company s remaining 40% ownership in the Network, exercisable during the one-year period following December 31, 2021. The exercise price of the option agreement is based upon 80% of the then fair market value

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of the Network, subject to a fair market value floor. In connection with the amendment, the Company recorded a charge in other expense, related to the fair market value of the option agreement totaling $25,590. At December 28, 2014, $25,340 is included as a component of other liabilities related to the fair value of this option agreement.

As a result of the reduction in the Company s ownership in the Network, the Company also received a benefit from a reduction in amounts due to Discovery under the existing tax sharing agreement. The present value of the expected future payments at the acquisition date totaled approximately $67,900 and was recorded as a component of the Company s investment in the joint venture. For the year ended December 28, 2014, the Company recorded a net benefit in other expense related to the reduction in the amounts due to Discovery under the tax sharing agreement totaling $12,834. The balance of the associated liability, including imputed interest, was $55,107 and $69,749 at December 28, 2014 and December 29, 2013, respectively, and is included as a component of other liabilities in the accompanying consolidated balance sheets. During 2014, 2013 and 2012, the Company made payments under the tax sharing agreement to Discovery of $7,010, $6,541 and $5,954, respectively.

The Company has a license agreement with the Network that requires the payment of royalties by the Company to the Network based on a percentage of revenue derived from products related to television shows broadcast by the joint venture. The license includes a minimum royalty guarantee of $125,000, payable in five annual installments of $25,000 per year, commencing in 2009, which could be earned out over approximately a 10-year period. During 2013 and 2012, the Company paid annual installments of $25,000 each which are included in other, including long-term advances in the consolidated statements of cash flows. The payment made in 2013 was the final installment under this agreement. In connection with the amended agreement, the terms of this license were modified resulting in a benefit recorded to royalties totaling $2,328 in the consolidated statements of operations. As of December 28, 2014 and December 29, 2013, the Company had $89,328 and $101,823 of prepaid royalties, respectively, related to this agreement, $12,207 and $15,955, respectively, of which are included in prepaid expenses and other current assets and $77,121 and $85,868, respectively, of which are included in other assets. The Company and the Network are also parties to an agreement under which the Company will provide the Network with an exclusive first look in the U.S. to license certain types of programming developed by the Company based on its intellectual property. In the event the Network licenses the programming from the Company to air, it is required to pay the Company a license fee.

As of December 28, 2014 and December 29, 2013 the Company s investment in the Network totaled $244,587 and $321,876, respectively. The Company s share in the loss of the Network for the years ended December 28, 2014, December 29, 2013 and December 30, 2012 totaled $9,187, $2,386 and $6,015, respectively and is included as a component of other expense, net in the accompanying consolidated statements of operations. In 2014, the Company s share in the loss of the Network included charges related to its restructuring totaling $17,278. The Company also enters into certain other transactions with the Network including the licensing of television programming and the purchase of advertising. During 2014, 2013 and 2012, these transactions were not material.

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(6) Program Production Costs

Program production costs are included in other assets and consist of the following at December 28, 2014 and December 29, 2013:

	2014	2013
Released, less amortization	$ 41,742	59,783
In production	24,607	17,683
Pre-production	1,841	2,499
Total program production costs	$ 68,190	79,965

Based on management s total revenue estimates at December 28, 2014, substantially all of the unamortized television programming costs relating to released productions are expected to be amortized during the next three years. Based on current estimates, the Company expects to amortize approximately $26,000 of the $41,742 of released programs during fiscal 2015.

(7) Financing Arrangements

At December 28, 2014, Hasbro had available an unsecured committed line and unsecured uncommitted lines of credit from various banks approximating $700,000 and $108,000, respectively. All of the short-term borrowings outstanding at the end of 2014 and 2013 represent borrowings made under, or supported by, these lines of credit. Borrowings under the lines of credit were made by certain international affiliates of the Company on terms and at interest rates generally extended to companies of comparable creditworthiness in those markets. The weighted average interest rates of the outstanding borrowings under the uncommitted lines of credit as of December 28, 2014 and December 29, 2013 were 3.80% and 5.25%, respectively. The Company had no borrowings outstanding under its committed line of credit at December 28, 2014. During 2014, Hasbro s working capital needs were fulfilled by cash generated from operations, borrowings under lines of credit and utilization of its commercial paper program discussed below.

The unsecured committed line of credit, as amended on October 2012 (the Agreement), provides the Company with a $700,000 committed borrowing facility through October 1, 2017. 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 year ended December 28, 2014.

The Company pays a commitment fee (0.15% as of December 28, 2014) based on the unused portion of the facility and interest equal to a Base Rate or Eurocurrency Rate plus a spread on borrowings under the facility. The Base Rate is determined based on either the Federal Funds Rate plus a spread, Prime Rate or Eurocurrency Rate plus a spread. The commitment fee and the amount of the spread to the Base Rate or Eurocurrency Rate both vary based on the Company s long-term debt ratings and the Company s leverage. At December 28, 2014, the interest rate under the facility was equal to Eurocurrency Rate plus 1.25%.

The Company has an agreement with a group of banks to establish a commercial paper program (the Program). Under the Program, at the Company s request the banks may either purchase from the Company, or arrange for the sale by the Company of, unsecured commercial paper notes. Borrowings under the Program are supported by the aforementioned unsecured committed line of credit and the Company may issue notes from time to time up to an aggregate principal amount outstanding at any given time of $700,000. The maturities of the notes may vary but may not exceed 397 days. Subject to market conditions, the notes will be sold under customary terms in the commercial paper market and will be issued at a discount to par, or alternatively, will be sold at par and will bear varying interest rates based on a fixed or floating rate basis. The interest rates will vary

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based on market conditions and the ratings assigned to the notes by the credit rating agencies at the time of issuance. At December 28, 2014, the Company had notes outstanding under the Program of $239,976 with a weighted average interest rate of 0.44%. There were no notes outstanding under the Program at December 29, 2013.

(8) Accrued Liabilities

Components of accrued liabilities are as follows:

	2014	2013
Royalties	$ 83,217	168,950
Advertising	78,530	84,815
Payroll and management incentives	82,774	73,970
Other	365,383	400,024
Total accrued liabilities	$ 609,904	727,759

(9) Long-Term Debt

Components of long-term debt are as follows:

	2014		2013	
	Carrying Cost	Fair Value	Carrying Cost	Fair Value
6.35% Notes Due 2040	$ 500,000	617,700	500,000	532,750
6.30% Notes Due 2017	350,000	387,660	350,000	400,050
5.10% Notes Due 2044	300,000	316,980		
3.15% Notes Due 2021	300,000	302,700		
6.60% Debentures Due 2028	109,895	128,698	109,895	118,566
6.125% Notes Due 2014			428,390	435,838
Total long-term debt	1,559,895	1,753,738	1,388,285	1,487,204
Less: Current portion			428,390	435,838
Long-term debt excluding current portion	$ 1,559,895	1,753,738	959,895	1,051,366

In May 2014, the Company issued $600,000 in long-term debt which consists of $300,000 of 3.15% Notes Due in 2021 and $300,000 of 5.10% Notes Due in 2044 (collectively, the Notes). The Company may redeem the Notes at its option at the greater of the principal amount of the Notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase. Prior to the issuance of the Notes, the Company held forward-starting interest rate swap contracts to hedge the variability in the anticipated underlying U.S. Treasury interest rate associated with the expected issuance of the Notes. At the date of issuance, these contracts were terminated and the Company paid $33,306, the fair value of the contracts on that date, to settle. Of this amount, $6,373 related to 3.15% Notes Due 2021 and $26,933 related to 5.10% Notes Due 2044, which have been deferred in AOCE and are being amortized to interest expense over the life of the respective Notes using the effective interest rate method. The proceeds from the Notes have been presented net of the payment for these contracts in the consolidated statements of cash flows.

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The carrying cost of the 6.125 % Notes Due 2014 included principal amounts of $425,000 as well as a fair value adjustment of $3,390 at December 29, 2013, related to interest rate swaps. The interest rate swaps were terminated in November 2012 and the fair value adjustment at December 29, 2013 represents the unamortized portion of the fair value of the interest rate swaps at the date of termination. At December 29, 2013, the principal amount and fair value adjustment associated with the 6.125 % Notes Due 2014, totaling $428,390, were included in the current portion of long-term debt. All other carrying costs represent principal amounts and were included in long-term debt excluding the current portion at December 29, 2013. Total principal amounts of long-term debt at December 28, 2014 and December 29, 2013 were $1,559,895 and $1,384,895 respectively.

The fair values of the Company s long-term debt are considered Level 3 fair values (see note 12 for further discussion of the fair value hierarchy) and are measured using the discounted future cash flows method. In addition to the debt terms, the valuation methodology includes an assumption of a discount rate that approximates the current yield on a similar debt security. This assumption is considered an unobservable input in that it reflects the Company s own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement.

Interest rates for the 6.30% Notes Due 2017 may be adjusted upward in the event that the Company s credit rating from Moody s Investor Services, Inc., Standard & Poor s Ratings Services or Fitch Ratings is reduced to Ba1, BB+, or BB+, respectively, or below. At December 28, 2014, the Company s ratings from Moody s Investor Services, Inc., Standard & Poor s Rating Services and Fitch Ratings were Baa2, BBB, and BBB+, respectively. The interest rate adjustment is dependent on the degree of decrease of the Company s ratings and could range from 0.25% to a maximum of 2.00%. The Company may redeem these notes at its option at the greater of the principal amount of these notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase.

At December 28, 2014, as detailed above, the Company s 6.30% Notes mature in 2017. All of the Company s other long-term borrowings have contractual maturities that occur subsequent to 2019. The aggregate principal amount of long-term debt maturing in the next five years is $350,000.

