

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Act of 1934

Date of Report: March 23, 1994

MATTEL, INC.

(Exact name of Registrant as specified in its charter)

Delaware

001-05647

95-1567322

(State or other jurisdiction
of incorporation)

(Commission
File No.)

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

333 Continental Boulevard, El Segundo, California

90245-5012

(Address of principal executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (310) 524-4600

N/A

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

Information to be included in the Report

Item 7. Financial Statements and Exhibits

(a) Financial statements of businesses acquired: None

(b) Pro forma financial information: None

(c) Exhibits:

99.1 Credit Agreement (Multi-Year Facility) dated as of March 18, 1994 among the Company, the Banks named therein and Bank of America National Trust and Savings Association, as Agent.

99.2 Credit Agreement (364-Day Facility) dated as of March 18, 1994 among the Company, the Banks named therein and Bank of America National Trust and Savings Association, as Agent.

99.3 Amended and Restated Transfer and Administration Agreement dated as of March 18, 1994 among the Company, Mattel Sales Corp., the Banks named therein and Nationsbank of Texas, N.A., as Agent.

SIGNATURE

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

MATTEL, INC.

By: /s/ Robert Normile

Robert Normile
Assistant General Counsel
and Assistant Secretary

Date: March 23, 1994

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CREDIT AGREEMENT
(Multi-Year Facility)

Dated as of March 18, 1994

among

MATTEL, INC.,

THE BANKS NAMED HEREIN,

and

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

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MATTEL INC. CREDIT AGREEMENT
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EXHIBITS

- A Form of Note
- B Form of Notice of Borrowing
- C Form of Notice of Conversion/Continuation
- D Form of Officer's Certificate
- E Form of Opinion of Assistant General Counsel of Company
- F Form of Mattel Sales Continuing Guaranty (Multi-Year Facility)
- G Form of Mattel Sales Subordination Agreements

SCHEDULES

- 1.1 Loan Commitments and Pro Rata Share
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MATTEL, INC.

CREDIT AGREEMENT

(MULTI-YEAR FACILITY)

This Credit Agreement (Multi-Year Facility) (this "Agreement") is dated as of March 18, 1994 and is entered into by and among MATTEL, INC., a Delaware corporation (the "Company"), THE FINANCIAL INSTITUTIONS LISTED ON THE SIGNATURE PAGES HEREOF (individually referred to herein as a "Bank" and collectively as the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as the agent for the Banks (the "Agent").

SECTION 1.

DEFINITIONS.

1.1 Certain Defined Terms. The following terms used in this Agreement shall have the following meanings:

"Affiliate", as applied to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with, that Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Agent-Related Persons" means Bank of America and any successor agent arising under Section 9.9, together with their respective Affiliates (including, in the case of Bank of America, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Aggregate 364-Day Commitment" means the aggregate commitments of the banks party to the 364-Day Facility to make advances under the 364-day Facility.

"Aggregate Facilities Commitment" means the maximum amount which may be outstanding at any one time under this Agreement, the 364-Day Facility and the Transfer and Administration Agreement.

"Aggregate Loan Commitment" means the aggregate commitments of the

Banks to make Loans under this Agreement.

"Aggregate Receivables Commitment" means the aggregate commitments of

the Banks party to the Transfer and Administration Agreement to purchase
receivables under such Agreement.

"Agreement" means this Credit Agreement (Multi-Year Facility), as it

may hereafter be amended, supplemented, restated or otherwise modified from time
to time.

"Applicable Amount" shall be determined as follows: The senior

unsecured debt ratings for the Company of any two of S & P, Moody's and Duff &
Phelps shall be obtained (if any two are not rating the Company's debt, a rating
of "NOT INVESTMENT GRADE" will be used). In the event all three ratings are
alike that rating will be used, if two ratings are alike that rating will be
used, and if no two ratings are alike, the second highest rating will be used.
The "Applicable Amount" will be found for each type of Loan and Commitment Fee
opposite the rating (so obtained) in the chart below and will be determined, for
any fiscal quarter, as of the end of the prior fiscal quarter:

Debt Ratings	Commitment Fee	Eurodollar Rate Loans	CD Rate Loans
-----	-----	-----	-----
greater-than or equal-to A-	.1250%	.3250%	.4500%
greater-than or equal-to A3			
BBB+	.1375%	.3500%	.4750%
Baa1			
BBB	.1500%	.4000%	.5250%
Baa2			
BBB-	.2250%	.5000%	.6250%
Baa3			
Not Investment Grade	.3500%	.8750%	1.000%

"Availability Period" means the period from the Effective Date to but

excluding the Termination Date.

"Bank" has the meaning assigned to that term in the introduction to

this Agreement.

"Bank Affiliate" means a Person engaged primarily in the business of

commercial banking and that is a Subsidiary of a Bank or of a Person of which a Bank is a Subsidiary.

"Bank of America" means Bank of America National Trust and Savings

Association.

"Base Rate" means a fluctuating rate per annum which is the higher of

- (a) the Federal Funds Rate plus one-half of one percent (1/2%) per annum and
- (b) the Reference Rate.

"Base Rate Loans" means Loans made by the Banks bearing interest at

rates determined by reference to the Base Rate.

"Business Day" means any day other than a Saturday, Sunday or other

day on which commercial banks in New York City, New York or San Francisco, California are authorized or required by law to close and, if the applicable Business Day relates to any Eurodollar Rate Loan, means such a day on which dealings are carried on in the applicable offshore dollar interbank market.

"Capital Assets" means, as at any date of determination, those assets

of a Person that would, in conformity with GAAP, be classified as property, plant or equipment on the balance sheet of that Person.

"Capital Lease" as applied to any Person, means any lease of any

property (whether real, personal or mixed) by that Person as lessee which would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person other than, in the case of the Company or any of its Subsidiaries, any such lease under which the Company or any of its Subsidiaries is the lessor.

"CD Rate" means, for each Interest Period in respect of CD Rate Loans

comprising a part of the same borrowing, the rate of interest (rounded upward to the nearest 1/100th of 1%) determined pursuant to the following formula:

$$\text{CD Rate} = \frac{\text{Certificate of Deposit Rate}}{1.0 - \text{Reserve Percentage}} + \text{Assessment Rate}$$

Where:

"Assessment Rate" means, for any day of such Interest Period, the

rate determined by the Agent as equal to the annual assessment rate in effect on such day payable to the FDIC by a member of the Bank Insurance Fund that is

classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification within the meaning of 12 C.F.R. (S)327.3(d)) for insuring time deposits at offices of such member in the United States; or, in the event that the FDIC shall at any time hereafter cease to assess time deposits based upon such classifications or successor classifications, equal to the maximum annual assessment rate in effect on such day that is payable to the FDIC by commercial banks (whether or not applicable to any particular Bank) for insuring time deposits at offices of such banks in the United States.

"Certificate of Deposit Rate" means for any Interest Period for CD

Rate Loans the rate of interest per annum determined by the Agent to be the arithmetic mean (rounded upward to the nearest 1/100th of 1%) of the rates notified to the Agent by the Reference Banks as the rates of interest bid by two or more certificate of deposit dealers of recognized standing selected by the Reference Banks for the purchase at face value of dollar certificates of deposit issued by major United States banks, for a maturity comparable to such Interest Period and in the approximate amount of the CD Rate Loans to be made, at the time selected by the Reference Banks on the first day of such Interest Period.

"Reserve Percentage" means for any Interest Period for CD Rate Loans

the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%), as determined by the Agent, in effect on the first day of such Interest Period (including any ordinary, marginal, emergency, supplemental, special and other reserve percentages) prescribed by the Federal Reserve Board for determining the maximum reserves to be maintained by member banks of the Federal Reserve System with deposits exceeding \$1,000,000,000 for new non-personal time deposits for a period comparable to such Interest Period and in an amount of \$100,000 or more.

"CD Rate Loan" means a Loan that bears interest based on the CD Rate.

"Consolidated Funded Indebtedness" means, at any date of

determination, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) all obligations and liabilities, whether current or long-term, for borrowed money, (b) that portion of obligations with respect to Capital Leases which is capitalized on the consolidated balance sheet of the Company and its Subsidiaries, and (c) all guaranties of unconsolidated funded obligations for borrowed money, all determined in conformity with GAAP.

"Consolidated Net Income" for any period, means the net income (or

loss) of the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP.

"Consolidated Tangible Net Worth" means, as at any date of

determination, the net worth of the Company and its Subsidiaries on a consolidated basis minus foreign exchange currency translation adjustments and

intangible assets, all determined in conformity with GAAP.

"Contingent Obligation", as applied to any Person, means, without

duplication, any direct or indirect liability, contingent or otherwise, of that Person (i) with respect to any indebtedness, lease, dividend or other obligation of another if the primary purpose or intent thereof by the Person incurring the Contingent Obligation is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof or (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings. Contingent Obligations shall include, without limitation, (a) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another and (b) any liability of such Person for the obligations of another through any agreement (contingent or otherwise) (x) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (y) to maintain the solvency or any balance sheet item, level of income or financial condition of another, if in the case of any agreement described under subclauses (x) or (y) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported. The amount of any Contingent Obligation denominated in a currency other than Dollars shall be equal to the Dollar Equivalent of such Contingent Obligation.

"Contractual Obligation", as applied to any Person, means any

provision of any security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person

is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Default" means any event or circumstance which, with the giving of ----- notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Dollars" means lawful money of the United States of America.

"Domestic Subsidiary" means a Subsidiary of the Company that is ----- incorporated in a jurisdiction of the United States of America.

"Duff & Phelps" means Duff & Phelps Credit Rating Co.

"Effective Date" means the date on or after March 21, 1994 on which ----- this Agreement becomes effective and all the conditions in Section 4.1 are satisfied or waived.

"ERISA" means, at any time, the Employee Retirement Income Security ----- Act of 1974, as amended from time to time and any successor statute, and the rules and regulations promulgated thereunder.

"ERISA Affiliate", as applied to any Person, means any trade or ----- business (whether or not incorporated) which is a member of a group of which that Person is a member and which is under common control within the meaning of Section 414(b) and 414(c) of the Internal Revenue Code.

"Eurodollar Rate Loans" means Loans bearing interest at rates ----- determined by reference to the Eurodollar Rate as provided in Section 2.8(a).

"Eurodollar Rate" means, for each Interest Period for any Eurodollar ----- Rate Loan, an interest rate per annum (rounded upward to the nearest 1/16 of one percent) determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Eurodollar Reserve Percentage" means the maximum reserve ----- percentage (expressed as a decimal rounded upward to the next 1/100 of one percent) in effect on the date LIBOR for such Interest Period is determined (whether or not

applicable to any Bank) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency Liabilities") having a term equal to such Interest Period; and

"LIBOR" means the rate of interest per annum determined by the

Agent to be the arithmetic mean (rounded upward to the nearest 1/16th of 1%) of the rates of interest per annum notified to the Agent by each Reference Bank as the rate of interest at which dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, an Eurodollar Rate Loan by such Reference Bank and having a maturity comparable to such Interest Period would be offered to major banks in the London interbank market at their request at or about 11:00 a.m. (London time) on the second Business Day prior to the commencement of such Interest Period.

"Event of Default" means any of the events set forth in Section 8.1.

"Exchange Act" means, at any time, the Securities Exchange Act of

1934, as amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

"Existing Credit Agreement" means that certain Third Amended and

Restated Credit Agreement dated as of March 19, 1993 among the Company, the Banks and the Agent, as amended.

"Federal Funds Rate" means the weighted average of the rates on

overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day of determination (or if such day of determination is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transaction received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal

Reserve System or any successor thereof.

"Funding Date" means the Business Day of the funding of a Loan.

"Future Indebtedness" means unsecured Indebtedness for borrowed money

by the Company or its Domestic Material Subsidiaries in an amount of \$25,000,000 or more in any one borrowing having maturities in excess of one year, excluding (i) Indebtedness existing on the date hereof, (ii) intercompany Indebtedness, (iii) Indebtedness permitted to be secured under Section 7.2, (iv) Indebtedness incurred under the Transfer and Administration Agreement and (v) Indebtedness hereunder and under the 364-Day Facility.