(10) Income Taxes

Income taxes attributable to earnings before income taxes are:

	2014	2013	2012
Current			
United States	$ 70,390	12,760	64,076
State and local	3,134	1,677	1,587
International	62,909	72,640	67,826
	136,433	87,077	133,489
Deferred			
United States	(15,448)	(10,751)	(8,832)
State and local	(530)	(368)	(303)
International	6,223	(8,064)	(6,951)
	(9,755)	(19,183)	(16,086)

Total income taxes	$ 126,678	67,894	117,403

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Certain income tax (benefits) expenses, not reflected in income taxes in the consolidated statements of operations totaled $(38,223) in 2014, $6,733 in 2013 and $(31,682) in 2012 which relate primarily to stock options and pensions. In 2014, 2013 and 2012, the deferred tax portion of the total (benefit) expense was $(27,236), $29,033 and $(17,210), respectively.

A reconciliation of the statutory United States federal income tax rate to Hasbro s effective income tax rate is as follows:

	2014	2013	2012
Statutory income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net	0.3	0.3	0.3
Tax on international earnings	(8.1)	(11.4)	(9.4)
Exam settlements and statute expirations	(5.2)	(7.4)	(7.0)
Other, net	1.5	2.8	7.0
	23.5%	19.3%	25.9%

The components of earnings before income taxes, determined by tax jurisdiction, are as follows:

	2014	2013	2012
United States	$ 190,769	54,424	113,893
International	349,219	297,398	339,509
Total earnings before income taxes	$ 539,988	351,822	453,402

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The components of deferred income tax expense (benefit) arise from various temporary differences and relate to items included in the consolidated statements of operations as well as items recognized in other comprehensive earnings. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 28, 2014 and December 29, 2013 are:

	2014	2013
Deferred tax assets:		
Accounts receivable	$ 20,874	20,853
Inventories	14,698	16,272
Loss and credit carryforwards	32,393	27,870
Operating expenses	48,998	54,255
Pension	53,789	31,533
Other compensation	48,498	46,206
Postretirement benefits	10,092	12,873
Interest rate hedge	11,638	
Tax sharing agreement	18,840	24,835
Other	27,817	30,338
Gross deferred tax assets	287,637	265,035
Valuation allowance	(26,319)	(21,474)
Net deferred tax assets	261,318	243,561
Deferred tax liabilities:		
Depreciation and amortization of long-lived assets	59,895	66,856
Equity method investment	2,001	18,571
Other	13,447	5,455
Deferred tax liabilities	75,343	90,882
Net deferred income taxes	$ 185,975	152,679

Hasbro has a valuation allowance for certain deferred tax assets at December 28, 2014 of $26,319, which is an increase of $4,845 from $21,474 at December 29, 2013. The valuation allowance pertains to certain U.S. state and international loss and credit carryforwards, some of which have no expiration and others that would expire beginning in 2015.

Based on Hasbro s history of taxable income and the anticipation of sufficient taxable income in years when the temporary differences are expected to become tax deductions, the Company believes that it will realize the benefit of the deferred tax assets, net of the existing valuation allowance.

At December 28, 2014 and December 29, 2013, the Company s net deferred income taxes are recorded in the consolidated balance sheets as follows:

	2014	2013

Prepaid expenses and other current assets	$ 75,595	86,634
Other assets	118,280	67,773
Accrued liabilities	(3,250)	(183)
Other liabilities	(4,650)	(1,545)
Net deferred income taxes	$ 185,975	152,679

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A reconciliation of unrecognized tax benefits, excluding potential interest and penalties, for the fiscal years ended December 28, 2014, December 29, 2013 and December 30, 2012 is as follows:

	2014	2013	2012
Balance at beginning of year	$ 55,459	103,067	83,814
Gross increases in prior period tax positions	34,225	8,677	3,089
Gross decreases in prior period tax positions	(1,510)	(33,181)	(10,856)
Gross increases in current period tax positions	8,470	10,353	30,008
Decreases related to settlements with tax authorities	(58,652)	(31,478)	
Decreases from the expiration of statute of limitations	(2,576)	(1,979)	(2,988)
Balance at end of year	$ 35,416	55,459	103,067

If the $35,416 balance as of December 28, 2014 is recognized, approximately $35,000 would decrease the effective tax rate in the period in which each of the benefits is recognized. The remaining amount would be offset by the reversal of related deferred tax assets.

During 2014, 2013, and 2012 the Company recognized $3,134, $4,634 and $3,110, respectively, of potential interest and penalties, which are included as a component of income taxes in the accompanying consolidated statements of operations. At December 28, 2014, December 29, 2013 and December 30, 2012, the Company had accrued potential interest and penalties of $4,042, $24,547 and $20,377, respectively.

The Company and its subsidiaries file income tax returns in the United States and various state and international jurisdictions. In the normal course of business, the Company is regularly audited by U.S. federal, state and local and international tax authorities in various tax jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years before 2013. With few exceptions, the Company is no longer subject to U.S. state or local and non-U.S. income tax examinations by tax authorities in its major jurisdictions for years before 2009.

During 2014, as a result of amending 2010 through 2012 U.S. federal income tax returns and making similar adjustments identified in the completion of the 2008 and 2009 U.S. Internal Revenue Service examinations, the Company recognized $12,159 of previously accrued unrecognized tax benefits including the reversal of related accrued interest, primarily related to the deductibility of certain expenses. Of this amount, $324 was recorded as a reduction of deferred tax assets and the remainder as a reduction to income tax expense. The total income tax benefit from the amended returns, including other adjustments, totaled $13,480 during the first quarter of 2014. The Company is currently under income tax examination in several U.S. state and local and non-U.S. jurisdictions.

During 2013, the U.S. Internal Revenue Service completed an examination related to the 2008 and 2009 U.S. federal income tax returns. As the result of the completion of this examination, unrecognized tax benefits, which are included as a component of other liabilities in the consolidated balance sheets, decreased $67,174. Of this amount, $29,970 was recorded as an increase to current liabilities, $14,112 as a reduction of deferred tax assets and the remainder as a reduction of income tax expense. The total income tax benefit resulting from the completion of the examination, including other adjustments, totaled $23,637 during 2013.

The Company had outstanding tax assessments in Mexico for the years 2000 to 2007 and for 2009 based on transfer pricing issues between the Company s subsidiaries with respect to the Company s operations in Mexico. During the fourth quarter of 2014, the Company and the Mexican tax authorities resolved these disputes which resulted in a cash payment of approximately $65,000 by the Company to the Mexican tax authorities. During 2014, the income tax charge related to this resolution totaled $4,533. This settlement agreement resolved all of the outstanding tax assessments and also closed all other completed tax years through and included 2013.

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In order to defend its position in court, the Company was required to guarantee the amount of the assessments for the years 2000 to 2004, as is usual and customary in Mexico with respect to these matters. Bonds had been provided to the Mexican government related to the 2000 through 2004 assessments, allowing the Company to defend its positions. Due to the timing of the settlement, these bonds were still outstanding at December 28, 2014 and totaled $146,410 (at year end 2014 exchange rates).

The Company believes it is reasonably possible that certain tax examinations and statutes of limitations may be concluded and will expire within the next 12 months, and that unrecognized tax benefits, excluding potential interest and penalties, may decrease by up to approximately $3,000, substantially all of which would be recorded as a tax benefit if not paid in the consolidated statements of operations. In addition, approximately $600 of potential interest and penalties related to these amounts would also be recorded as a tax benefit in the consolidated statements of operations.

The cumulative amount of undistributed earnings of Hasbro s international subsidiaries held for indefinite reinvestment is approximately $2,023,000 at December 28, 2014. In the event that all international undistributed earnings were remitted to the United States, the amount of incremental taxes would be approximately $513,000.

(11) Capital Stock

In August 2013 the Company s Board of Directors authorized the repurchases of up to $500,000 in common stock after six previous authorizations dated May 2005, July 2006, August 2007, February 2008, April 2010 and May 2011 with a cumulative authorized repurchase amount of $2,825,000 were fully utilized. Purchases of the Company s common stock may be made from time to time, subject to market conditions, and may be made in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization and the time, actual number, and the value of the shares which are repurchased will depend on a number of factors, including the price of the Company s common stock. In 2014, the Company repurchased 8,490 shares at an average price of $54.26. The total cost of these repurchases, including transaction costs, was $460,840. At December 28, 2014, $64,151 remained under the current authorizations. In February 2015, the Company s Board of Directors authorized the repurchase of an additional $500,000 of common stock.

(12) Fair Value of Financial Instruments

The Company measures certain assets at fair value in accordance with current accounting standards. The 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. There have been no transfers between levels within the fair value hierarchy.

Current accounting standards permit entities to choose to measure many financial instruments and certain other items at fair value and establish presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities. The Company has elected the fair value option for certain investments. At December 28, 2014 and December 29, 2013, these investments totaled $23,560 and $28,048, respectively, and are included in prepaid expenses and other current assets in the consolidated balance sheets. The Company recorded net gains of $889, $152 and $2,504 on these investments in other (income) expense, net for the years ended December 28, 2014, December 29, 2013 and December 30, 2012, respectively, relating to the change in fair value of such investments.