"GAAP" means generally accepted accounting principles set forth in the

opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Person" means the government of the United States or the

government of any state or locality therein, any political subdivision or any governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body or entity, or other regulatory bureau, authority, body or entity of the United States or any state or locality therein, including the Federal Deposit Insurance Company, the Comptroller of the Currency or the Federal Reserve Board.

"Governmental Rule" means any law, statute, rule, regulation,

ordinance, order, judgment, guidelines or decision of any Governmental Person.

"Indebtedness", as applied to any Person, means (i) all indebtedness

for borrowed money, (ii) that portion of obligations with respect to Capital Leases which is required to be capitalized on a balance sheet in conformity with GAAP, (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (iv) any obligation owed for all or any part of the deferred purchase price of property or services which purchase price is (y) due more than twelve months from the date of incurrence of the obligation in respect thereof, or (z) evidenced by a promissory note and (v) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person. The amount of any Indebtedness shall be the principal amount of and all interest, premium, if any, and other fees and expenses accrued on any of the foregoing.

"Ineligible Securities" means securities which may not be underwritten

or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. (S) 24, Seventh), as amended.

"Interest Payment Date" means, with respect to any CD Rate Loan or

Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and, with respect to any Base Rate Loan, the last day of each calendar quarter, and with respect to all Loans, the Termination Date; provided, however,

that if any Interest Period for a CD Rate Loan or Eurodollar Rate Loan exceeds 90 days or three months, respectively, interest shall also be paid on the date which falls 90 days or three months after the beginning of such Interest Period.

"Interest Period" means, (a) with respect to any Eurodollar Rate Loan,

the period commencing on the Business Day the Eurodollar Rate Loan is disbursed or continued or on the date on which a Loan is converted into a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; and (b) with respect to any CD Rate Loan, the period commencing on the date the CD Rate Loan is disbursed or continued or on the date on which a Loan is converted into a CD Rate Loan and ending 30, 60, 90 or 180 days thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(i) if any Interest Period pertaining to an Eurodollar Rate Loan or CD Rate Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless, in the case of an Eurodollar Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period pertaining to an Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Termination Date.

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

amended to the date hereof and from time to time hereafter, and the rules and regulations promulgated thereunder.

"Lending Office" means, with respect to any Bank, the office or

offices of the Bank specified as its "Lending Office" or "Domestic Lending Office" or "Eurodollar Lending Office," as the case may be, opposite its name on Schedule 10.6 hereto, or such other office or offices of the Bank as it may from time to time specify to the Company and the Agent in writing.

"Lien" means any lien, mortgage, pledge, security interest, charge or

encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any kind of security interest).

"Loan Commitment" means the amount set forth under "Loan Commitment"

on Schedule 1.1, as such amount may be adjusted pursuant to Section 2.5.

"Loan Documents" means this Agreement, any Notes, the Mattel Sales

Guaranty, and all documents and instruments delivered in connection therewith (other than the Transfer and Administration Agreement and the documents delivered pursuant thereto).

"Loans" has the meaning set forth in Section 2.1.

"Margin Stock" has the meaning assigned to the term "Margin Stock" in

Regulation U of the Federal Reserve Board as in effect from time to time.

"Material Adverse Effect" means (i) a material adverse effect upon the

business, operations, properties, assets, business prospects or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, or (ii) a material impairment of the ability of the Company to perform the Obligations or of the Banks to enforce the Obligations.

"Material Subsidiaries" means those Subsidiaries of the Company

designated as such on Schedule 5.3 hereto and any Subsidiary of the Company formed or acquired after the Effective Date designated by the Board of Directors of the Company as a "Material Subsidiary".

"Mattel Sales" means Mattel Sales Corp., a California corporation.

"Mattel Sales Guaranty" means the Continuing Guaranty (Multi-Year

Facility) signed by Mattel Sales substantially in the form of Exhibit F hereto, as amended, supplemented, restated or otherwise modified from time to time.

"Mattel Sales Subordination Agreements" means the Mattel Sales

Subordination Agreements substantially in the form of Exhibit G attached hereto signed by each Affiliate of the Company with respect to which Mattel Sales has any outstanding obligations, as it may hereafter be amended, supplemented, restated or otherwise modified from time to time.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in

Section 4001(a)(3) of ERISA which is maintained for employees of the Company or any ERISA Affiliate of the Company.

"Net Issuance Proceeds" means, in respect of any issuance of equity

(excluding shares of common stock issued in connection with conversions of the 8% Convertible Subordinated Debentures), the cash proceeds and non-cash proceeds received or receivable in connection therewith, net of reasonable costs and expenses paid or incurred in connection therewith in favor of any Person not an Affiliate of the Company, excluding the exercise of stock options under the Company's stock option plans. In the case of the issuance of debt securities after the date hereof that are convertible into equity, "Net Issuance Proceeds" shall be deemed to be received if and when such debt securities are converted into equity, and the amount of such Net Issuance Proceeds shall be an amount equal to the principal amount of the debt being converted.

"Note" means a promissory note of the Company payable to the order of

a Bank substantially in the form of Exhibit A hereto, evidencing the Loans made by such Bank to the Company.

"Notice of Borrowing" means a notice substantially in the form of

Exhibit B hereto with respect to a proposed borrowing pursuant to Section 2.3(a).

"Notice of Conversion/Continuation" means a notice given by the

Company to the Agent pursuant to Section 2.4, in substantially the form of Exhibit C hereto.

"Obligations" means all obligations of every nature of the Company and

Mattel Sales from time to time owed to the Agent, the Banks or any other Person required to be indemnified hereunder, or any of them, under any Loan Document.

"Officers' Certificate" means a certificate substantially in the form

of Exhibit D hereto executed on behalf of the Company by (a) any of its Chairman of the Board (if an officer) or its President or one of its Executive Vice Presidents or one of its Senior Vice Presidents and (b) any of its Chief

Financial Officer or its Treasurer or one of its Assistant Treasurers or its Controller, delivered to the Banks by the Company pursuant to Section 6.1(c).

"Participant" has the meaning set forth in Section 10.1.

"Pension Plan" means any employee plan which is subject to Section 412

of the Internal Revenue Code and which is maintained for employees of the Company or any ERISA Affiliate of the Company other than a Multiemployer Plan.

"Person" means any individual, partnership, corporation (including a

business trust), joint stock company, joint venture, trust, bank, trust company, unincorporated association or other entity or a government or any agency or political subdivision thereof.

"Pro Rata Share" means with respect to each Bank the percentage set

forth opposite such Bank's name on Schedule 1.1 hereto.

"Receivables Commitment" means the amount set forth for each Bank

under "Receivables Commitment" on Schedule 1.1, as such amount may be adjusted under Section 2.5 and the Transfer and Administration Agreement.

"Reference Banks" means Bank of America, NationsBank of Texas, N.A.

and PNC Bank, National Association. Subject to Section 3.6, in the event that at any time of determination only two Banks designated as "Reference Banks" are providing rates for deposits referred to in the definition of "Eurodollar Rate" or "Certificate of Deposit Rate," those two Banks shall be the "Reference Banks" or, if only one such Bank is providing such rates, that Bank shall be the "Reference Banks" for purposes of this Agreement.

"Reference Rate" means the rate of interest publicly announced from

time to time by Bank of America in San Francisco as its reference rate, as in effect on such date of determination. The reference rate is set by Bank of America based on various factors including Bank of America's costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. Bank of America may make loans at, above or below the rate announced by it as its reference rate.

"Regulation D" means Regulation D of the Federal Reserve Board as in

effect from time to time.

"Requisite Banks" means, as at any date of determination, Banks having

at least 66-2/3% of the then aggregate unpaid principal amount of the Loans (or if no Loans are then outstanding, Banks having at least 66-2/3% of the Aggregate Loan Commitment), loans under the 364-Day Facility (or if no loans are then outstanding under the 364-Day Facility, Banks having at least 66-2/3% of the Aggregate 364-Day Commitment) and Banks having at least 66-2/3% of the then Total Outstanding Investment (or if no Investment is then outstanding, Banks having at least 66-2/3% of the Aggregate Receivables Commitment) as at such date of determination.

"Securities Act" means, at any time, the Securities Act of 1933, as

amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

"Section 20 Subsidiary" means the Subsidiary of the bank holding

company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

"S&P" means Standard & Poor's Corporation.

"Subsidiary" means any corporation, association or other business

entity of which more than 50% of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided

that, for purposes of this Agreement (other than financial reporting purposes), Subsidiaries of the Company shall include only the entities identified in Schedule 5.3 hereto and any Subsidiary formed or acquired after the Effective Date designated by the Board of Directors of the Company as a "Material Subsidiary".

"Termination Date" means March 31, 1997.

"364-Day Commitment" means the amount set forth under "364-Day

Commitment" on Schedule 1.1, as such amount may be adjusted pursuant to Section 2.5 and under the 364-Day Facility.

"364-Day Facility" means the Credit Agreement (364-Day Facility) dated

as of even date herewith, as amended, replaced or extended from time to time, among the Company, the banks parties thereto and Bank of America National Trust and Savings Association, as agent thereunder, and any replacements thereof or successors thereto.

"Total Outstanding Investment" has the meaning set forth in the

Transfer and Administration Agreement.

"Transfer and Administration Agent" means NationsBank of Texas, N.A.

in its capacity as agent under the Transfer and Administration Agreement.

"Transfer and Administration Agreement" means the Amended and Restated

Transfer and Administration Agreement dated as of even date herewith, among Mattel Sales, as transferor, the Company, as guarantor and servicer, the banks named therein, and NationsBank of Texas, N.A., as Transfer and Administration Agent for such banks, as it may be amended, supplemented, restated or otherwise modified from time to time.

1.2 Other Definitional Provisions. References to "Sections" shall be

to Sections of this Agreement unless otherwise specifically provided. Any of the terms defined in Section 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

SECTION 2.

THE COMMITMENTS.

2.1 The Aggregate Facilities Commitment. Each Bank hereby severally

agrees (a) to make advances to the Company ("Loans") on the terms and conditions set forth in this Agreement in an aggregate principal amount not exceeding such Bank's Pro Rata Share of the Aggregate Loan Commitment during the Availability Period; (b) to make advances to the Company on the terms and conditions set forth in the 364-Day Facility in a principal amount not exceeding such Bank's 364-Day Loan Commitment during the period from the Effective Date (as defined in the 364-Day Facility) to but excluding the Termination Date (as defined in the 364-Day Facility), and (c) to purchase receivables on the terms and conditions set forth in the Transfer and Administration Agreement in an amount not exceeding such Bank's Receivables Commitment during the period from the Closing Date (as defined in the Transfer and Administration Agreement) to but excluding the Termination Date (as defined in the Transfer and Administration Agreement); provided, however, that:

(i) the outstanding principal amount of all Loans hereunder shall not exceed the Aggregate Loan Commitment; the outstanding principal amount of all advances under the 364-Day Facility shall not exceed the Aggregate 364-Day Commitment; and the amount of the Total Outstanding

Investment shall not exceed the Aggregate Receivables Commitment;

(ii) if at any time between November 1 of each year and March 1 of the following year the rating on the Company's long-term unsecured Indebtedness by any one of S&P, Moody's or Duff & Phelps is below investment grade, there shall be no Loans outstanding for 30 consecutive days commencing not earlier than such November 1 and ending not later than March 31, and the Company shall prepay any outstanding Loans pursuant to Section 2.6(b) to the extent required to not have any Loans outstanding during such period; and

(iii) the Aggregate Facilities Commitment shall not exceed \$500,000,000 in the aggregate at any one time.

Within the limits of each Bank's Loan Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.1, prepay pursuant to Section 2.6 and reborrow pursuant to this Section 2.1.

2.2 Loan Accounts and Notes. (a) Subject to Section 2.2(b), the

Loans made by each Bank shall be evidenced by one or more loan accounts maintained by such Bank in the ordinary course of business. The loan accounts or records maintained by the Agent and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Company and the interest and payments thereon. Any failure to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans.

(b) Upon the written request of any Bank made through the Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank shall endorse on the schedules annexed to its Note(s), the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Bank is irrevocably authorized by the Company to endorse its Note(s) and each Bank's record shall be conclusive absent manifest error; provided, however, that the

failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

2.3 Borrowing Procedure.

(a) Whenever the Company desires to borrow hereunder, it shall deliver irrevocable telephonic notice to the Agent followed immediately by written notice in the form of a Notice of Borrowing, which telephonic notice must be received by the Agent no later than (i) 8:00 a.m. (San Francisco time) on the proposed Funding Date in the case of Base Rate Loans, (ii) 9:00 a.m. (San Francisco time) three Business Days in advance of the proposed Funding Date in the case of Eurodollar Rate Loans, and (iii) 12:00 Noon (San Francisco time) two Business Days prior to the proposed Funding date in the case of CD Rate Loans, specifying (A) the proposed Funding Date which shall be a Business Day, (B) the amount of the proposed borrowing, (C) whether the proposed borrowing shall consist of Base Rate Loans, Eurodollar Rate Loans or CD Rate Loans, and (D) in the case of Eurodollar Rate Loans and CD Rate Loans, the requested Interest Period. Base Rate Loans made on any Funding Date shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess of that amount. Eurodollar Rate Loans and CD Rate Loans made on any Funding Date shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$500,000 in excess of that amount.

(b) Promptly (and normally within two hours) after receipt of a Notice of Borrowing (or telephone notice in lieu thereof), the Agent shall notify each Bank of the proposed borrowing. Each Bank shall make available to the Agent its Pro Rata Share of the amount (if any) by which the principal amount of the proposed borrowing exceeds the principal amount of the Loans (if any) maturing on the Funding Date, in same day funds, by remitting such funds to: Bank of America National Trust and Savings Association, ABA No. 121-000-358, Attn: Global Agency No. 5596 For credit to: BANCONTROL Account No. 12358-88449, Reference: Mattel, Inc. at the office of Bank of America located at 1850 Gateway Boulevard, Concord, California 94520, no later than 11:00 a.m. (San Francisco time) on the Funding Date. Upon satisfaction of the conditions set forth in Section 4.2, the Agent shall make available to the Company on such Funding Date the aggregate of the amounts (if any) so made available by the Banks by causing an amount of same day funds equal to such aggregate amount (if any) received by the Agent to be credited to the account of the Company at such office of Bank of America. To the extent that Eurodollar Rate Loans or CD Rate Loans made by the Banks mature on any Funding Date, the Banks shall apply the proceeds of the Loans made on such Funding Date, to the extent thereof, to the repayment of such maturing Loans, such Loans and repayments intended to be a contemporaneous exchange.

2.4 Conversion and Continuation Elections.

(a) The Company may upon irrevocable written notice to the Agent:

(i) elect to convert any Base Rate Loans (or any part thereof in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof) on any Business Day into Eurodollar Rate Loans or CD Rate Loans; (ii) elect to convert any Eurodollar Rate Loans or CD Rate Loans (or any part thereof) on the last day of any Interest Period therefor into Base Rate Loans in an amount not less than \$1,000,000 or an integral multiple of \$500,000 in excess thereof, or into CD Rate Loans or Eurodollar Rate Loans in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof; or (iii) elect to continue any Eurodollar Rate Loans or CD Rate Loans (or any part thereof in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof) on the last day of any Interest Period therefor; provided, that if the

aggregate amount of Eurodollar Rate Loans or CD Rate Loans shall have been reduced, by payment, prepayment, or conversion of part thereof to be less than \$5,000,000, the Eurodollar Rate Loans and CD Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as Eurodollar Rate Loans or CD Rate Loans shall terminate.

(b) Each conversion or continuation shall be made upon irrevocable telephonic notice to the Agent followed immediately by written notice in the form of a Notice of Conversion/ Continuation, which telephonic notice must be received by the Agent prior to (i) 9:00 a.m. (San Francisco time) at least three Business Days in advance of the conversion or continuation date, if the Loans are to be converted into or continued as Eurodollar Rate Loans; (ii) 12:00 Noon (San Francisco time) at least two Business Days in advance of the conversion or continuation date, if the Loans are to be converted into or continued as CD Rate Loans; and (iii) 9:00 a.m. (San Francisco time) on the conversion or continuation date, if the Loans are to be converted into Base Rate Loans, specifying: (A) the proposed conversion or continuation date; (B) the aggregate amount of Loans to be converted or continued; (C) the nature of the proposed conversion or continuation; and (D) the duration of the requested Interest Period, if applicable.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans or CD Rate Loans, the Company has failed to select a new Interest Period to be applicable to such Eurodollar Rate Loans or CD Rate Loans or type of Loan or if any Default or Event of Default shall then exist, the Company shall be deemed to have elected to convert such Eurodollar Rate Loans and CD Rate Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

(d) Upon receipt of a Notice of Conversion/Continuation, the Agent will promptly notify each Bank thereof, or, if no timely notice is provided, the Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made pro rata according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(e) Unless the Requisite Banks shall otherwise agree, after the occurrence of and during the continuance of a Default or Event of Default, the Company may not elect to have a Loan be made as, or converted into or continued as, a Eurodollar Rate Loan or CD Rate Loan.

(f) Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Loans, there shall not be more than five different Interest Periods in effect.

2.5 Adjustments of Commitments.

(a) Reduction and Termination of Commitments. The Company may from

time to time reduce or terminate the Aggregate Facilities Commitment by reducing or terminating the Aggregate Loan Commitment, the Aggregate 364-Day Commitment or the Aggregate Receivables Commitment in accordance with Section 2.5(c).

(b) Reallocation of Aggregate Receivables Commitment. The Company

may, not more than twice each year, reallocate the Aggregate Receivables Commitment to the Aggregate Loan Commitment and/or the Aggregate 364-Day Commitment in accordance with Section 2.5(c). It may not reallocate the Aggregate Loan Commitment or the Aggregate 364-Day Commitment to each other or to the Aggregate Receivables Commitment.

(c) General. The Company shall give not less than three Business

Days' prior written notice to the Agent (and the Transfer and Administration Agent in the case of any reduction in the Aggregate Receivables Commitment) designating the date (which shall be a Business Day) and amount of any termination, reduction or reallocation pursuant to this Section 2.5. Any partial reduction or reallocation shall be in an aggregate minimum amount of \$10,000,000, and integral multiples of \$1,000,000 in excess of that amount. Promptly after receipt of any such notice (and in no event later than the end of the following Business Day), the Agent shall notify each Bank and the Transfer and Administration Agent (such notice, with respect to any reduction of the Aggregate Receivables Commitment, to be

based upon information received by the Agent from the Transfer and Administration Agent). Any reduction or reallocation of any such Commitment shall be applied to each Bank in accordance with such Bank's Pro Rata Share thereof. Any termination or reduction shall be permanent, except to the extent that the Aggregate Loan Commitment and/or the Aggregate 364-Day Commitment is concurrently increased by the amount of any reduction in the Aggregate Receivables Commitment pursuant to Section 2.5(b). All accrued commitment fees to, but not including the effective date of any termination of Loan Commitments, shall be paid on the effective date of such termination. No reduction, termination or reallocation of any Commitments shall be permitted if, after giving effect thereto and to any prepayments made on the effective date thereof, the then outstanding principal amount of the Loans hereunder would exceed the Aggregate Loan Commitment then in effect; the then outstanding principal amount of the loans under the 364-Day Facility would exceed the Aggregate 364-Day Commitment then in effect; or the then Total Outstanding Investment would exceed the Aggregate Receivables Commitment then in effect.

(d) Revisions to Notes. Concurrently with any termination, reduction

or increase of the Aggregate Loan Commitment, the Company shall sign such amended Notes as requested by the Banks through the Agent.

2.6 Prepayments. (a) Voluntary. The Company may, upon not less

than one Business Days' prior written or telephonic notice confirmed in writing to the Agent (in the case of a prepayment of a Base Rate Loan) or three Business Days' prior written or telephonic notice confirmed in writing to the Agent (in the case of a prepayment of a Eurodollar Rate Loan or CD Rate Loan) (which notice the Agent will promptly transmit by telecopy, telex or telephone to each Bank), at any time and from time to time prepay (i) any Eurodollar Rate Loans or CD Rate Loans in whole or in part in an aggregate minimum amount of \$3,000,000 and integral multiples of \$500,000 in excess of that amount so long as the unpaid balance is not less than \$5,000,000; or (ii) any Base Rate Loans in whole or in part in an aggregate minimum amount of \$1,000,000 and integral multiples of \$100,000 in excess of that amount; provided that in the event of any such

prepayment of any Eurodollar Rate Loans or CD Rate Loans, the Company shall be obligated to reimburse the Banks in respect thereof pursuant to Section 3.5. If such notice of prepayment does not specify how such prepayment shall be applied, it shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans or CD Rate Loans, as determined by the Agent. All prepayments of Eurodollar Rate Loans and CD Rate Loans shall be applied to the payment of any interest that has accrued to the date of such

prepayment before application to principal. Prepayments of Base Rate Loans shall be applied to principal only.

(b) Mandatory. Any mandatory prepayments required under Section

2.1(ii) shall be accompanied by any payment required under Section 2.6(a) or 3.5, if applicable.

2.7 Repayment of Loans. Each Loan shall mature and the Company shall

repay the unpaid principal amount of each Loan on the Termination Date.

2.8 Interest on the Loans.

(a) Subject to Section 2.8(c), the Loans shall bear interest on the unpaid principal amount thereof from the Funding Date through maturity (whether by acceleration or otherwise) at a rate per annum equal to the (i) Eurodollar Rate plus the Applicable Amount or (ii) CD Rate plus the Applicable Amount or

(iii) the Base Rate; provided, however, during any period when the aggregate principal amount of Loans outstanding exceeds 50% of the Aggregate Loan Commitment, an additional .125% will be added to the Eurodollar Rate, CD Rate or Base Rate as the case may be.

(b) Subject to Section 2.8(c), from and after the Effective Date, interest shall be payable in arrears on the Loans on each Interest Payment Date applicable to that Loan. Interest paid on the date of any partial prepayment of Loans hereunder shall be paid in respect of the portion of the Loans so prepaid.

(c) Any principal payments on the Loans not paid when due and, to the extent permitted by applicable law, any interest payments on the Loans not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest payable upon demand at a rate which is 2% per annum in excess of the rate of interest otherwise payable under this Agreement.

2.9 Fees. (a) The Company agrees to pay a commitment fee equal to

the Applicable Amount on the daily average unused portion of the Loan Commitment during the Availability Period. The Company shall pay the commitment fee to the Agent for distribution to each Bank in accordance with its Pro Rata Share. The commitment fee shall be calculated on the basis of a 360-day year and the actual number of days elapsed and shall be payable quarterly in arrears on the last Business Day of each fiscal quarter, for all amounts accrued to such date, and on the Termination Date; provided that, in connection with any reduction or

termination of the Loan Commitment pursuant to Section 2.5, the accrued fee calculated

on the portion so terminated or reduced for the period ending on such date shall also be paid on the date of such reduction or termination.

(b) The Company shall pay to the Agent and the Arranger other fees in accordance with a term sheet dated as of February 2, 1994 from BA Securities, Inc. to the Company.

2.10 Calculation of Interest and Fees. (a) Interest on all

Loans and fees payable under this Agreement shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of the Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment shall be excluded; provided that, if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

(b) Any change in the interest rate on a Loan resulting from a change in the Applicable Amount, Reserve Percentage or Eurodollar Reserve Percentage shall become effective as of the opening of business on the day on which such change in the Applicable Amount or Eurodollar Reserve Percentage becomes effective. Each determination of an interest rate by the Agent pursuant hereto shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

2.11 Payments by the Company. (a) All payments of principal,

interest and fees hereunder and under any Notes shall be in same day funds and delivered to the Agent for credit to:

Bancontrol Account No. 12358-88449
Reference: Mattel, Inc.
1850 Gateway Boulevard
Concord, California 94520

for the account of the Banks or the Agent not later than 11:00 a.m. (San Francisco time) on the date due. The Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such principal, interest, fees or other amounts in like funds received. Any payment which is received by the Agent after that time shall be deemed to have been paid by the Company on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions in the definition of "Interest Period", whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such

payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due to the Banks hereunder that the Company will not make such payment in full as and when required hereunder, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company shall not have made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate as in effect for each such day.