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

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 28, 2014				
Assets:				
Available-for-sale securities	$ 28,042	4,482	17,773	5,787
Derivatives	69,148		69,148	
Total assets	$ 97,190	4,482	86,921	5,787
Liabilities:				
Derivatives	$ 2,591		2,591	
Option agreement	25,340			25,340
Total Liabilities	$ 27,931		2,591	25,340
December 29, 2013				
Assets:				
Available-for-sale securities	$ 28,048		22,564	5,484
Derivatives	4,627		4,627	
Total assets	$ 32,675		27,191	5,484
Liabilities:				
Derivatives	$ 12,330		12,330	
Total Liabilities	$ 12,330		12,330	

Available-for-sale securities include equity securities of one company quoted on an active public market as well as certain investments valued at net asset values quoted on private markets that are not active. These net asset values are predominantly based on underlying investments which are traded on an active market; investments are redeemable within 45 days. At December 29, 2013 the Company also held an available-for-sale investment in Brazil similar to a repurchase agreement; this investment was valued at the principal plus any interest accrued on the instrument. Lastly, the Company holds an available-for-sale investment which invests in hedge funds which contain financial instruments that are valued using certain estimates which are considered unobservable in that they reflect the investment manager s own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that these estimates are the best information available for use in the fair value of this investment. The Company s derivatives consist primarily of foreign currency forward contracts. At December 29, 2013, the Company also had forward-starting interest rate swap contracts related to the anticipated issuance of the Notes Due 2021 and 2044. The Company used current forward rates of the respective foreign currencies and U.S. treasury interest rates to measure the fair value of these contracts. The option agreement included in other liabilities at December 28, 2014 is valued using an option pricing model based on the fair value of the related investment. Inputs used in the option pricing model

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include the volatility and fair value of the underlying company which are considered unobservable inputs as they reflect the Company s own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believed that this is the best information available for use in the fair value measurement. There were no changes in these valuation techniques during 2014.

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

	2014	2013
Balance at beginning of year	$ 5,484	7,618
Issuance of option agreement	(25,590)	
Sales		(990)
Net gain (loss) from change in fair value	553	(1,144)
Balance at end of year	$ (19,553)	5,484

(13) Stock Options, Other Stock Awards and Warrants

Hasbro has reserved 12,801 shares of its common stock for issuance upon exercise of options and other awards granted or to be granted under stock incentive plans for employees and for non-employee members of the Board of Directors (collectively, the plans). These awards generally vest and are expensed in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than the market value of the underlying common stock on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. Options are exercisable for periods of no more than seven years after date of grant. Upon exercise in the case of stock options, grant in the case of restricted stock or vesting in the case of performance based contingent stock and restricted stock unit grants, shares are issued out of available treasury shares. The Company s current plan permits the granting of awards in the form of stock, stock appreciation rights, stock awards and cash awards in addition to stock options.

Total compensation expense related to stock options, restricted stock units, including those awards made to non-employee members of its Board of Directors, and stock performance awards for the years ended December 28, 2014, December 29, 2013 and December 30, 2012 was $36,152, $21,272 and $19,434, respectively, and was recorded as follows:

	2014	2013	2012
Cost of sales	$ 395	152	146
Product development	3,874	1,767	1,854
Selling, distribution and administration	31,883	19,353	17,434
	36,152	21,272	19,434
Income tax benefit	11,745	7,065	6,392
	$ 24,407	14,207	13,042

Restricted Stock Units

The Company on occasion will issue restricted stock or grant restricted stock units to certain key employees. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. These awards are valued at the market value of the underlying common stock at the date of grant and are subsequently amortized over the periods during which the restrictions lapse, generally between three and five years. During

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2014, 2013 and 2012, the Company recognized compensation expense, net of forfeitures, on these awards of $15,643, $8,732 and $2,328, respectively. At December 28, 2014, the amount of total unrecognized compensation cost related to restricted stock units is $34,146 and the weighted average period over which this will be expensed is 29 months.

In October 2012, as part of an Amended and Restated Employment Agreement, the Company s Chief Executive Officer was awarded 587 shares to be granted in two tranches across 2013 and 2014. As of May 2013, both tranches met the accounting definition for grant date and, as such, are being expensed from 2013 through 2017. Expenses related to 2014 and 2013 are included in the aforementioned recognized and unrecognized compensation costs related to restricted stock units. 468 shares of this award are considered granted in 2013 while the remaining 119 shares were granted in February 2014. These awards provide the recipient with the ability to earn shares of the Company s common stock based on the Company s achievement of four stated stock price hurdles and continued employment through December 31, 2017. At the completion of the service period, the recipient will receive one quarter of the award for each stock price hurdle achieved after April 24, 2013. The four stock price hurdles are $45, $52, $56 and $60 which must be met for a period of at least thirty days using the average closing price over such period. In August 2014, the Amended and Restated Employment Agreement was further amended to include additional requirements. Specifically, if the third and fourth stock price hurdles are achieved the number of shares ultimately issued will be dependent on the average stock price for the thirty day period immediately prior to December 31, 2017. This amendment did not result in any incremental fair value to the award which is used to record compensation expense for the award.

The Company used a Monte Carlo simulation valuation model to determine the fair value of these awards. The following inputs were used in the simulation that resulted in an average grant date fair value for this award of $35.56:

	Inputs
Grant date stock price	$ 47.28
Stock price volatility	26.12%
Risk-free interest rate	0.65%
Dividend yield	3.38%

Excluding the aforementioned award for 587 shares, information with respect to the remaining Restricted Stock Awards and Restricted Stock Units for 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Outstanding at beginning of year	702	296	232
Granted	281	451	92
Forfeited	(39)	(44)	(27)
Vested	(7)	(1)	(1)
Outstanding at end of year	937	702	296
Weighted average grant-date fair value:			
Granted	$ 52.06	45.16	36.01
Forfeited	$ 44.44	40.40	40.80
Vested	$ 41.19	33.62	32.90
Outstanding at end of year	$ 45.74	43.10	39.53

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Stock Performance Awards

In 2014, 2013 and 2012, as part of its annual equity grant to executive officers and certain other employees, the Company issued contingent stock performance awards (the Stock Performance Awards). These awards provide the recipients with the ability to earn shares of the Company s common stock based on the Company s achievement of stated cumulative diluted earnings per share and cumulative net revenue targets over the three fiscal years ended December 2016, December 2015, and December 2014 for the 2014, 2013 and 2012 awards, respectively. Each Stock Performance Award has a target number of shares of common stock associated with such award which may be earned by the recipient if the Company achieves the stated diluted earnings per share and revenue targets. The ultimate amount of the award may vary, depending on actual results. Awards may vary from 0% to 200% of the target number of shares.

In October 2012, as part of the Amended and Restated Employment Agreement with the Company s Chief Executive Officer, the stock performance awards for the Chief Executive Officer for 2014 and 2013 could be adjusted at the time of vesting dependent on the Company s total shareholder return compared to the Standard & Poor s 500 return for the applicable performance period. As part of the amendment to this agreement in August 2014, this adjustment was eliminated. The fair value of the award used to record compensation expense was not impacted by this amendment.

Information with respect to Stock Performance Awards for 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Outstanding at beginning of year	943	1,019	1,627
Granted	322	358	695
Forfeited	(32)	(101)	(144)
Cancelled	(578)	(333)	(682)
Vested			(477)
Outstanding at end of year	655	943	1,019
Weighted average grant-date fair value:			
Granted	$ 52.11	47.21	36.14
Forfeited	$ 43.21	40.24	37.54
Cancelled	$ 36.14	45.66	33.76
Vested	$		22.31
Outstanding at end of year	$ 49.57	40.24	39.57

Shares cancelled in 2014, 2013 and 2012 represent the cancellation of the Stock Performance Awards granted during 2012, 2011 and 2010, respectively, based on failure to meet the targets set forth by the agreement.

During 2014, 2013 and 2012, the Company recognized $11,315, $815 and $3,628, respectively, of expense relating to these awards. Awards are valued at the market value of the underlying common stock at the dates of grant and are expensed over the performance period. On a periodic basis the Company reviews the actual and forecasted performance of the Company against the stated targets for each award. The total expense is adjusted upward or downward based on the expected amount of shares to be issued as defined in the agreement. If minimum targets as detailed under the award are not met, no additional compensation expense will be recognized and any previously recognized compensation expense will be reversed. In the fourth quarter of 2013, it was determined that it was no longer probable that the minimum targets would be met for certain Stock Performance Awards grants and, as a result, all previously recognized expense totaling $7,046 related to these awards was reversed. At December 28, 2014, the amount of total unrecognized compensation cost related to these awards is approximately $18,310 and the weighted average period over which this will be expensed is 20 months.

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Stock Options

Information with respect to stock options for the three years ended December 28, 2014 is as follows:

	2014	2013	2012
Outstanding at beginning of year	5,543	9,283	11,004
Granted	684	776	1,730
Exercised	(1,951)	(4,377)	(3,126)
Expired or forfeited	(90)	(139)	(325)
Outstanding at end of year	4,186	5,543	9,283
Exercisable at end of year	2,374	3,144	6,094
Weighted average exercise price:			
Granted	$ 52.11	47.21	36.14
Exercised	$ 31.07	26.99	21.23
Expired or forfeited	$ 39.85	39.59	35.19
Outstanding at end of year	$ 41.68	36.63	31.25
Exercisable at end of year	$ 38.90	33.22	27.84

With respect to the 4,186 outstanding options and 2,374 options exercisable at December 28, 2014, the weighted average remaining contractual life of these options was 3.98 years and 3.17 years, respectively. The aggregate intrinsic value of the options outstanding and exercisable at December 28, 2014 was $57,627 and $39,264, respectively. Substantially all unvested outstanding options are expected to vest.

The Company uses the Black-Scholes valuation model in determining the fair value of stock options. The expected life of the options used in this calculation is the period of time the options are expected to be outstanding and has been determined based on historical exercise experience. The weighted average fair value of options granted in fiscal 2014, 2013 and 2012 was $8.40, $6.94 and $6.29, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the fiscal years 2014, 2013 and 2012:

	2014	2013	2012
Risk-free interest rate	1.42%	0.62%	0.69%
Expected dividend yield	3.30%	3.39%	3.99%
Expected volatility	26%	26%	31%
Expected option life	5 years	5 years	5 years

The intrinsic values, which represent the difference between the fair market value on the date of exercise and the exercise price of the option, of the options exercised in fiscal 2014, 2013 and 2012 were $44,890, $89,534 and $49,225, respectively.

At December 28, 2014, the amount of total unrecognized compensation cost related to stock options was $6,599 and the weighted average period over which this will be expensed is 21 months.