2.12 Payments by the Banks to the Agent.

(a) Unless the Agent shall have received notice from a Bank on the Effective Date or, with respect to each borrowing after the Effective Date, by 12:00 noon (San Francisco time) one Business Day prior to the date of any proposed borrowing of Eurodollar Rate Loans or CD Rate Loans, or by 9:00 a.m. (San Francisco time) one Business Day prior to the date of any proposed borrowing of Base Rate Loans, that such Bank will not make available to the Agent as and when required hereunder for the account of the Company the amount of that Bank's Pro Rata Share of the borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately available funds on the Funding Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the next Business Day following the date of such borrowing make such amount available to the Agent, together with interest at the Federal Funds Rate for and determined as of each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this Section 2.12(a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the next Business Day following the date of such borrowing, the Agent shall notify the Company of

such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such borrowing.

(b) The failure of any Bank to make any Loan on any date of borrowing shall not relieve any other Bank of any obligation hereunder to make a Loan on the date of such borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any borrowing.

2.13 Sharing of Payments, Etc. If, other than as expressly provided

elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share of payments on account of the Loans obtained by all the Banks, such Bank shall forthwith (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided,

however, that if all or any portion of such excess payment is thereafter

recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's Pro Rata Share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased pursuant to this Section 2.13 and will in each case notify the Banks following any such purchases or repayments.

SECTION 3.

PAYMENTS IN GENERAL.

3.1 Taxes.

(a) Subject to Section 3.1(d) and Section 3.1(g), any and all payments by the Company to each Bank or the Agent under this Agreement shall be made free and clear of, and without deduction or withholding for, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Bank's or the Agent's net income by the jurisdiction under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

(b) In addition, the Company shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents (hereinafter referred to as "Other Taxes").

(c) Subject to Section 3.1(g), the Company shall indemnify and hold harmless each Bank and the Agent for the full amount of Taxes or Other Taxes (including without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.1) paid by such Bank or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days from the date such Bank or the Agent makes written demand therefor.

(d) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, then, subject to Section 3.1(g): (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.1) such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received

had no such deductions been made; (ii) the Company shall make such deductions, and (iii) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(e) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish to the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(f) Each Bank which is a foreign person (i.e., a person other than a United States person for United States Federal income tax purposes) agrees that: (i) it shall, no later than the Effective Date (or, in the case of a Bank which becomes a party hereto after the Effective Date, the date upon which the Bank becomes a party hereto) deliver to the Company and the Agent: (A) if any Lending Office is located in the United States, two accurate and complete signed originals of Internal Revenue Service Form 4224 or any successor thereto ("Form 4224"), and (B) if any Lending Office is located outside the United States, two accurate and complete signed originals of Internal Revenue Service Form 1001 or any successor thereto ("Form 1001"), in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such Lending Office or Offices under this Agreement free from withholding of United States Federal income tax; (ii) if at any time the Bank changes its Lending Office or Offices or selects an additional Lending Office as herein provided, it shall with reasonable promptness deliver to the Company and the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder: (A) if such changed or additional Lending Office is located in the United States, two accurate and complete signed originals of Form 4224; or (B) otherwise, two accurate and complete signed originals of Form 1001, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such changed or additional Lending Office under this Agreement free from withholding of United States Federal income tax; (iii) it shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in (ii) above) requiring a change in the most recent Form 4224 or Form 1001 previously delivered by such Bank and if the delivery of the same be lawful, deliver to the Company and the Agent two accurate and complete original signed copies of Form 4224 or Form 1001 in replacement for the forms previously delivered by the Bank; and (iv) it shall, promptly upon the Company's reasonable request to that effect, deliver to the Company and the Agent such other forms or similar documentation

as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank's tax status for withholding purposes.

(g) The Company will not be required to pay any additional amounts in respect of United States Federal income tax pursuant to Section 3.1(d) to any Bank for the account of any Lending Office of such Bank: (i) if the obligation to pay such additional amounts would not have arisen but for a failure by such Bank to comply with its obligations under Section 3.1(f) in respect of such Lending Office; (ii) if such Bank shall have delivered to the Company a Form 4224 in respect of such Lending Office pursuant to Section 3.1(f)(i)(A), and such Bank shall not be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any Governmental Person charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 4224; or (iii) if the Bank shall have delivered to the Company a Form 1001 in respect of such Lending Office pursuant to Section 3.1(f)(i)(B), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any Governmental Person charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 1001.

(h) If, at any time, the Company requests any Bank to deliver any forms or other documentation pursuant to Section 3.1(f)(iv), then the Company shall, on demand of such Bank through the Agent, reimburse such Bank for any costs and expenses (including expenses of outside legal counsel and the allocated costs of in-house counsel) reasonably incurred by such Bank in the preparation or delivery of such forms or other documentation.

(i) If the Company is required to pay additional amounts to any Bank or the Agent pursuant to Section 3.1(d), then such Bank shall use its reasonable best efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue if

such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

(j) The agreements and obligations of the Company contained in this Section 3.1 shall survive the payment in full of all other Obligations.

3.2 Capital Adequacy. If (a) any adoption of or any change in or in

the interpretation of any law, rule or regulation, or (b) compliance with any guideline, request or directive of any central bank or other Governmental Person or quasi-governmental authority exercising control over banks or financial institutions generally or any court (whether or not having the force of law), or (c) any change in the force or effectiveness of the regulations set forth at 12 C.F.R. Part 3 (Appendix A), 12 C.F.R. Part 225 (Appendix A), 12 C.F.R. Part 208 (Appendix A) or 12 C.F.R. Part 325 (Appendix A) requires that the commitments of any Bank hereunder (including, without limitation, commitments and obligations in respect of Loans) be treated as an asset or otherwise be included for purposes of calculating the appropriate amount of capital to be maintained by such Bank or any corporation controlling such Bank (a "Change in Law"), the result of which is to reduce the rate of return on such Bank's capital as a consequence of such commitments to a level below that which such Bank could have achieved but for such Change in Law, taking into consideration such Bank's policies with respect to capital adequacy, by an amount which such Bank deems to be material, the Bank shall deliver to the Company a statement of the amount necessary to compensate such Bank for the reduction in the rate of return on its capital attributable to such commitments (the "Capital Compensation Amount"). The Bank shall determine the Capital Compensation Amount in good faith, using reasonable attribution and averaging methods. The Bank shall from time to time notify the Company of the amount so determined. Such amount shall be due and payable by the Company to such Bank ten Business Days after such notice is given. As soon as practicable after any Change in Law, each Bank shall submit to the Company estimates of the Capital Compensation Amounts that would be payable as a function of such Bank's commitments hereunder.

3.3 Illegality.

(a) If any Bank shall determine that any Governmental Rule or any change therein or in the interpretation or administration thereof has made it unlawful, or that any Governmental Person has asserted that it is unlawful, for any Bank or its Lending Office to make Eurodollar Rate Loans, then, on notice thereof by the Bank to the Company through the Agent, the obligation of the Bank to make Eurodollar Rate Loans shall

be suspended until the Bank shall have notified the Agent and the Company that the circumstances giving rise to such determination no longer exists.

(b) If a Bank shall determine that any Governmental Rule or any change therein or in the interpretation or administration thereof has made it unlawful, or that any Governmental Person has asserted that it is unlawful, for any Bank or its Lending Office to maintain any Eurodollar Rate Loan, the Company shall prepay all Eurodollar Rate Loans of the Bank then outstanding, together with interest accrued thereon, or convert all Eurodollar Rate Loans of the Bank then outstanding to CD Rate Loans or Base Rate Loans pursuant to Section 2.4, either on the last day of the Interest Period thereof if the Bank may lawfully continue to maintain such Eurodollar Rate Loans to such day, or promptly, if the Bank may not lawfully continue to maintain such Eurodollar Rate Loans, together with any amounts required to be paid in connection therewith pursuant to Section 3.5.

(c) If the obligation of any Bank to make or maintain Eurodollar Rate Loans has been terminated, the Company may elect, by giving notice to the Bank through the Agent that all Loans which would otherwise be made by the Bank as Eurodollar Rate Loans shall be instead CD Rate Loans or Base Rate Loans.

(d) Before giving any notice to the Agent pursuant to this Section 3.3, the affected Bank shall designate a different Lending Office with respect to its Eurodollar Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank.

3.4 Increased Costs and Reduction of Return. If any Bank shall

determine that, due to either (a) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the CD Rate or the Eurodollar Rate) in or in the interpretation of any law or regulation or (b) the compliance with any guideline or request from any Governmental Person (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans or CD Rate Loans, then the Company shall be liable for, and shall from time to time, upon demand therefor by such Bank (with a copy of such demand to the Agent), pay to such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs. Each Bank agrees to notify the Company of the occurrence of such an increased cost event promptly after obtaining knowledge thereof.

3.5 Funding Losses. The Company agrees to reimburse each Bank and to

hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of: (a) the failure of the Company to make any payment or prepayment of principal of any Eurodollar Rate Loan or CD Rate Loan (including payments made after any acceleration thereof); (b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation; (c) the failure of the Company to make any prepayment after the Company has given a notice in accordance with Section 2.6; or (d) the prepayment of a Eurodollar Rate Loan or CD Rate Loan on a day which is not the last day of the Interest Period with respect thereto; including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans or CD Rate Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Solely for purposes of calculating amounts payable by the Company to the Banks under this Section 3.5, (i) each Eurodollar Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Eurodollar Rate used in determining the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so funded and (ii) each CD Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Certificate of Deposit Rate used in determining the CD Rate for such CD Rate Loan by the issuance of its certificate of deposit in a comparable amount and for a comparable period, whether or not such CD Rate Loan is in fact so funded. This covenant shall survive the payment in full of all other Obligations.

3.6 Inability to Determine Rates. If any two Reference Banks shall

have determined that for any reason adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or CD Rate Loan, or if the Requisite Banks advise the Agent in writing that the Eurodollar Rate or the CD Rate applicable for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or CD Rate Loan does not adequately and fairly reflect the cost to such Banks of funding such Loan, the Agent will forthwith give notice of such determination to the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain Eurodollar Rate Loans or CD Rate Loans, as the case may be, hereunder shall be suspended until the Agent upon the instruction of the Requisite Banks revokes such notice in writing. Upon receipt of such

notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such notice with respect to Loans, the Banks shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans or CD Rate Loans, as applicable.

3.7 Survival. The agreements and obligations of the Company in this

Section 3 shall survive the payment of all other Obligations.

SECTION 4.

CONDITIONS PRECEDENT.

4.1 Conditions to Effectiveness. This Agreement shall become

effective only upon the Company delivering to the Agent and Banks (or to the Agent for the Banks with sufficient originally executed copies for each Bank, except for any Notes):

(a) A copy of the Restated Certificate of Incorporation of the Company, together with evidence acceptable to Agent that the same has been filed with the Secretary of State of the State of Delaware and a good standing certificate from the Secretaries of State of the States of Delaware and California, each to be dated a recent date prior to the Effective Date;

(b) Copies of the Bylaws of the Company, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(c) Resolutions of the Board of Directors of the Company approving and authorizing the execution, delivery and performance of each Loan Document to which it is a party or which it is acknowledging and approving and authorizing the execution, delivery and payment of any Notes, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(d) A signature and incumbency certificate of the officers of the Company executing or acknowledging any Loan Document;

(e) A copy of the Certificate of Incorporation of Mattel Sales, together with evidence acceptable to the Agent

that the same has been filed with the Secretary of State of the State of California and a good standing certificate from the Secretary of State of the State of California to be dated a recent date prior to the Effective Date;

(f) Copies of the Bylaws of Mattel Sales, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(g) Resolutions of the Board of Directors of Mattel Sales approving and authorizing the execution, delivery and performance of each Loan Document to which it is a party or which it is acknowledging, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(h) A signature and incumbency certificate of the officers of Mattel Sales executing or acknowledging any Loan Document;

(i) A good standing certificate with respect to each Affiliate executing a Mattel Sales Subordination Agreement from the Secretary of State of the state of its incorporation, each to be dated a recent date prior to the Effective Date;

(j) Resolutions of the Board of Directors of each Affiliate executing a Mattel Sales Subordination Agreement approving and authorizing the execution, delivery and performance of such Mattel Sales Subordination Agreement, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(k) A signature and incumbency certificate of the officers of each Affiliate executing a Mattel Sales Subordination Agreement;

(l) Executed copies of this Agreement and, as requested by any Bank, executed Notes drawn to the order of such Bank and with appropriate insertions;

(m) A certificate or other evidence from the Transfer and Administration Agent that the Transfer and Administration Agreement shall have been, or concurrently herewith is being, duly executed and delivered and all conditions precedent thereunder shall have been, or concurrently herewith are being, satisfied or waived by the Banks;

(n) Executed copies of one or more favorable written opinions of Robert Normile, Esq., Assistant General Counsel of the Company dated as of the Effective Date, substantially in the form of Exhibit E hereto relating to the

Company and Mattel Sales and as to such other matters as the Agent and the Banks may reasonably request;

(o) A certificate signed by one of the officers authorized to deliver an Officer's Certificate, or other evidence satisfactory to the Agent, of the ratings on the Company's long-term unsecured Indebtedness by S&P, Moody's and Duff & Phelps;

(p) Payment, for distribution to the agent and banks parties to the Existing Credit Agreement, of all fees payable by the Company pursuant to Sections 2.4 and 2.6 of the Existing Credit Agreement that have accrued through the Effective Date;

(q) Payment of all fees payable pursuant to Section 2.9(b);

(r) The Mattel Sales Guaranty duly executed by Mattel Sales;

(s) The Company shall have performed in all material respects all agreements which this Agreement provides shall be performed by it on or before the Effective Date; and

(t) The Mattel Sales Subordination Agreements duly executed by each Affiliate listed on Schedule 5.18.