Non-Employee Awards

In 2014, 2013 and 2012, the Company granted 34, 33 and 44 shares of common stock, respectively, to its non-employee members of its Board of Directors. Of these shares, the receipt of 26 shares from the 2014 grant, 28 shares from the 2013 grant and 33 shares from the 2012 grant has been deferred to the date upon which the

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respective director ceases to be a member of the Company s Board of Directors. These awards were valued at the market value of the underlying common stock at the date of grant and vested upon grant. In connection with these grants, compensation cost of $1,834 was recorded in selling, distribution and administration expense in the year ended December 28, 2014 and $1,560 in each year in the two-year period ended December 29, 2013.

Cash-Settled Restricted Stock Units

In 2011 and 2010, the Company granted awards to certain employees consisting of cash settled restricted stock units. Under these awards, the recipients are granted restricted stock units that vest over three years. At the end of the vesting period, the fair value of those units based on Hasbro s stock price will be paid in cash to the recipient. The Company accounted for these awards as a liability which was marked to market through the consolidated statements of operations based on the current market price and lapsed portion of the vesting period. In 2014, 2013 and 2012, the Company recognized expense of $(113), $1,316 and $1,348, respectively related to these awards.

(14) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

The Company recognizes an asset or liability for each of its defined benefit pension plans equal to the difference between the projected benefit obligation of the plan and the fair value of the plan s assets. Actuarial gains and losses and prior service costs that have not yet been included in income are recognized in the consolidated balance sheets in AOCE. Reclassifications to earnings from AOCE related to pension and postretirement plans are recorded to selling, distribution and administration expense.

Expenses related to the Company s defined benefit pension and defined contribution plans for 2014, 2013 and 2012 were approximately $34,300, $35,900 and $40,300, respectively. Of these amounts, $28,100, $23,000 and $29,500, respectively, related to defined contribution plans in the United States and certain international subsidiaries. The remainder of the expense relates to defined benefit pension plans discussed below.

United States Plans

Prior to 2008, substantially all United States employees were 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, were 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. In 2007, for the two major plans covering its non-union employees, the Company froze benefits being accrued effective at the end of December 2007.

At December 28, 2014, the measurement date, the projected benefit obligations of the funded plans were in excess of the fair value of the plans assets in the amount of $73,398 while the unfunded plans of the Company had an aggregate accumulated and projected benefit obligation of $37,660. At December 29, 2013 the projected benefit obligations of the funded plans were in excess of the fair value of the plans assets in the amount of $24,551 while the unfunded plans of the Company had an aggregate accumulated and projected benefit obligation of $34,886.

Hasbro also provides certain postretirement health care and life insurance benefits to eligible employees who retire and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of substantially all employees who retire after 1992 is borne by the employee. The plan is not funded.

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Notes to Consolidated Financial Statements (Continued)

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Reconciliations of the beginning and ending balances for the projected benefit obligation, the fair value of plan assets and the funded status are included below for the years ended December 28, 2014 and December 29, 2013.

	Pension		Postretirement	
	2014	**2013**	**2014**	**2013**
Change in Projected Benefit Obligation				
Projected benefit obligation beginning	$ 332,774	391,681	27,174	36,969
Service cost	1,824	2,579	543	750
Interest cost	16,209	15,597	1,337	1,380
Actuarial (gain) loss	59,640	(45,170)	796	(5,617)
Curtailment		2,958		
Plan amendment				(4,408)
Benefits paid	(25,690)	(17,213)	(1,833)	(1,900)
Settlements		(16,213)		
Expenses paid	(1,689)	(1,445)		
Projected benefit obligation ending	$ 383,068	332,774	28,017	27,174
Accumulated benefit obligation ending	$ 383,068	332,774	28,017	27,174
Change in Plan Assets				
Fair value of plan assets beginning	$ 273,337	273,575		
Actual return on plan assets	20,385	30,619		
Employer contribution	5,667	4,014		
Benefits paid	(25,690)	(17,213)		
Settlements		(16,213)		
Expenses paid	(1,689)	(1,445)		
Fair value of plan assets ending	$ 272,010	273,337		
Reconciliation of Funded Status				
Projected benefit obligation	$ (383,068)	(332,774)	(28,017)	(27,174)
Fair value of plan assets	272,010	273,337		
Funded status	(111,058)	(59,437)	(28,017)	(27,174)
Unrecognized net loss (gain)	123,968	69,716	782	(15)
Unrecognized prior service cost (credit)	187		(3,401)	(3,857)
Net amount recognized	$ 13,097	10,279	(30,636)	(31,046)
Accrued liabilities	$ (2,990)	(2,978)	(2,100)	(2,100)
Other liabilities	(108,068)	(56,459)	(25,917)	(25,074)
Accumulated other comprehensive earnings (loss)	124,155	69,716	(2,619)	(3,872)
Net amount recognized	$ 13,097	10,279	(30,636)	(31,046)

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In fiscal 2015, the Company expects amortization of unrecognized net losses and unrecognized prior service cost related to its defined benefit pension plans of $7,452 and $98, respectively, to be included as a component of net periodic benefit cost. The Company expects amortization of unrecognized prior service credits in 2015 related to its postretirement plan of $(457).

Assumptions used to determine the year-end pension and postretirement benefit obligations are as follows:

	2014	2013
Pension		
Weighted average discount rate	4.19%	5.02%
Mortality table	RP-2014/Scale BB	RP-2000/IRS Static Basis
Postretirement		
Discount rate	4.23%	5.11%
Health care cost trend rate assumed for next year	6.50%	7.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend	2020	2020

The assets of the funded plans are managed by investment advisors. The fair values of the plan assets by asset class and fair value hierarchy level (as described in note 12) as of December 28, 2014 and December 29, 2013 are as follows:

		Fair value measurements using:		
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014:				
Equity:				
Large Cap	$ 14,100	14,100		
Small Cap	18,000	18,000		
International	34,300		34,300	
Other	36,400			36,400
Fixed Income	132,100		110,100	22,000
Total Return Fund	28,600		28,600	
Cash Equivalents	8,500		8,500	
	$ 272,000	32,100	181,500	58,400
2013:				
Equity:				

Large Cap	$ 14,700	14,700		
Small Cap	18,400	18,400		
International	40,100		40,100	
Other	59,500			59,500
Fixed Income	103,700		100,700	3,000
Total Return Fund	27,900		27,900	
Cash Equivalents	9,000		9,000	
	$ 273,300	33,100	177,700	62,500

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Level 1 assets consist of investments traded on active markets that are valued using published closing prices. The Plans Level 2 assets primarily consist of investments in common and collective trusts as well as other private investment funds that are valued using the net asset values provided by the trust or fund. Although these trusts and funds are not traded in an active market with quoted prices, the investments underlying the net asset value are based on quoted prices. The Company believes that these investments could be sold at amounts approximating the net asset values provided by the trust or fund. The Plans Level 3 assets consist of an investment in a hedge fund which is valued using the net asset value provided by the investment manager as well as an investment in a public-private investment fund which is also valued using the net asset value provided by the investment manager. The hedge fund contains investments in financial instruments that are valued using certain estimates which are considered unobservable in that they reflect the investment manager s own assumptions about the inputs that market participants would use in pricing the asset or liability. The public-private investment fund, which is included in fixed income investments above, invests in commercial mortgage-backed securities and non-agency residential mortgage-backed securities. These securities are valued using certain estimates which are considered unobservable in that they reflect the investment manager s own assumptions about the inputs that market participants would use in pricing the asset. The Company believes that the net asset value is the best information available for use in the fair value measurement of this fund. Of the activity in Level 3 assets for 2014, $400 relates to purchases of investments, $10,800 relates to capital distributions, $3,400 relates to realized gains on assets sold during the period and $2,900 relates to the unrealized gains on plan assets still held at December 28, 2014.

Hasbro s two major funded plans (the Plans) are defined benefit pension plans intended to provide retirement benefits to participants in accordance with the benefit structure established by Hasbro, Inc. The Plans investment managers, who exercise full investment discretion within guidelines outlined in the Plans Investment Policy, are charged with managing the assets with the care, skill, prudence and diligence that a prudent investment professional in similar circumstance would exercise. Investment practices, at a minimum, must comply with the Employee Retirement Income Security Act (ERISA) and any other applicable laws and regulations.

The Plans asset allocations are structured to meet a long-term targeted total return consistent with the ongoing nature of the Plans liabilities. The shared long-term total return goal, presently 7.00%, includes income plus realized and unrealized gains and/or losses on the Plans assets. Utilizing generally accepted diversification techniques, the Plans assets, in aggregate and at the individual portfolio level, are invested so that the total portfolio risk exposure and risk-adjusted returns best meet the Plans long-term obligations to employees. The Company s asset allocation includes alternative investment strategies designed to achieve a modest absolute return in addition to the return on an underlying asset class such as bond or equity indices. These alternative investment strategies may use derivatives to gain market returns in an efficient and timely manner; however, derivatives are not used to leverage the portfolio beyond the market value of the underlying assets. These alternative investment strategies are included in other equity, total return fund and fixed income asset categories at December 28, 2014 and December 29, 2013. Plan asset allocations are reviewed at least quarterly and rebalanced to achieve target allocation among the asset categories when necessary.

The Plans investment managers are provided specific guidelines under which they are to invest the assets assigned to them. In general, investment managers are expected to remain fully invested in their asset class with further limitations of risk as related to investments in a single security, portfolio turnover and credit quality.

With the exception of the alternative investment strategies mentioned above, the Plans Investment Policy restricts the use of derivatives associated with leverage or speculation. In addition, the Investment Policy also restricts investments in securities issued by Hasbro, Inc. except through index-related strategies (e.g. an S&P 500 Index Fund) and/or commingled funds. In addition, unless specifically approved by the Investment Committee (which comprises members of management, established by the Board to manage and control pension plan assets), certain securities, strategies, and investments are ineligible for inclusion within the Plans.