4.2 Conditions to All Loans. The obligation of each Bank to make any

Loan is subject to the following further conditions precedent that, as of the applicable Funding Date:

(a) The Agent shall have received on or before that Funding Date a Notice of Borrowing signed by the Chief Executive Officer, the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the Company or any officer of the Company designated by any of the above described officers on behalf of the Company in writing delivered to the Agent;

(b) The representations and warranties of the Company contained in any Loan Document (except, in the case of a borrowing of Loans where the aggregate principal amount of the Loans being made on that Funding Date equals or is less than the aggregate principal amount of Loans maturing on that Funding Date, the representations and warranties contained in Sections 5.9 and 5.11), shall be true, correct and complete in all material respects on and as of that Funding Date, to the same extent as though made on and as of that Funding Date; and

(c) No Default or Event of Default shall exist or shall result from such borrowing or continuation or conversion.

Each Notice of Borrowing submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the Funding Date, that the conditions in Section 4.2 are satisfied.

SECTION 5.

REPRESENTATIONS AND WARRANTIES.

In order to induce the Banks and the Agent to enter into this Agreement and to make any extension of credit hereunder, the Company represents and warrants to each Bank and the Agent that the following statements are true, correct and complete:

5.1 Organization and Powers. The Company is a corporation duly

organized, validly existing and in good standing under the laws of the State of Delaware; and, except for changes in the ordinary course of business or as permitted or contemplated by this Agreement, each of the Material Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; and each has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and, in the case of the Company, to enter into this Agreement, and the Mattel Sales Subordination Agreements, to issue the Notes and to carry out the transactions contemplated hereby and thereby.

5.2 Good Standing. The Company and, except for changes in the

ordinary course of business or as permitted or contemplated by this Agreement, each Material Subsidiary is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has or will have no Material Adverse Effect.

5.3 Subsidiaries. Except as set forth in the immediately succeeding

sentence and except for changes in the ordinary course of business or as permitted or contemplated by this Agreement, Schedule 5.3 hereto correctly sets forth the name, jurisdiction of incorporation and ownership interest of the Company in each of its Material Subsidiaries as of the date hereof. Except as identified on Schedule 5.3 hereto and except

for changes in the ordinary course of business or as permitted or contemplated by this Agreement, the Company has no subsidiaries the book value of whose assets as at December 31, 1993, exceed \$1,000,000 or, when considered in the aggregate with all other subsidiaries not listed on Schedule 5.3 hereto constitute an amount in excess of \$4,000,000.

5.4 Authorization of Borrowing. The execution, delivery and

performance of each Loan Document to which it is a party, and acknowledgement of the Mattel Sales Subordination Agreements and the issuance, delivery and payment of the Notes have been duly authorized by all necessary corporate action by the Company.

5.5 No Conflict. The execution, delivery and performance by the

Company of this Agreement and the acknowledgement of the Mattel Sales Subordination Agreements and the issuance, delivery and payment of the Notes do not and will not (a) violate the Restated Certificate of Incorporation or Bylaws of the Company, (b) violate any provision of law applicable to the Company, or any material order, judgment or decree of any court or other agency of government binding on the Company, the violation of which would result in a Material Adverse Effect, (c) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Company, (d) result in or require the creation or imposition of any material lien, security interest, charge or encumbrance of any nature whatsoever upon any of its material properties or assets, or (e) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of the Company.

5.6 Governmental Consents. The execution, delivery and performance

by the Company of each Loan Document to which it is a party and the acknowledgment of the Mattel Sales Subordination Agreements and each agreement, document, or instrument required hereunder and the issuance, delivery and payment of the Notes do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Federal, state or other governmental authority or regulatory body or other such person.

5.7 Binding Obligation. This Agreement is, and each other Loan

Document to which it is a party, when executed and delivered hereunder will be, the legally valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

5.8 Financial Condition. The Company has heretofore delivered to the

Banks a consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 1993 and related consolidated statements of income, shareholders' equity and changes in financial position of the Company and its Subsidiaries for such fiscal year, audited by Price Waterhouse. All such statements were prepared in accordance with GAAP and fairly present the consolidated financial position of the Company and its Subsidiaries as at the date thereof and the consolidated results of operations and statement of cash flow of the Company and its Subsidiaries for the period then ended. Neither the Company nor any of its Subsidiaries has any material Contingent Obligation, liability for taxes or long-term lease which as of the date of this Agreement, individually or in the aggregate, would, if it became absolute, result in a Material Adverse Effect which is not reflected in the foregoing statements or in the notes thereto.

5.9 Changes, Etc. Since December 31, 1993, there has been no event or

events that have, either individually or in the aggregate, resulted in a Material Adverse Effect.

5.10 Title to Properties. The Company and its Subsidiaries have

good, sufficient and legal title to all the properties and assets reflected in the consolidated balance sheet referred to in Section 5.8 except as set forth in said balance sheet or in the notes thereto, except for assets acquired or disposed of in the ordinary course of business or as otherwise permitted by this Agreement since December 31, 1993.

5.11 Litigation; Adverse Facts. There is no action, suit,

proceeding or arbitration (whether or not purportedly on behalf of the Company or any of its Subsidiaries) at law or in equity or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries or any of the Company's or such Subsidiaries' properties which, in the reasonable judgment of the Company and its executive officers (assuming adverse determination of facts which the Company in good faith believes it would not successfully prove, and considering damages which in their best judgment is the maximum that would be awarded upon, and the likelihood of, an adverse determination of the claim or the amount which reflects their best judgment as to that required to be paid to settle the claims) would result in a Material Adverse Effect and there is no basis known to such executive officers for any such action, suit or proceeding. Neither the Company nor any of its Subsidiaries is (i) in violation of any applicable law which

could result in a Material Adverse Effect, or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule or regulation of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in a Material Adverse Effect. There is no action, suit, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries which provides a reasonable basis for questioning the validity or the enforceability of any Loan Document.

5.12 Payment of Taxes. All tax returns and reports of the

Company and its Material Subsidiaries required to be filed by any of them have been timely filed, and all taxes, assessments, fees and other governmental charges upon the Company and its Subsidiaries and upon their respective properties, assets, income and franchises which are due and payable have been paid when due and payable or bonded against, except to the extent permitted by Section 6.3. The Company knows of no proposed tax assessment against it or any of its Subsidiaries that would result in a Material Adverse Effect.

5.13 Agreements. Neither the Company nor any of its Subsidiaries

is a party to or is subject to any material agreement or instrument or charter or other internal restriction which results in a Material Adverse Effect.

5.14 Performance. Neither the Company nor any of its Subsidiaries

is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation of the Company, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, except, in any such case, where the consequences, direct or indirect, of such default or defaults, if any, would not result in a Material Adverse Effect.

5.15 Governmental Regulation. Neither the Company nor any of

its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940 or to any Federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

5.16 Employee Benefit Plans. The Company and each of its ERISA

Affiliates is in compliance in all material respects with any applicable provisions of ERISA and the regulations and published interpretations thereunder with

respect to all Pension Plans. Neither the Company nor any of its ERISA Affiliates has participated in or participates in any Multiemployer Plan the withdrawal from which may result in any liability to any party in an amount in excess of \$1,000,000.

5.17 Disclosure. No representation or warranty of the Company

contained in this Agreement or any other document, certificate or written statement furnished to the Banks by the Company since January 1, 1994 for use in connection with the transactions contemplated by this Agreement as of the date of this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to the officers of the Company in the case of any document or fact not furnished by it) necessary in order to make the statements contained herein or therein not misleading except to the extent that any such statement or omission that was untrue or misleading at the time made or that subsequently became untrue or misleading has been superseded or corrected by information provided to the Banks prior to the date of this Agreement. The projections and pro forma financial information contained in such written materials are based upon good faith estimates and assumptions believed by the Company to be reasonable at the time made, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There is no fact known to the officers of the Company as of the date of this Agreement (other than matters of a general economic nature) which materially adversely affects the business, operations, property, assets or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, which has not been disclosed herein or in the written materials referred to in Section 5.8 other than as disclosed in writing to the Banks on or before the date hereof.

5.18 Mattel Sales Subordination Agreements. Each Affiliate of

the Company with respect to which Mattel Sales has any outstanding obligations on the date hereof is listed on Schedule 5.18.

SECTION 6.

AFFIRMATIVE COVENANTS.

The Company agrees from the Effective Date until payment in full of all Obligations and termination of the Aggregate Facilities Commitment and the Transfer and Administration Agreement, unless Requisite Banks shall otherwise

give prior written consent, the Company will perform all covenants in this Section 6.

6.1 Reporting and Information Requirements. The Company will

maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP. The Company will deliver to the Agent and to each Bank:

(a) as soon as practicable and in any event not later than 45 days after the end of each of the first three fiscal quarters of the Company, consolidated balance sheets of the Company and its Subsidiaries as at the end of such period and for the fiscal year to date and the related consolidated statements of income, consolidated statements of stockholders' equity and consolidated statements of cash flow all in reasonable detail and certified by the Chief Financial Officer or the Treasurer of the Company that the consolidated statements (and to the best of his belief, the consolidating statements) and other materials required by this clause (a) fairly present the financial condition of the Company and its Subsidiaries as at the dates indicated and the results of their operations for the periods indicated, subject to changes resulting from year-end audit and normal year-end adjustments;

(b) as soon as practicable and in any event not later than 90 days after the end of each fiscal year of the Company, consolidated and consolidating balance sheets of the Company and its Subsidiaries as at the end of such year and the related consolidated (and, as to statements of income only, consolidated and consolidating) statements of income, stockholders' equity and cash flow of the Company and its Subsidiaries for such fiscal year, setting forth in each case, in comparative form the consolidated figures for the previous year, all in reasonable detail and (i) in the case of such consolidated financial statements, accompanied by a report thereon of Price Waterhouse or other independent accountants of recognized national standing selected by the Company which report shall state that such consolidated financial statements present fairly the financial position of the Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flow for the periods indicated in conformity with GAAP and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards and (ii) in the case of such consolidating financial statements, certified by the chief financial or accounting officer of the Company;

(c) together with each delivery of financial statements of the Company and its Subsidiaries pursuant to clauses (a) and (b) above, an Officers' Certificate (i) stating that the signers have reviewed the terms of this Agreement and the Notes and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of the Company and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as at the date of the Officers' Certificate, of any condition or event which constitutes an Event of Default or Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof, and (ii) demonstrating in reasonable detail compliance during (to the extent required) and at the end of such accounting periods with the restrictions contained in Sections 7.5, 7.6 and 7.7;