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For 2014, 2013 and 2012, the Company measured the assets and obligations of the Plans as of the fiscal year-end. The following is a detail of the components of the net periodic benefit cost for the three years ended December 28, 2014.

	2014	2013	2012
Components of Net Periodic Cost			
Pension			
Service cost	$ 1,824	2,579	1,784
Interest cost	16,209	15,597	16,669
Expected return on assets	(18,631)	(17,761)	(18,097)
Amortization of prior service cost	98	98	157
Amortization of actuarial loss	3,351	7,070	6,221
Curtailment/settlement losses		6,993	672
Net periodic benefit cost	$ 2,851	14,576	7,406
Postretirement			
Service cost	$ 543	750	735
Interest cost	1,337	1,380	1,758
Amortization of actuarial (gain) loss	(457)	(264)	80
Net periodic benefit cost	$ 1,423	1,866	2,573

Assumptions used to determine net periodic benefit cost of the pension plan and postretirement plan for each fiscal year follow:

	2014	2013	2012
Pension			
Weighted average discount rate	5.02%	4.49%	4.96%
Long-term rate of return on plan assets	7.00%	7.00%	7.00%
Postretirement			
Discount rate	5.11%	4.34%	5.17%
Health care cost trend rate assumed for next year	7.00%	7.00%	7.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2020	2020	2020

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 28, 2014 and the aggregate of the benefits earned during the period and the interest cost would have both increased by approximately 1%.

Hasbro works with external benefit investment specialists to assist in the development of the long-term rate of return assumptions used to model and determine the overall asset allocation. Forecast returns are based on the combination of historical returns, current market conditions and a forecast for the capital markets for the next 5-7 years. All asset class assumptions are within certain bands around the long-term historical averages. Correlations are based primarily on historical return patterns.

HASBRO, INC. AND SUBSIDIARIES

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(Thousands of Dollars and Shares Except Per Share Data)

Expected benefit payments under the defined benefit pension plans and the postretirement benefit plan for the next five years subsequent to 2014 and in the aggregate for the following five years are as follows:

	Pension	Postretirement
2015	$ 19,838	2,041
2016	19,899	1,650
2017	20,632	1,603
2018	21,361	1,555
2019	21,822	1,490
2020-2024	116,138	6,923

International Plans

Pension coverage for employees of Hasbro s international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. At December 28, 2014 and December 29, 2013, the defined benefit plans had total projected benefit obligations of $147,528 and $112,460, respectively, and fair values of plan assets of $102,375 and $85,335, respectively. Substantially all of the plan assets are invested in equity and fixed income securities. The pension expense related to these plans was $3,363, $4,085 and $3,458 in 2014, 2013 and 2012, respectively. In fiscal 2015, the Company expects amortization of $(43) of prior service costs, $1,515 of unrecognized net losses and $3 of unrecognized transition obligation to be included as a component of net periodic benefit cost.

Expected benefit payments under the international defined benefit pension plans for the five years subsequent to 2014 and in the aggregate for the five years thereafter are as follows: 2015: $1,834; 2016: $1,881; 2017: $2,062; 2018: $2,285; 2019: $2,440; and 2020 through 2024: $16,135.

Postemployment Benefits

Hasbro has several plans covering certain groups of employees, which may provide benefits to such employees following their period of active employment but prior to their retirement. These plans include certain severance plans which provide benefits to employees involuntarily terminated and certain plans which continue the Company s health and life insurance contributions for employees who have left Hasbro s employ under terms of its long-term disability plan.

(15) Leases

Hasbro occupies offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 2014, 2013 and 2012 amounted to $47,026, $44,511 and $46,636, respectively.

Minimum rentals, net of minimum sublease income, which is not material, under long-term operating leases for the five years subsequent to 2014 and in the aggregate thereafter are as follows: 2015: $35,405; 2016: $27,621; 2017: $20,569; 2018: $17,586; 2019: $15,785; and thereafter: $23,456.

All leases expire prior to the end of 2024. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 2015.

(16) Derivative Financial Instruments

Hasbro uses foreign currency forward contracts to mitigate the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future currency requirements related to purchases of inventory, product sales and other cross-border transactions not denominated in the functional currency of the business unit, are primarily denominated in United States and Hong Kong dollars, and Euros. Further, during the fourth quarter of 2013 and first half of 2014 Hasbro used forward-starting interest rate swap agreements to hedge anticipated interest payments. All contracts are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a single counterparty would not have a material adverse effect on the financial condition of the Company. Hasbro does not enter into derivative financial instruments for speculative purposes.

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The Company was also party to several interest rate swap agreements to adjust the amount of long-term debt subject to fixed interest rates which were terminated during 2012. For additional information related to these interest rate swaps see note 9.

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

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

	2014		2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedged transaction				
Inventory purchases	$ 863,232	69,049	577,138	(7,493)
Intercompany royalty transaction			4,948	(2,774)
Sales	139,946	829	171,393	(1,965)
Other	51,213	(1,008)	46,563	302
Total	$ 1,054,391	68,870	800,042	(11,930)

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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 December 28, 2014 and December 29, 2013 as follows:

	2014	2013
Prepaid expenses and other current assets		
Unrealized gains	$ 46,594	1,088
Unrealized losses	(11,508)	(702)
Net unrealized gain	$ 35,086	386
Other assets		
Unrealized gains	$ 34,234	
Unrealized losses	(172)	
Net unrealized gain	$ 34,062	
Accrued liabilities		
Unrealized gains	$ 447	3,425
Unrealized losses	(725)	(13,671)
Net unrealized loss	$ (278)	(10,246)
Other liabilities		
Unrealized gains	$	
Unrealized losses		(2,070)
Net unrealized loss	$	(2,070)

Net gains (losses) on cash flow hedging activities have been reclassified from other comprehensive earnings to net earnings for the years ended December 28, 2014, December 29, 2013 and December 30, 2012 as follows:

	2014	2013	2012
Consolidated Statements of Operations Classification			
Cost of sales	$ 973	1,523	9,644
Royalties	(2,028)	(1,096)	1,845
Sales	(3,741)	3,585	(2,633)
Net realized (losses) gains	$ (4,796)	4,012	8,856

In addition, net gains (losses) of $62, $164 and $(94) were reclassified to earnings as a result of hedge ineffectiveness in 2014, 2013 and 2012, respectively.

During the fourth quarter of 2013, the Company entered into forward-starting interest rate swap agreements with total notional value of $300,000 to hedge the variability of the anticipated underlying U.S. Treasury interest rate associated with the expected issuance of long-term debt to refinance the 6.125% Notes Due 2014 with a principal of $425,000. These derivative instruments were designated and effective as cash flow hedges. An unrealized gain of $3,172 related to these instruments was recorded to prepaid expenses and other current assets at December 29, 2013. During the first quarter of 2014, the notional amounts of the Company s forward-starting

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interest rate swap agreements were increased to $500,000. The instruments were settled on the date of the issuance of the related debt in May 2014 and a deferred loss of $33,306 was recorded to AOCE and is being amortized to interest expense over the life of the debt using the effective interest rate method. For the year ended December 28, 2014, the Company reclassified $1,156 from other comprehensive earnings to net earnings related to these contracts which is included in interest expense.

Undesignated Hedges

The Company also enters into foreign currency forward contracts to minimize the impact of changes in the fair value of intercompany loans due to foreign currency changes. The Company does not use hedge accounting for these contracts as changes in the fair values of these contracts are substantially offset by changes in the fair value of the intercompany loans. As of December 28, 2014 and December 29, 2013, the total notional amount of the Company s undesignated derivative instruments was $294,571 and $294,888, respectively.

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

	2014	2013
Other assets		
Unrealized gains	$	1,069
Unrealized losses		
Net unrealized gain	$	1,069
Accrued liabilities		
Unrealized gains	$ 1,733	478
Unrealized losses	(4,046)	(492)
Net unrealized loss	(2,313)	(14)
Total unrealized gain (loss)	$ (2,313)	1,055

The Company recorded net losses of $32,106, $8,791 and $2,067 on these instruments to other (income) expense, net for 2014, 2013 and 2012, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains and losses from the change in fair value of intercompany loans to which the instruments relate.

For additional information related to the Company s derivative financial instruments see notes 2, 9 and 12.

(17) Commitments and Contingencies

Hasbro had unused open letters of credit and related instruments of approximately $167,117 and $209,398 at December 28, 2014 and December 29, 2013, respectively. Included in the amounts for 2014 and 2013 were $146,410 and $187,130, respectively, of bonds related to tax assessments in Mexico which were settled in December 2014. See note 10 for additional discussion.

The Company enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. Under terms of existing agreements as of

December 28, 2014, Hasbro may, provided the other party meets their contractual commitment, be required to pay amounts as follows: 2015: $17,238; 2016: $37,387; 2017: $57,209; 2018: $55,959; 2019: $52,209; and thereafter: $25,570. At December 28, 2014, the Company had $230,840 of prepaid royalties, $132,146 of which are included in prepaid expenses and other current assets and $98,694 of which are included in other assets.

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In addition to the above commitments, certain of the above contracts impose minimum marketing commitments on the Company. The Company may be subject to additional royalty guarantees totaling $260,000 that are not included in the amounts above that may be payable during the next six years contingent upon the quantity and types of theatrical movie releases by the licensor.

In connection with the Company s agreement to form a joint venture with Discovery, the Company is obligated to make future payments to Discovery under a tax sharing agreement. The Company estimates these payments may total approximately $89,700 and may range from approximately $4,900 to $7,600 per year during the period 2015 to 2019, and approximately $57,100 in aggregate for all years occurring thereafter. These payments are contingent upon the Company having sufficient taxable income to realize the expected tax deductions of certain amounts related to the joint venture.

In connection with the Company s purchase of a majority stake in Backflip, the Company will be required to purchase the remaining 30% in the future contingent on the achievement by Backflip of certain predetermined financial performance metrics. The Company does not know the ultimate timing that these predetermined financial performance metrics may be met and, thereby, cannot currently estimate the purchase price of the remaining 30%. See note 4 for additional discussion.

At December 28, 2014, the Company had approximately $295,244 in outstanding inventory and tooling purchase commitments.

Hasbro is party to certain legal proceedings, as well as certain asserted and unasserted claims. Amounts accrued, as well as the total amount of reasonably possible losses with respect to such matters, individually and in the aggregate, are not deemed to be material to the consolidated financial statements.

(18) Segment Reporting

Segment and Geographic Information

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

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

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain corporate expenses, including substantially all costs incurred related to the 2013 and 2012 business restructurings, the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs, including global development and marketing expenses and corporate administration, are allocated to segments based upon expenses and foreign exchange rates fixed at the beginning of the year, with adjustments to actual expenses and foreign exchange rates included in Corporate and eliminations. The accounting policies of the segments are the same as those referenced in note 1.

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Results shown for fiscal years 2014, 2013 and 2012 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise.

Information by segment and a reconciliation to reported amounts are as follows:

	Revenues from External Customers	Affiliate Revenue	Operating Profit (Loss)	Depreciation and Amortization	Capital Additions	Total Assets
2014						
U.S. and Canada	$ 2,022,443	5,957	334,702	20,689	1,131	3,663,497
International	2,022,997	170	270,505	23,086	3,063	2,422,046
Entertainment and Licensing	219,465	22,401	60,550	21,827	807	783,878
Global Operations(a)	12,302	1,564,654	15,767	69,442	71,763	2,433,888
Corporate and eliminations(b)		(1,593,182)	(46,149)	22,922	36,624	(4,771,167)
Consolidated Total	$ 4,277,207		635,375	157,966	113,388	4,532,142
2013						
U.S. and Canada	$ 2,006,079	4,412	313,746	21,459	553	3,066,301
International	1,872,980	401	235,482	25,036	13,908	2,233,115
Entertainment and Licensing	190,955	20,521	45,476	22,647	468	691,795
Global Operations(a)	12,143	1,508,303	6,712	65,477	62,696	2,172,816
Corporate and eliminations(b)		(1,533,637)	(134,323)	46,366	34,406	(3,761,760)
Consolidated Total	$ 4,082,157		467,093	180,985	112,031	4,402,267
2012						
U.S. and Canada	$ 2,116,297	5,309	319,072	24,899	629	6,041,893
International	1,782,119	381	215,489	21,534	5,000	2,176,021
Entertainment and Licensing	181,430	10,559	53,191	16,123	1,064	1,164,715
Global Operations(a)	9,137	1,480,582	(15,964)	66,053	61,770	2,493,976
Corporate and eliminations(b)		(1,496,831)	(20,003)	21,678	43,628	(7,551,218)
Consolidated Total	$ 4,088,983		551,785	150,287	112,091	4,325,387

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

(b) Certain long-term assets, including property, plant and equipment, goodwill and other intangibles, which benefit multiple operating segments, are included in Corporate and eliminations. Allocations of certain expenses related to these assets to the individual operating segments are done at the beginning of the year based on budgeted amounts. Any differences between actual and budgeted amounts are reflected in Corporate and eliminations. Furthermore, Corporate and eliminations includes elimination of inter-company income statement transactions. One such example includes licensing and service arrangements with affiliates. Payments received in advance from affiliates are recognized as revenue and eliminated in consolidation as earned and payment becomes assured over the life of the contract. During 2014, affiliate licensing and service fees of $541,036 that were received in 2013 were recognized as revenue and eliminated in consolidation. Corporate and eliminations also includes the elimination of inter-company balance sheet amounts. During

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2013, certain inter-company balances were settled between each of the U.S. and Canada segment, Entertainment and Licensing segment and Corporate and eliminations. This reduced the amount of reported total assets of the U.S. and Canada and Entertainment and Licensing segments and increased the amount reported in Corporate and eliminations at year-end 2013 compared to year-end 2012.

The following table represents consolidated International segment net revenues by major geographic region for the three fiscal years ended December 28, 2014.

	2014	2013	2012
Europe	$ 1,258,078	1,190,350	1,154,310
Latin America	463,512	407,710	362,689
Asia Pacific	301,407	274,920	265,120
Net revenues	$ 2,022,997	1,872,980	1,782,119

The following table presents consolidated net revenues by classes of principal products for the three fiscal years ended December 28, 2014.

	2014	2013	2012
Boys	$ 1,483,952	1,237,611	1,577,010
Games	1,259,782	1,311,205	1,192,090
Girls	1,022,633	1,001,704	792,292
Preschool	510,840	531,637	527,591
Net revenues	$ 4,277,207	4,082,157	4,088,983

Information as to Hasbro s operations in different geographical areas is presented below on the basis the Company uses to manage its business. Net revenues are categorized based on location of the customer, while long-lived assets (property, plant and equipment, goodwill and other intangibles) are categorized based on their location.

	2014	2013	2012
Net revenues			
United States	$ 2,040,476	1,960,477	2,044,341
International	2,236,731	2,121,680	2,044,642
	$ 4,277,207	4,082,157	4,088,983
Long-lived assets			
United States	$ 977,035	1,021,063	940,536
International	178,420	185,520	181,462
	$ 1,155,455	1,206,583	1,121,998

Principal international markets include Europe, Canada, Mexico and Latin America, Australia, and Hong Kong.

Other Information

Hasbro markets its products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness of its customers, adjusting credit policies and limits as deemed appropriate, a

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Thousands of Dollars and Shares Except Per Share Data)

substantial portion of its customers ability to discharge amounts owed is generally dependent upon the overall retail economic environment.

Sales to the Company s three largest customers, Wal-Mart Stores, Inc., Toys R Us, Inc. and Target Corporation, amounted to 16%, 9% and 8%, respectively, of consolidated net revenues during 2014, 16%, 10% and 9%, respectively, of consolidated net revenues during 2013 and 17%, 11% and 10%, respectively, of consolidated net revenues during 2012. These sales were primarily within the U.S. and Canada segment.

Hasbro purchases certain components used in its manufacturing process and certain finished products from manufacturers in the Far East. The Company s reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company were prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company s operations would be disrupted, potentially for a significant period of time, while alternative sources of product were secured. The imposition of trade sanctions, quotas or other protectionist measures by the United States or the European Union against a class of products imported by Hasbro from, or the loss of normal trade relations status with, China could significantly increase the cost of the Company s products imported into the United States or Europe.

The Company has agreements which allow it to develop and market products based on properties owned by third parties including its license with Marvel Entertainment, LLC and Marvel Characters B.V. (together Marvel) and its license with Lucas Licensing Ltd. and Lucasfilm Ltd. (together Lucas). These licenses have multi-year terms and provide the Company with the right to market and sell designated classes of products based on Marvel s portfolio of brands, including SPIDER-MAN and THE AVENGERS, and Lucas s STAR WARS brand. Hasbro s net revenues from these licenses can be significant in any given year based on the level of third party entertainment. Both Marvel and Lucas are owned by The Walt Disney Company.

(19) Quarterly Financial Data (Unaudited)

	Quarter				
	First	**Second**	**Third**	**Fourth**	**Full Year**
2014					
Net revenues	$ 679,453	829,262	1,469,899	1,298,593	4,277,207
Operating profit	43,448	82,564	285,814	223,549	635,375
Earnings (loss) before income taxes	25,995	64,517	244,054	205,422	539,988
Net earnings (loss)	31,514	32,820	180,155	168,821	413,310
Net earnings (loss) attributable to Hasbro, Inc.	32,087	33,475	180,457	169,911	415,930
Per common share					
Net earnings (loss) attributable to Hasbro, Inc.					
Basic	$ 0.24	0.26	1.42	1.35	3.24
Diluted	0.24	0.26	1.40	1.34	3.20
Market price					
High	$ 55.67	56.91	55.78	59.42	59.42
Low	47.48	51.08	48.01	52.74	47.48
Cash dividends declared	$ 0.43	0.43	0.43	0.43	1.72

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HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Thousands of Dollars and Shares Except Per Share Data)

	Quarter				
	First	**Second**	**Third**	**Fourth**	**Full Year**
2013					
Net revenues	$ 663,694	766,342	1,370,348	1,281,773	4,082,157
Operating profit	10,627	74,088	198,706	183,672	467,093
Earnings (loss) before income taxes	(16,493)	51,076	155,913	161,326	351,822
Net earnings (loss)	(6,671)	36,480	125,843	128,276	283,928
Net earnings (loss) attributable to Hasbro, Inc.	(6,671)	36,480	126,574	129,815	286,198
Per common share					
Net earnings (loss) attributable to Hasbro, Inc.					
Basic	$ (0.05)	0.28	0.97	0.99	2.20
Diluted	(0.05)	0.28	0.96	0.98	2.17
Market price					
High	$ 44.14	48.97	49.75	54.55	54.55
Low	35.00	42.57	44.69	45.44	35.00
Cash dividends declared	$ 0.40	0.40	0.40	0.40	1.60

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***
None.

Item 9A. ***Controls and Procedures.***
Evaluation of Disclosure 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 December 28, 2014. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective.

Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Hasbro s internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Hasbro s management assessed the effectiveness of its internal control over financial reporting as of December 28, 2014. In making its assessment, Hasbro s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (1992) . Based on this assessment, Hasbro s management concluded that, as of December 28, 2014, its internal control over financial reporting is effective based on those criteria. Hasbro s independent registered public accounting firm has issued an audit report on internal control over financial reporting, which is included herein.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Hasbro, Inc.:

We have audited Hasbro, Inc. s internal control over financial reporting as of December 28, 2014, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hasbro, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 28, 2014, based on criteria established in Internal Control Integrated Framework (1992) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 28, 2014 and December 29, 2013, and the related consolidated statements of operations, comprehensive earnings, cash flows and shareholders equity for each of the fiscal years in the three-year period ended December 28, 2014, and our report dated February 26, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

Providence, Rhode Island

February 26, 2015

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Changes in Internal Controls

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 December 28, 2014, that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

The Company is currently in the process of a multi-year global initiative to upgrade its existing SAP system and implement enhanced global practices. During the second quarter of 2010, the SAP upgrade was completed for the U.S. and Canada operations. During the first quarter of 2011, the implementation of the SAP upgrade along with consolidation of certain business activities was completed in the Company s European business. During the first quarter of 2013, the implementation of the SAP upgrade was completed for the Company s Latin America business. During the first quarter of 2014, the implementation of the SAP upgrade was completed for a majority of the Company s Asia Pacific marketing and selling subsidiaries. There were no significant changes in the Company s internal controls over financial reporting resulting from the completion of these phases of the project.

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

Certain of the information required by this item is contained under the captions Election of Directors , Governance of the Company and Section 16(a) Beneficial Ownership Reporting Compliance in the Company s definitive proxy statement for the 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item with respect to executive officers of the Company is included in Part I of this Annual Report on Form 10-K under the caption Executive Officers of the Registrant and is incorporated herein by reference.

The Company has a Code of Conduct, which is applicable to all of the Company s employees, officers and directors, including the Company s Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Conduct is available on the Company s website under the Corporate, Investors, Corporate Governance tabs. The Company s website address is http://www.hasbro.com. Although the Company does not generally intend to provide waivers of or amendments to the Code of Conduct for its Chief Executive Officer, Chief Financial Officer, Controller, or other officers or employees, information concerning any waiver of or amendment to the Code of Conduct for the Chief Executive Officer, Chief Financial Officer, Controller, or any other executive officers or directors of the Company, will be promptly disclosed on the Company s website in the location where the Code of Conduct is posted.

The Company has also posted on its website, in the Corporate Governance location referred to above, copies of its Corporate Governance Principles and of the charters for its (i) Audit, (ii) Compensation, (iii) Finance, (iv) Nominating, Governance and Social Responsibility, and (v) Executive Committees of its Board of Directors.

In addition to being accessible on the Company s website, copies of the Company s Code of Conduct, Corporate Governance Principles, and charters for the Company s five Board Committees, are all available free of charge upon request to the Company s Executive Vice President, Chief Legal Officer and Corporate Secretary, Barbara Finigan, at 1027 Newport Avenue, P.O. Box 1059, Pawtucket, R.I. 02861-1059.

Item 11. ***Executive Compensation.***

The information required by this item is contained under the captions Compensation of Directors , Executive Compensation , Compensation Committee Report , Compensation Discussion and Analysis and Compensation Committee Interlocks and Insider Participation in the Company s definitive proxy statement for the 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

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Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this item is contained under the captions Voting Securities and Principal Holders Thereof , Security Ownership of Management and Equity Compensation Plans in the Company s definitive proxy statement for the 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is contained under the captions Governance of the Company and Certain Relationships and Related Party Transactions in the Company s definitive proxy statement for the 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services.***

The information required by this item is contained under the caption Additional Information Regarding Independent Registered Public Accounting Firm in the Company s definitive proxy statement for the 2015 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules.***

(a) Consolidated Financial Statements, Consolidated Financial Statement Schedules and Exhibits

(1) *Consolidated Financial Statements*

Included in PART II of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 28, 2014 and December 29, 2013

Consolidated Statements of Operations for the Three Fiscal Years Ended in December 2014, 2013 and 2012

Consolidated Statements of Comprehensive Earnings for the Three Fiscal Years Ended in December 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 2014, 2013 and 2012

Consolidated Statements of Shareholders Equity and Redeemable Noncontrolling Interests for the Three Fiscal Years Ended in December 2014, 2013 and 2012

Notes to Consolidated Financial Statements

(2) *Consolidated Financial Statement Schedules*

Included in PART IV of this report:

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statement Schedule For the Three Fiscal Years Ended in December 2014, 2013 and 2012:

Schedule II Valuation and Qualifying Accounts

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

(3) *Exhibits*

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

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Exhibit

3. Articles of Incorporation and Bylaws
   - (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (b) Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (c) 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.)
   - (d) 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.)
   - (e) Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K dated August 6, 2014, File No. 1-6682.)
   - (f) 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.)
   - (g) Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
4. Instruments defining the rights of security holders, including indentures.
   - (a) Indenture, dated as of July 17, 1998, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to Citibank, N.A. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
   - (b) Indenture, dated as of March 15, 2000, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)
   - (c) First Supplemental Indenture, dated as of September 17, 2007, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)
   - (d) Second Supplemental Indenture, dated as of May 13, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed May 13, 2009, File No. 1-6682.)
   - (e) Third Supplemental Indenture, dated as of March 11, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed March 11, 2010, File No. 1-6682.)
   - (f) Fourth Supplemental Indenture, dated as of May 13, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed May 13, 2014, File No. 1-6682.)

Exhibit

10. Material Contracts

(a) Amended and Restated Revolving Credit Agreement, dated as of October 25, 2012, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., RBS Citizens, N.A. and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated October 26, 2012, File No. 1-6682.)

(b) Form of Commercial Paper Deal Agreement. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)

(c) Form of Issuing and Paying Agent Agreement. (Incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)

(d) License Agreement, dated January 6, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

(e) First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc. and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)

(f) 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.) (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 29, 2009, File No. 1-6682.)

(g) Amendment, dated September 27, 2011, to License Agreements 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.) (Incorporated by reference to Exhibit 10(g) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)

(h) Amendment, dated December 15, 2011, to License Agreements 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.) (Incorporated by reference to Exhibit 10(h) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)

(i) Amendment, dated July 19, 2013, to License Agreements 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.) (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated July 25, 2013, File No. 1-6682.)

(j) Agreement with TOMY Company, Ltd. relating to TRANSFORMERS, as amended to date. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(i) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)

(k) Amended and Restated Hub Television Networks LLC Limited Liability Company Agreement, as amended September 23, 2014, between the Company, Discovery Communications, LLC, Hub Television Networks LLC and Discovery Communications, Inc. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended September 28, 2014, File No. 1-6682.)

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Exhibit

Executive Compensation Plans and Arrangements

(l)	Form of Employment Agreement between the Company and two Company executives (Brian Goldner and David D.R. Hargreaves). (Incorporated by reference to Exhibit 10(v) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
(m)	Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(s) above. (Incorporated by reference to Exhibit 10(ff) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)
(n)	Form of Amendment, dated December 12, 2007, to Form of Employment Agreement included as Exhibit 10(s) above. (Incorporated by reference to Exhibit 10(ee) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
(o)	Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)
(p)	First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
(q)	Second Amendment to Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended June 27, 2004, File No. 1-6682.)
(r)	Third Amendment to Hasbro, Inc. Retirement Plan for Directors, dated October 3, 2007. (Incorporated by reference to Exhibit 10(ii) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
(s)	Form of Director s Indemnification Agreement. (Incorporated by reference to Exhibit 10(jj) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
(t)	Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
(u)	First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
(v)	Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)
(w)	Third Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated December 15, 2005. (Incorporated by reference to Exhibit 10(nn) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
(x)	Fourth Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated October 3, 2007. (Incorporated by reference to Exhibit 10(oo) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
(y)	Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company s definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)

Exhibit

(z)	Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix B to the definitive proxy statement for its 2009 Annual Meeting of Shareholders, File No. 1-6682.)
(aa)	First Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2009 Annual Meeting of Shareholders, File No. 1-6682.)
(bb)	Second Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2010 Annual Meeting of Shareholders, File No. 1-6682.)
(cc)	Third Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2013 Annual Meeting of Shareholders, File No. 1-6682.)
(dd)	Form of Fair Market Value Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by Reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(ee)	Form of Fair Market Value Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan for Brian Goldner. (Incorporated by Reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(ff)	Form of Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(gg)	Form of Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan for Brian Goldner. (Incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(hh)	Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10(aaa) to the Company s Annual Report on Form 10-K for the Fiscal Year ended December 28, 2008, File No. 1-6682.)
(ii)	Hasbro, Inc. 2014 Performance Rewards Program. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(jj)	Amended and Restated Employment Agreement, dated October 4, 2012, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated as of October 11, 2012, File No. 1-6682.)
(kk)	Form of Amendment, dated August 5, 2014, to Amended and Restated Employment Agreement, dated October 4, 2012, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated as of August 6, 2014, File No. 1-6682.)
(ll)	Form of Restricted Stock Unit Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)

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Exhibit

(mm)	Form of Restricted Stock Unit Agreement under the Hasbro, Inc. Restated Stock Incentive Performance Plan for Brian Goldner. (Incorporated by reference to Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(nn)	Restricted Stock Unit Agreement, dated May 22, 2008, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2008, File No. 1-6682.)
(oo)	Letter Agreement between the Company and Wiebe Tinga, dated March 4, 2013. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 31, 2013, file No. 1-6682.)
(pp)	Chairmanship Agreement between the Company and Alan Hassenfeld dated August 30, 2005. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended September 25, 2005, File No. 1-6682.)
(qq)	Amendment to Chairmanship Agreement between the Company and Alan Hassenfeld. (Incorporated by reference to Exhibit 10(hhh) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2008, File No. 1-6682.)
(rr)	Second Amendment to Chairmanship Agreement between the Company and Alan Hassenfeld. (Incorporated by reference to Exhibit 10(ggg) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 2009, File No. 1-6682.)
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(tt)	Hasbro, Inc. 2014 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix D to the Company s definitive proxy statement for its 2014 Annual Meeting of Shareholders, File No. 1-6682.)
(uu)	Form of Non-Competition, Non-Solicitation and Confidentiality Agreement. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.8 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(vv)	Hasbro, Inc. Change in Control Severance Plan for Designated Senior Executives. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed May 23, 2011, File No. 1-6682.)
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12.	Statement re computation of ratios.
21.	Subsidiaries of the registrant.
23.	Consent of KPMG LLP.
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
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101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Furnished herewith.