(d) together with each delivery of consolidated financial statements of the Company and its Subsidiaries pursuant to clause (b) above, a written statement by the independent accountants giving the report thereon (i) stating that their audit examination has included a review of the terms of this Agreement and the Notes as they relate to accounting matters, and (ii) stating whether, in connection with their audit examination, any condition or event which constitutes an Event of Default or Default has come to their attention, and if such a condition or event has come to their attention, specifying the nature and period of existence thereof; provided that such accountants shall not

be liable by reason of any failure to obtain knowledge of any such Event of Default or Default that would not be disclosed in the course of their audit examination. The Agent shall have the right, from time to time, to discuss the affairs of the Company directly with such independent certified public accountants;

(e) promptly upon receipt thereof, copies of all reports submitted to the Company (including, without limitation, the Company's Board of Directors) by the Company's independent accountants in connection with each annual, interim or special audit of the consolidated financial statements of the Company made by such accountants, including, without limitation, any comment letter submitted by such accountants to management in connection with their annual audit;

(f) promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its security holders or by any Subsidiary of the Company to its

security holders other than the Company or another Subsidiary, and, promptly upon their becoming effective, and in any event within 15 days of filing, all regular and periodic reports and all registration statements and prospectuses that have been filed by the Company or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any Governmental Person succeeding to any of its functions, and all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning material developments in the business of the Company and its Subsidiaries;

(g) promptly upon any executive officer of the Company obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Default, or becoming aware that the Agent or any Bank has given any notice or taken any other action with respect to a claimed Event of Default or Default under this Agreement, (ii) of any condition or event which would be required to be disclosed in a current report filed by the Company with the Securities and Exchange Commission on Form 8-K (Items 1, 2, 4 and 6 of such Form as in effect on the date hereof) if the Company were required to file such reports under the Exchange Act, (iii) that any Person has given any notice to the Company or any Subsidiary of the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 8.1, (iv) of the institution of any litigation involving an alleged liability of the Company or any of its Subsidiaries equal to or greater than \$10,000,000 or any adverse determination in any litigation involving a potential liability of the Company or any of its Subsidiaries equal to or greater than \$10,000,000, or (v) of a Material Adverse Effect, in each case an Officers' Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed default, Event of Default, Default, event or condition, and what action the Company has taken, is taking and proposes to take with respect thereto;

(h) as soon as available but no later than March 31 of each year, copies of the Company's consolidated financial plan for the then current fiscal year as customarily prepared for internal use;

(i) promptly after the acquisition of any Material Subsidiary, notice of such acquisition;

(j) promptly upon any executive officer of the Company obtaining knowledge, notice of any change in the ratings

on the Company's long-term unsecured Indebtedness by S&P, Moody's or Duff & Phelps; and

(k) with reasonable promptness, such other information and data with respect to the Company or any of its Subsidiaries as from time to time may be reasonably requested by any Bank or the Agent, including any financial reports regularly prepared by the Company for internal use.

6.2 Corporate Existence, etc. Except as permitted or not prohibited

in Section 7.3, the Company will at all times preserve and keep in full force and effect its corporate existence and rights and franchises material to its business and those of each of its Material Subsidiaries; provided that the

corporate existence and the rights and franchises of any Material Subsidiary may be terminated or permitted to lapse if such termination or lapse is in the best interest of the Company, is approved by the Board of Directors of the Company and is not materially disadvantageous to the holder of any Note.

6.3 Payment of Taxes and Claims; Tax Consolidation. The Company

will, and will cause each of its Material Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no

such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor. The Company will not, nor will it permit any Material Subsidiary to, file or consent to the filing of any consolidated income tax return with any Person (other than the Company or a Subsidiary of the Company).

6.4 Maintenance of Properties; Insurance. Except as permitted or

not prohibited in Section 7.3, the Company will maintain or cause to be maintained in good repair, working order and condition all material properties (other than obsolete properties) used or useful in the business of the Company and its Material Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals, substitutions and replacements thereof. The Company will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its properties and

business and the properties and business of its Material Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations; provided that the Company may maintain a program of self insurance for the Company and its Material Subsidiaries in accordance with sound business practices.

6.5 Inspection of Property and Books and Records. The Company shall

maintain and shall cause each of its Subsidiaries to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiaries. The Company will permit any authorized representatives designated by any Bank at the expense of that Bank, to visit and inspect any of the properties of the Company or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom (but not records relating to intellectual property), and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may be reasonably requested.

6.6 Use of Proceeds of Loans. (a) The Company shall use the

proceeds of Loans for general corporate purposes, including, without limitation, lending to its Subsidiaries and acquiring other Persons or businesses so long as the acquisition is approved by the board of directors of the Person being acquired and written evidence of the approval is delivered to the Agent prior to the acquisition.

(b) The Company shall not, directly or indirectly, use any portion of the Loan proceeds (i) knowingly to purchase Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Company or any Affiliate of the Company.

SECTION 7.

NEGATIVE COVENANTS.

The Company agrees from the Effective Date until payment in full of all Obligations and termination of the Aggregate Facilities Commitment and the Transfer and Administration Agreement, unless Requisite Banks shall otherwise give prior written consent, the Company will perform all covenants in this Section 7.

7.1 Indebtedness. The Company will not, and will not permit any of

its Material Subsidiaries to, directly or indirectly incur, assume, guaranty or otherwise become directly or indirectly liable with respect to:

(a) Indebtedness for borrowed money senior or having priority of payment over the Obligations hereunder or secured by Liens on any of the Company's or any Subsidiary's assets other than as permitted under Section 7.2; and

(b) Future Indebtedness in excess of \$225,000,000; provided that any such Indebtedness (x) will not contain any terms and conditions that in the aggregate are more restrictive than the terms and conditions contained in this Agreement and (y) will not cause the Company to be in violation of Sections 7.5, 7.6, or 7.7 of this Agreement.

7.2 Liens. The Company will not, and will not permit any of its

Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or any Subsidiary to secure Indebtedness for borrowed money in excess of \$100,000,000 (excluding Liens existing on the date hereof, Liens securing Indebtedness under the Transfer and Administration Agreement, Liens listed on Schedule 7.2 and Liens on newly-acquired Capital Assets); provided that such Liens on assets

located in the United States shall not secure Indebtedness for borrowed money in excess of \$15,000,000.

7.3 Restriction on Fundamental Changes. (a) The Company shall not,

and shall not permit any of its Material Subsidiaries to, engage in any material line of business substantially different from those lines of business carried on by it on the date hereof.

(b) The Company shall not, and shall not suffer or permit any of its Material Subsidiaries to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of whether in one transaction or in a series of transactions, all

or substantially all, of its assets to or in favor of any Person, except:

(i) any Material Subsidiary of the Company may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Material Subsidiaries of the Company, provided that if any transaction shall be between a Subsidiary and a wholly-owned subsidiary, the wholly-owned subsidiary shall be the continuing or surviving corporation; and

(ii) any Subsidiary of the Company may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or another Wholly-Owned Subsidiary of the Company.

7.4 Sale or Discount of Receivables. The Company will not, and will

not permit any of its Domestic Subsidiaries to, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof (other than in the ordinary course of receivables financing without recourse), any of its notes or accounts receivable, except:

(a) The Company and its Domestic Subsidiaries may offer discounts in the ordinary course of business for early payment of accounts receivable and may negotiate settlements of bad debts and disputed accounts receivable in the ordinary course of business; and

(b) The Company and Mattel Sales may enter into and perform under the Transfer and Administration Agreement;

7.5 Consolidated Funded Indebtedness to Total Capitalization. The

Company shall not permit the ratio of the sum of (a) Consolidated Funded Indebtedness plus (b) Total Outstanding Investment to the sum of (x)

Consolidated Funded Indebtedness plus (y) Total Outstanding Investment plus (z)

Consolidated Tangible Net Worth to exceed 65% at the end of each of the first three fiscal quarters in each fiscal year and 55% at the end of each fiscal year.

7.6 Consolidated Tangible Net Worth. The Company shall not permit

its Consolidated Tangible Net Worth at the end of any fiscal quarter to be less than \$736,000,000 plus 50% of each fiscal quarter's Consolidated Net Income

subsequent to December 31, 1993 (but without reduction for any losses) plus 100%

of any Net Issuance Proceeds less an amount equal to the Company's cost of any

repurchases of the Company's capital stock in an aggregate amount not exceeding \$125,000,000.

7.7 Interest Coverage Ratio. The Company shall not permit, as of the

last day of each fiscal quarter, the ratio of (a) the sum of (i) its net income from continuing operations, for the four consecutive fiscal quarters ending on such date, before (A) special items, (B) minority interest, (C) gains on reacquisition of debt, plus (ii) income taxes accrued for the four consecutive

fiscal quarters ending on such date, plus (iii) interest accrued for the four

consecutive fiscal quarters ending on such date, excluding capitalized interest and without regard to interest income plus (iv) depreciation and amortization

for the four consecutive fiscal quarters ending on such date to (b) interest incurred for the four consecutive fiscal quarters ending on such date, including capitalized interest and without regard to interest income, to be less than 3.5 to 1.

7.8 ERISA. The Company will not, and will not permit any of its

ERISA Affiliates to, permit the actuarial present value of all benefit liabilities under all Pension Plans to exceed the fair market value of the assets of such Pension Plans (excluding Pension Plans with assets greater than vested benefits) allocable to such benefit liabilities by more than \$10,000,000. As used in this Section 7.8, the terms "actuarial present value" and "benefit liabilities" have the meanings specified in Section 4001 of ERISA.

7.9 Amendments or Waivers Under Transfer and Administration

Agreement. The Company shall not agree to any amendment or waiver under the Transfer and Administration Agreement without the consent of the Requisite Banks.

7.10 Margin Regulations. No portion of the proceeds of any

borrowing under this Agreement shall be used by the Company for the purpose of "purchasing" or "carrying" any Margin Stock or used in any manner which might cause such borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Federal Reserve Board or any other regulation of the Federal Reserve Board or to violate the Exchange Act, in each case as in effect on the date or dates of such borrowing and the use of such proceeds.

7.11 Independence of Covenants. All covenants hereunder shall

be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Default if such action is taken or condition exists.

SECTION 8.

EVENTS OF DEFAULT.

8.1 Events of Default. Any of the following conditions or events

shall constitute an "Event of Default:"

(a) Failure to Make Payments When Due. (i) Failure to pay any

required payment of principal under this Agreement, the 364-Day Facility or the Transfer and Administration Agreement or of any Loan or any Notes, when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, (ii) failure to pay any required payment of interest under this Agreement, the 364-Day Facility or the Transfer and Administration Agreement or on any Loan or any Note or any fees payable pursuant to Section 2 for a period of five days or more after the date such payment is due, or (iii) failure to pay any other amount due under this Agreement, the 364-Day Facility or the Transfer and Administration Agreement within 90 days after written notice thereof; or

(b) Default in Other Agreements. (i) Failure of the Company, Mattel

Sales or any of its Material Subsidiaries to pay or any default in the payment of any principal or interest on any Indebtedness in an amount exceeding \$5,000,000 or any default in any other obligation for the payment of money in an amount in excess of \$5,000,000 beyond any period of grace allowed; or

(ii) any breach or default (unless cured or waived) with respect to any other term of any evidence of such other Indebtedness for borrowed money in an amount exceeding \$5,000,000 or of any loan agreement, mortgage, indenture or other agreement relating thereto, if the effect of such failure, default or breach is to cause such Indebtedness for borrowed money to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both, or otherwise); or

(c) Breach of Certain Covenants. Failure of the Company to perform

or comply with any term or condition contained in Sections 6.1(g), 6.2 or Section 7 of this Agreement; or

(d) Breach of Warranty. Any of the Company's or Mattel Sales'

representations or warranties made in any Loan Document in writing pursuant hereto or in connection herewith shall be false in any material respect on the date as of which made; or