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Hasbro, Inc.:

Under date of February 26, 2015, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 28, 2014 and December 29, 2013, and the related consolidated statements of operations, comprehensive earnings, cash flows, and shareholders equity for each of the fiscal years in the three-year period ended December 28, 2014, as contained in the annual report on Form 10-K for the fiscal year ended December 28, 2014. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts included in the Form 10-K. This financial statement schedule is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

/s/ KPMG

Providence, Rhode Island

February 26, 2015

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Valuation and Qualifying Accounts

Fiscal Years Ended in December

(Thousands of Dollars)

	Balance at Beginning of Year	Expense (Benefit)	Other Additions	Write-Offs and Other(a)	Balance at End of Year
Valuation accounts deducted from assets to which they apply for doubtful accounts receivable:					
2014	$ 19,000	800		(3,900)	$ 15,900
2013	$ 19,600			(600)	$ 19,000
2012	$ 23,700	(1,200)		(2,900)	$ 19,600

(a) Includes write-offs, recoveries of previous write-offs, and translation adjustments. Write-offs and other in 2012 includes the write-off of older accounts receivable balances that had been fully reserved for in previous years.

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SIGNATURES

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

HASBRO, INC.

(Registrant)

By: /s/ Brian D. Goldner
Brian D. Goldner
President and Chief Executive Officer

Date: February 26, 2015

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

Signature	Title	Date
/s/ Alfred J. Verrecchia Alfred J. Verrecchia	Chairman of the Board	February 26, 2015
/s/ Brian D. Goldner Brian D. Goldner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2015
/s/ Deborah M. Thomas Deborah M. Thomas	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2015
/s/ Basil L. Anderson Basil L. Anderson	Director	February 26, 2015
/s/ Alan R. Batkin Alan R. Batkin	Director	February 26, 2015
/s/ Frank J. Biondi, Jr. Frank J. Biondi, Jr.	Director	February 26, 2015
/s/ Kenneth A. Bronfin Kenneth A. Bronfin	Director	February 26, 2015
/s/ Michael R. Burns Michael R. Burns	Director	February 26, 2015
/s/ John M. Connors, Jr. John M. Connors, Jr.	Director	February 26, 2015
/s/ Michael W.O. Garrett Michael W.O. Garrett	Director	February 26, 2015
/s/ Lisa Gersh Lisa Gersh	Director	February 26, 2015
/s/ Jack M. Greenberg Jack M. Greenberg	Director	February 26, 2015

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Signature	Title	Date
/s/ Alan G. Hassenfeld Alan G. Hassenfeld	Director	February 26, 2015
/s/ Tracy A. Leinbach Tracy A. Leinbach	Director	February 26, 2015
/s/ Edward M. Philip Edward M. Philip	Director	February 26, 2015
/s/ Richard S. Stoddart Richard S. Stoddart	Director	February 26, 2015
/s/ Linda K. Zecher Linda K. Zecher	Director	February 26, 2015

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HASBRO, INC.

Annual Report on Form 10-K

For the Year Ended December 28, 2014

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws
   - (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (b) Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
   - (c) 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.)
   - (d) 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.)
   - (e) Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K dated August 6, 2014, File No. 1-6682.)
   - (f) 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.)
   - (g) Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company s Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
4. Instruments defining the rights of security holders, including indentures.
   - (a) Indenture, dated as of July 17, 1998, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to Citibank, N.A. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
   - (b) Indenture, dated as of March 15, 2000, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)
   - (c) First Supplemental Indenture, dated as of September 17, 2007, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)
   - (d)

Second Supplemental Indenture, dated as of May 13, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed May 13, 2009, File No. 1-6682.)

(e) Third Supplemental Indenture, dated as of March 11, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed March 11, 2010, File No. 1-6682.)

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Exhibit

	(f)	Fourth Supplemental Indenture, dated as of May 13, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed May 13, 2014, File No. 1-6682.)
10.	Material Contracts	
	(a)	Amended and Restated Revolving Credit Agreement, dated as of October 25, 2012, by and among Hasbro, Inc., Hasbro SA, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., RBS Citizens, N.A. and the other banks party thereto. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated October 26, 2012, File No. 1-6682.)
	(b)	Form of Commercial Paper Deal Agreement. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)
	(c)	Form of Issuing and Paying Agent Agreement. (Incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)
	(d)	License Agreement, dated January 6, 2006, by and between Hasbro, Inc., Marvel Characters, Inc., and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)
	(e)	First Amendment to License Agreement, dated February 8, 2006, by and between Hasbro, Inc., Marvel Characters, Inc. and Spider-Man Merchandising L.P. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the period ended April 2, 2006, File No. 1-6682.)
	(f)	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.) (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 29, 2009, File No. 1-6682.)
	(g)	Amendment, dated September 27, 2011, to License Agreements 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.) (Incorporated by reference to Exhibit 10(g) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)
	(h)	Amendment, dated December 15, 2011, to License Agreements 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.) (Incorporated by reference to Exhibit 10(h) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)
	(i)	Amendment, dated July 19, 2013, to License Agreements 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.) (Incorporated by reference to Exhibit 10.1 to

the Company s Current Report on Form 8-K dated July 25, 2013, File No. 1-6682.)

Exhibit

(j) Agreement with TOMY Company, Ltd. relating to TRANSFORMERS, as amended to date. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(i) to the Company s Annual Report on Form 10-K for the period ended December 25, 2011, File No. 1-6682.)

(k) Amended and Restated Hub Television Networks LLC Limited Liability Company Agreement, as amended September 23, 2014, between the Company, Discovery Communications, LLC, Hub Television Networks LLC and Discovery Communications, Inc. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended September 28, 2014, File No. 1-6682.)

Executive Compensation Plans and Arrangements

(l) Form of Employment Agreement between the Company and two Company executives (Brian Goldner and David D.R. Hargreaves). (Incorporated by reference to Exhibit 10(v) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)

(m) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(s) above. (Incorporated by reference to Exhibit 10(ff) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)

(n) Form of Amendment, dated December 12, 2007, to Form of Employment Agreement included as Exhibit 10(s) above. (Incorporated by reference to Exhibit 10(ee) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)

(o) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)

(p) First Amendment to Hasbro, Inc. Retirement Plan for Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(q) Second Amendment to Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended June 27, 2004, File No. 1-6682.)

(r) Third Amendment to Hasbro, Inc. Retirement Plan for Directors, dated October 3, 2007. (Incorporated by reference to Exhibit 10(ii) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)

(s) Form of Director s Indemnification Agreement. (Incorporated by reference to Exhibit 10(jj) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)

(t) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)

(u) First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)

(v) Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company s

Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)

Exhibit

(w)	Third Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated December 15, 2005. (Incorporated by reference to Exhibit 10(nn) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
(x)	Fourth Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated October 3, 2007. (Incorporated by reference to Exhibit 10(oo) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
(y)	Hasbro, Inc. 2003 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix B to the Company s definitive proxy statement for its 2003 Annual Meeting of Shareholders, File No. 1-6682.)
(z)	Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix B to the definitive proxy statement for its 2009 Annual Meeting of Shareholders, File No. 1-6682.)
(aa)	First Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2009 Annual Meeting of Shareholders, File No. 1-6682.)
(bb)	Second Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2010 Annual Meeting of Shareholders, File No. 1-6682.)
(cc)	Third Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company s 2013 Annual Meeting of Shareholders, File No. 1-6682.)
(dd)	Form of Fair Market Value Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by Reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(ee)	Form of Fair Market Value Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan for Brian Goldner. (Incorporated by Reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(ff)	Form of Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(gg)	Form of Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan for Brian Goldner. (Incorporated by reference to Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
(hh)	Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10(aaa) to the Company s Annual Report on Form 10-K for the Fiscal Year ended December 28, 2008, File No. 1-6682.)
(ii)	Hasbro, Inc. 2014 Performance Rewards Program. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)

(jj) Amended and Restated Employment Agreement, dated October 4, 2012, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated as of October 11, 2012, File No. 1-6682.)

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	(kk)	Form of Amendment, dated August 5, 2014, to Amended and Restated Employment Agreement, dated October 4, 2012, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K dated as of August 6, 2014, File No. 1-6682.)
	(ll)	Form of Restricted Stock Unit Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Duncan Billing, John Frascotti, Wiebe Tinga and Deborah Thomas and certain other employees of the Company.) (Incorporated by reference to Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
	(mm)	Form of Restricted Stock Unit Agreement under the Hasbro, Inc. Restated Stock Incentive Performance Plan for Brian Goldner. (Incorporated by reference to Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the period ended March 30, 2014, File No. 1-6682.)
	(nn)	Restricted Stock Unit Agreement, dated May 22, 2008, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended June 29, 2008, File No. 1-6682.)
	(oo)	Letter Agreement between the Company and Wiebe Tinga, dated March 4, 2013. (Incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 31, 2013, file No. 1-6682.)
	(pp)	Chairmanship Agreement between the Company and Alan Hassenfeld dated August 30, 2005. (Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the period ended September 25, 2005, File No. 1-6682.)
	(qq)	Amendment to Chairmanship Agreement between the Company and Alan Hassenfeld. (Incorporated by reference to Exhibit 10(hhh) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 28, 2008, File No. 1-6682.)
	(rr)	Second Amendment to Chairmanship Agreement between the Company and Alan Hassenfeld. (Incorporated by reference to Exhibit 10(ggg) to the Company s Annual Report on Form 10-K for the Fiscal Year Ended December 27, 2009, File No. 1-6682.)
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