(e) Other Defaults Under Agreement. Failure of the Company or Mattel

Sales to perform or comply with any other term or condition contained in this Agreement, the 364-Day Facility or the Transfer and Administration Agreement or any Loan Document other than the conditions referred to in Subsections (a), (b), (c) and (d) above and such default shall not have been remedied or waived within 30 days after receipt of notice from the Agent or any Bank of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, etc. (i) A

court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company or any of its Material Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed, or (ii) any other similar relief shall be granted under any applicable federal or state or applicable foreign law; a petition for an involuntary case shall be filed against the Company or any of its Material Subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Company or any of its Material Subsidiaries, or over all or substantially all of its property, shall have been entered; or an interim receiver, trustee or other custodian of the Company or any of its Material Subsidiaries for all or substantially all of the property of the Company or any of its Material Subsidiaries shall be appointed involuntarily; and the continuance of any such events in clause (ii) for 45 days unless dismissed, bonded or discharged; or

(g) Voluntary Bankruptcy; Appointment of Receiver, etc. The Company

or any of its Material Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or

other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in any involuntary case, or to the conversion from an involuntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, sequestrator, trustee or other custodian for all or substantially all of its property; the making by the Company or any of its Material Subsidiaries of any assignment for the benefit of creditors; or the inability or failure of the Company or any of its Material Subsidiaries, or the admission by the Company or any of its Material Subsidiaries in writing of its inability, to generally pay its debts as such debts become due; or the Board of Directors of the Company or any of its Material Subsidiaries adopts any resolution or otherwise takes action to approve any of the foregoing; or

(h) Judgments. Any final money judgment involving in any case an

amount in excess of \$10,000,000 or in excess of \$20,000,000 in the aggregate at any one time for all final judgments shall be entered or filed against the Company or any Material Subsidiary or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of 45 days or in any event later than five days prior to the date of any proposed sale thereunder; or

(i) Dissolution. Any order, judgment or decree shall be entered

against the Company or any Material Subsidiary decreeing the dissolution or split up of the Company and such order shall remain undischarged or unstayed for a period in excess of 30 days; or

(j) ERISA. (i) any Pension Plan maintained by the Company or any of

its ERISA Affiliates shall be terminated within the meaning of Title IV of ERISA, or (ii) a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan, or (iii) the Pension Benefit Guaranty Corporation (or any successor thereto) shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan, or (iv) the Company or any of its ERISA Affiliates shall withdraw (under Section 4063 of ERISA) from a Pension Plan, if, as of the date of the event listed in clauses (i)-(iv) above or any subsequent date, any of the Company or its ERISA Affiliates has any liability (such liability to include, without limitation, any liability to the Pension Benefit Guaranty Corporation, or any successor thereto, or to any other party under Sections 4062, 4063 or 4064 of ERISA or any other provision of law) resulting from or otherwise associated with the events listed in clauses (i)-(iv) above for unfunded guaranteed vested benefits under the Pension Plans which exceeds the current value of assets accumulated in such Pension Plan by more than \$10,000,000; or

(k) Loss of Property. All, or a substantial part of, the property,

assets or business of the Company or any Material Subsidiary shall be condemned or seized and such condemnation or seizure shall have (after taking into account any insurance or condemnation award) a Material Adverse Effect; or

(l) Cessation of Business. The Company or any Material Subsidiary

shall at any time voluntarily or involuntarily suspend its business or a substantial part thereof which would constitute a substantial part of, and would have a Material Adverse Effect; or

(m) Servicer Default or Termination Event. A Servicer Default or a

Termination Event (as each is defined in the Transfer and Administration Agreement) (other than as set forth in Section 7.3(i) of the Transfer and Administration Agreement) shall occur and be continuing;

8.2 Remedies. If any Event of Default occurs, the Agent shall, at

the request of, or may, with the consent of, the Requisite Banks, (a) declare the Loan Commitment of each Bank to make Loans to be terminated, whereupon such Loan Commitments shall forthwith be terminated; (b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable; without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and (c) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law; provided,

however, that upon the occurrence of any event specified in paragraph (f) or (g)

of Section 8.1 above (in the case of clause (ii) of paragraph (f) upon the expiration of the 45-day period mentioned therein), the obligation of each Bank to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent or any Bank.

8.3 Rights Not Exclusive. The rights provided for in this Agreement

and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

SECTION 9.

THE AGENT.

9.1 Appointment and Authorization. Each Bank hereby irrevocably

appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

9.2 Delegation of Duties. The Agent may execute any of its duties

under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.3 Liability of Agent. None of the Agent-Related Persons shall (i)

be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or for the value of any Collateral or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

9.4 Reliance by Agent.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Requisite Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Requisite Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter either sent by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank, unless an officer of the Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from the Bank prior to any borrowing specifying its objection thereto and either such objection shall not have been withdrawn by notice to the Agent to that effect or the Bank shall not have made available to the Agent the Bank's ratable portion of such borrowing.

9.5 Notice of Default. The Agent shall not be deemed to have

knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Banks and the Transfer and Administration Agent. The Agent shall take such action with

respect to such Default or Event of Default as shall be requested by the Requisite Banks in accordance with Section 8; provided, however, that unless and

until the Agent shall have received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.6 Credit Decision. Each Bank expressly acknowledges that none of

the Agent-Related Persons has made any representation or warranty to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon the Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

9.7 Indemnification. Whether or not the transactions contemplated

hereby shall be consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), ratably from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans and the termination or resignation of the related Agent) be imposed on, incurred by or asserted against any such Person any way

relating to or arising out of this Agreement or any document contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; provided, however, that no Bank shall be liable for the

payment to the Agent-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including fees and expenses of counsel and the allocated cost of in-house counsel) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. Without limiting the generality of the foregoing, if the Internal Revenue Service or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including fees and expenses of counsel and the allocated cost of in-house counsel). The obligation of the Banks in this Section shall survive the payment of all Obligations hereunder.

9.8 Agent in Individual Capacity. Bank of America and its Affiliates

may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory or other business with the Company and its Subsidiaries and Affiliates as though Bank of America were not the Agent hereunder and without notice to or consent of the Banks. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include Bank of America in its individual capacity.

9.9 Successor Agent. The Agent may, and at the request of the

Requisite Banks shall, resign as Agent upon 30 days' notice to the Banks. If the Agent shall resign as Agent under this Agreement, the Requisite Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 9 and Sections 10.4 and 10.15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Requisite Banks appoint a successor agent as provided for above.

SECTION 10.

MISCELLANEOUS.

10.1 Sales of Participations. (a) Upon advance written notice

to the Company, each Bank shall have the right at any time to sell or otherwise transfer participations in all or any part of the Loans and any Notes, to one or more Affiliates of such Bank or to one or more commercial banks, merchant banks, savings and loan associations or (with the consent of the Company) any other institution (a "Participant"); provided that any such disposition shall be in a

minimum amount of \$5,000,000 and such Bank shall concurrently with any sale of a participation herein sell a ratable participation in the 364-Day Facility and the Transfer and Administration Agreement and thereafter cause any such participation herein to remain ratable with such participation in the Transfer and Administration Agreement. The Company hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Company to the Participant and the Participant shall be entitled to the benefit of Sections 3.1, 3.4 and 10.15 as if it were a "Bank"; provided further, that in the case of

a participation, (i) the Bank's obligations under this Agreement shall remain

unchanged, (ii) the Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Agent shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement, and (iv) no Bank shall transfer or grant any participating interest under which the Participant shall have rights to approve any amendment to, or any consent or waiver with respect to this Agreement except to the extent such amendment, consent or waiver would require unanimous consent as described in the first proviso to Section 10.8. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Company hereunder shall be determined as if such Bank had not sold such participation, except that if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(b) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information provided to it by the Company or any Subsidiary of the Company, or by the Agent on such Company's or Subsidiary's behalf, in connection with this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information for any purpose or in any manner other than pursuant to the terms contemplated by this Agreement, the 364-Day Facility and the Transfer and Administration Agreement; except to the extent such information (i) was or becomes generally available to the public other than as a result of a disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however,

that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Person to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process and when required to do so in accordance with the provisions of any applicable Governmental Rule; provided, that a Bank shall

disclose only the information required by such request and shall notify the Company in advance of such disclosure so that the Company may seek an appropriate protective order, and (C) to such Bank's independent auditors and other professional advisors provided such Persons are obligated to keep such information

confidential. Notwithstanding the foregoing, the Company authorizes each Bank to disclose to any Participant and to any prospective Participant, such financial and other information in such Bank's possession concerning the Company or its Subsidiaries which has been delivered to Agent or the Banks pursuant to this Agreement or which has been delivered to the Agent or the Banks by the Company in connection with the Banks' credit evaluation of the Company prior to entering into this Agreement; provided that, unless otherwise agreed by the Company, such

Participant agrees in writing to such Bank to keep such information confidential to the same extent required of the Banks hereunder.

10.2 Survival of Warranties and of Certain Agreements. (a) All

agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans hereunder and the execution and delivery of any Notes.

(b) Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of the Company set forth in Sections 2.9, 3, 10.4 and 10.15 and the agreements of the Banks set forth in Sections 2.13, 9, 10.1(b) and 10.5 shall survive the payment of the Obligations by the Company and the termination of this Agreement.

10.3 Failure or Indulgence Not Waiver; Remedies Cumulative. No

failure or delay on the part of any Bank or any holder of any Note in the exercise of any power, right or privilege hereunder or under any Note shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under this Agreement or any Notes are cumulative to and not exclusive of, any rights or remedies otherwise available.

10.4 Fees and Expenses. Whether or not the transactions

contemplated hereby shall be consummated, the Company agrees to pay within 30 days after submission of an invoice therefor (a) all the actual and reasonable out-of-pocket costs and expenses of preparation of the Loan Documents and all the costs of furnishing all opinions by counsel for the Company (including without limitation any opinions requested by the Banks as to any legal matters arising hereunder), and of the Company's performance of and compliance with all agreements and conditions contained therein on its part to be performed or complied with; (b) the cost of delivering to the Banks any Notes pursuant to the provisions of this Agreement; (c) the reasonable

fees, expenses and disbursements of the Agent and the Agent's counsel (including the allocated cost of Agent's inhouse counsel and staff) in connection with the negotiation, preparation, execution and administration of the Loan Documents and the Loans and any amendments and waivers hereto; and (d) after the occurrence of an Event of Default, all actual and reasonable out-of-pocket costs and expenses (including reasonable fees of law firms engaged by the Banks and the reasonable estimate of the allocable costs of counsel in the staff of legal departments of the Banks and costs of settlement) incurred by the Agent and each Bank in enforcing any Obligations or in collecting any payments due from the Company hereunder or under any Notes by reason of such Event of Default or in connection with any refinancing or restructuring of any Loan Document in the nature of a "work-out" or of any insolvency or bankruptcy proceeding.

10.5 Set Off. In addition to any rights now or hereafter granted

under applicable law and not by way of limitation of any such rights, upon the occurrence of and during the continuance of any Event of Default (after the giving of any notice and the expiration of any grace period contained in the definition thereof), each Bank and each subsequent holder of any Note is hereby authorized by the Company at any time or from time to time, without notice to the Company, or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate any and all deposits (including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured but not including trust accounts) and any other indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Company and to apply any such amounts in accordance with the provisions of Section 2.13 irrespective of whether or not that Bank or that subsequent holder shall have made any demand hereunder.

10.6 Notices. Unless otherwise specifically provided herein, any

notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail and shall be deemed to have been given upon delivery in person, receipt of telecopy or telex or four Business Days after deposit in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 10.6) shall be as set forth under each party's name on Schedule 10.6 hereto.

10.7 Severability. In case any provision in or obligation under

this Agreement or any Notes shall be invalid,

illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10.8 Amendments and Waivers. No amendment or waiver of any

provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Requisite Banks and the Company, and acknowledged by the Agent, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given; provided,

however, that no such waiver, amendment, or consent shall, unless in writing and

signed by all the Banks and the Company, and acknowledged by the Agent, do any of the following:

(a) increase or extend any Bank's Pro Rata Share of the Aggregate Loan Commitment, the Aggregate 364-Day Commitment or the Receivables Commitment or subject any Bank to any additional obligations;

(b) postpone or delay any date fixed for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or of any fees or other amounts payable hereunder or under any Loan Document;

(d) change the Pro Rata Share of the Aggregate Loan Commitment, the Aggregate 364-Day Commitment or the Aggregate Receivables Commitment or of the aggregate unpaid principal amount of any extension of credit which shall be required for the Banks or any of them to take any action hereunder;

(e) amend this Section 10.8 or Section 2.13;

(f) amend Section 2.1, the definitions of "Pro Rata Share" or "Requisite Banks;" or

(g) discharge any Guarantor;

provided further, that no amendment, waiver or consent shall (i) unless in

writing and signed by the Agent in addition to the Requisite Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under any Loan Document; or (ii) have the effect of making any Bank's Loan Commitment, 364-Day Commitment or Receivables Commitment be nonratable with its

Receivables Commitment and its Pro Rata Share of the Aggregate Unpaid (as defined in the Transfer and Administration Agreement). No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 10.8 shall be binding upon each holder of any Notes at the time outstanding, each future holder of the Notes and, if signed by the Company, on the Company.

10.9 Obligations Several. The obligation of each Bank hereunder

is several, and no Bank shall be responsible for any obligation or commitment of any other Bank hereunder. Nothing contained in this Agreement and no action taken by Banks pursuant hereto shall be deemed to constitute Banks to be a partnership, an association, a joint venture or another entity.

10.10 Certain Changes. If (a) any changes in accounting principles

from those used in the preparation of the financial statements referred to in Section 5.8 hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or requested by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) result in a change in the method of calculation of financial covenants, standards or terms found in Sections 1, 6 and 7, or (b) the Company changes the manner in which its fiscal year, fiscal quarters and fiscal months are determined, the parties hereto agree to enter into negotiations in order to amend the appropriate provisions of this Agreement so as to equitably reflect such changes with the desired result that the criteria for evaluating the Company's financial condition and operations or establishing limitations hereunder shall be the same after such changes as if such changes had not been made.

10.11 Headings. Section headings in this Agreement are included

herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

10.12 Applicable Law. (a) This Agreement, any Notes and the other

Loan Documents shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of California, without regard to conflicts of laws principles.

(b) Any legal action or proceeding with respect to this Agreement and any other Loan Documents may be brought in the courts of the State of California or of the United States

for the Central District of California, and by execution and delivery of this Agreement, each of the Company, the Agent and the Banks consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. Each of the Company, the Agent and the Banks irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or any document related hereto. The Company, the Agent and the Banks each waive personal service of any summons, complaint or other process, which may be made by any other means permitted by California law.

10.13 Successors and Assigns. The provisions of this Agreement shall

be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank. No Bank may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Company and the Agent. No assignment or transfer of any Bank will be permitted if such assignment or transfer would result in any Bank's Pro Rata Share hereunder being a different percentage than its pro rata share of its Aggregate 364-Day Commitment or the Total Outstanding Investment.

10.14 Counterparts. This Agreement and any amendments, waivers,

consents, or supplements may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

10.15 Indemnity. Whether or not the transactions contemplated hereby

are consummated, the Company shall indemnify and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless

from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable fees and out-of-pocket expenses of counsel and the allocated cost of internal counsel) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person arising out of this Agreement or any document contemplated by or referred to herein, or the

transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any proceeding of the type referred to in Section 8.1(f) or (g) or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that the Company shall

have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

MATTEL, INC.

By _____
Vice President and
Treasurer

AGENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

By _____
Vice President

BANKS:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By _____
Robert W. Troutman
Vice President

ABN AMRO BANK N.V.

By _____
Title _____

THE BANK OF CALIFORNIA, N.A.

By _____
Title _____

BANQUE NATIONALE DE PARIS

By _____

Title _____

By _____

Title _____

CHEMICAL BANK

By _____

Title: _____

CONTINENTAL BANK N.A.

By _____

Title _____

DRESDNER BANK AG, Los Angeles
Agency

By _____

Title _____

THE FIRST NATIONAL BANK OF BOSTON

By _____

Title _____

MANUFACTURERS & TRADERS TRUST CO.

By _____

Title _____

MARINE MIDLAND BANK

By _____

Title _____

NATIONSBANK OF TEXAS, N.A.

By _____

Title _____

PNC BANK, NATIONAL ASSOCIATION

By _____

Title _____

ISTITUTO BANCARIO SAN PAOLO di TORINO SpA

By _____

Title _____

By _____

Title _____

THE TORONTO-DOMINION BANK (TEXAS) INC.

By _____

Title _____

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=====

CREDIT AGREEMENT
(364-Day Facility)

Dated as of March 18, 1994

among

MATTEL, INC.,

THE BANKS NAMED HEREIN,

and

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

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MATTEL, INC.

CREDIT AGREEMENT

(364-DAY FACILITY)

This Credit Agreement (364-Day Facility) (this "Agreement") is dated as of March 18, 1994 and is entered into by and among MATTEL, INC., a Delaware corporation (the "Company"), THE FINANCIAL INSTITUTIONS LISTED ON THE SIGNATURE PAGES HEREOF (individually referred to herein as a "Bank" and collectively as the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as the agent for the Banks (the "Agent").

SECTION 1.

DEFINITIONS.

1.1 Certain Defined Terms. The following terms used in this

Agreement shall have the following meanings:

"Affiliate", as applied to any Person, means any other Person

directly or indirectly controlling, controlled by or under common control with, that Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" has the meaning assigned to that term in the introduction to

this Agreement.

"Agent-Related Persons" means Bank of America and any successor agent

arising under Section 9.9, together with their respective Affiliates (including, in the case of Bank of America, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Aggregate Facilities Commitment" means the maximum amount which may

be outstanding at any one time under this Agreement, the Multi-Year Facility and the Transfer and Administration Agreement.

"Aggregate Loan Commitment" means the aggregate commitments of the

Banks to make Loans under this Agreement.

"Aggregate Multi-Year Commitment" means the aggregate commitments of

the banks party to the Multi-Year Facility to make advances under the Multi-Year Facility.

"Aggregate Receivables Commitment" means the aggregate commitments of

the Banks party to the Transfer and Administration Agreement to purchase receivables under such Agreement.

"Agreement" means this Credit Agreement (364-Day Facility), as it may

hereafter be amended, supplemented, restated or otherwise modified from time to time.

"Applicable Amount" means, with respect to the Commitment Fee, .1250%

per annum; Eurodollar Rate Loans, .3250% per annum and CD Rate Loans, .4500% per annum.

"Availability Period" means the period from the Effective Date to but

excluding the Termination Date.

"Bank" has the meaning assigned to that term in the introduction to

this Agreement.

"Bank Affiliate" means a Person engaged primarily in the business of

commercial banking and that is a Subsidiary of a Bank or of a Person of which a Bank is a Subsidiary.

"Bank of America" means Bank of America National Trust and Savings

Association.

"Base Rate" means a fluctuating rate per annum which is the higher of

(a) the Federal Funds Rate plus one-half of one percent (1/2%) per annum and
(b) the Reference Rate.

"Base Rate Loans" means Loans made by the Banks bearing interest at

rates determined by reference to the Base Rate.

"Business Day" means any day other than a Saturday, Sunday or other

day on which commercial banks in New York City, New York or San Francisco, California are authorized or required by law to close and, if the applicable Business Day relates to any Eurodollar Rate Loan, means such a day on which dealings are carried on in the applicable offshore dollar interbank market.

"Capital Assets" means, as at any date of determination, those assets

of a Person that would, in conformity with GAAP, be classified as property, plant or equipment on the balance sheet of that Person.

"Capital Lease" as applied to any Person, means any lease of any

property (whether real, personal or mixed) by that

Person as lessee which would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person other than, in the case of the Company or any of its Subsidiaries, any such lease under which the Company or any of its Subsidiaries is the lessor.

"CD Rate" means, for each Interest Period in respect of CD Rate Loans

comprising a part of the same borrowing, the rate of interest (rounded upward to the nearest 1/100th of 1%) determined pursuant to the following formula:

$$\text{CD Rate} = \frac{\text{Certificate of Deposit Rate}}{1.0 - \text{Reserve Percentage}} + \text{Assessment Rate}$$

Where:

"Assessment Rate" means, for any day of such Interest Period, the rate

determined by the Agent as equal to the annual assessment rate in effect on such day payable to the FDIC by a member of the Bank Insurance Fund that is classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification within the meaning of 12 C.F.R. (S)327.3(d)) for insuring time deposits at offices of such member in the United States; or, in the event that the FDIC shall at any time hereafter cease to assess time deposits based upon such classifications or successor classifications, equal to the maximum annual assessment rate in effect on such day that is payable to the FDIC by commercial banks (whether or not applicable to any particular Bank) for insuring time deposits at offices of such banks in the United States.

"Certificate of Deposit Rate" means for any Interest Period for CD

Rate Loans the rate of interest per annum determined by the Agent to be the arithmetic mean (rounded upward to the nearest 1/100th of 1%) of the rates notified to the Agent by the Reference Banks as the rates of interest bid by two or more certificate of deposit dealers of recognized standing selected by the Reference Banks for the purchase at face value of dollar certificates of deposit issued by major United States banks, for a maturity comparable to such Interest Period and in the approximate amount of the CD Rate Loans to be made, at the time selected by the Reference Banks on the first day of such Interest Period.

"Reserve Percentage" means for any Interest Period for CD Rate Loans

the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%), as

determined by the Agent, in effect on the first day of such Interest Period (including any ordinary, marginal, emergency, supplemental, special and other reserve percentages) prescribed by the Federal Reserve Board for determining the maximum reserves to be maintained by member banks of the Federal Reserve System with deposits exceeding \$1,000,000,000 for new non-personal time deposits for a period comparable to such Interest Period and in an amount of \$100,000 or more.

"CD Rate Loan" means a Loan that bears interest based on the CD Rate.

"Consolidated Funded Indebtedness" means, at any date of

determination, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) all obligations and liabilities, whether current or long-term, for borrowed money, (b) that portion of obligations with respect to Capital Leases which is capitalized on the consolidated balance sheet of the Company and its Subsidiaries and (c) all guaranties of unconsolidated funded obligations for borrowed money, all determined in conformity with GAAP.

"Consolidated Net Income" for any period, means the net income (or

loss) of the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP.

"Consolidated Tangible Net Worth" means, as at any date of

determination, the net worth of the Company and its Subsidiaries on a consolidated basis minus foreign exchange currency translation adjustments and

intangible assets, all determined in conformity with GAAP.

"Contingent Obligation", as applied to any Person, means, without

duplication, any direct or indirect liability, contingent or otherwise, of that Person (i) with respect to any indebtedness, lease, dividend or other obligation of another if the primary purpose or intent thereof by the Person incurring the Contingent Obligation is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof or (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings. Contingent Obligations shall include, without limitation, (a) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another and (b) any liability of such Person

for the obligations of another through any agreement (contingent or otherwise) (x) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (y) to maintain the solvency or any balance sheet item, level of income or financial condition of another, if in the case of any agreement described under subclauses (x) or (y) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported. The amount of any Contingent Obligation denominated in a currency other than Dollars shall be equal to the Dollar Equivalent of such Contingent Obligation.

"Contractual Obligation", as applied to any Person, means any

provision of any security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Default" means any event or circumstance which, with the giving of

notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Dollars" means lawful money of the United States of America.

"Domestic Subsidiary" means a Subsidiary of the Company that is

incorporated in a jurisdiction of the United States of America.

"Duff & Phelps" means Duff & Phelps Credit Rating Co.

"Effective Date" means the date on or after March 21, 1994 on which

this Agreement becomes effective and all the conditions in Section 4.1 are satisfied or waived.

"ERISA" means, at any time, the Employee Retirement Income Security

Act of 1974, as amended from time to time and any successor statute, and the rules and regulations promulgated thereunder.

"ERISA Affiliate", as applied to any Person, means any trade or

business (whether or not incorporated) which is a member of a group of which that Person is a member and which is under

common control within the meaning of Section 414(b) and 414(c) of the Internal Revenue Code.

"Eurodollar Rate Loans" means Loans bearing interest at rates

determined by reference to the Eurodollar Rate as provided in Section 2.8(a).

"Eurodollar Rate" means, for each Interest Period for any Eurodollar

Rate Loan, an interest rate per annum (rounded upward to the nearest 1/16 of one percent) determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Eurodollar Reserve Percentage" means the maximum reserve

percentage (expressed as a decimal rounded upward to the next 1/100 of one percent) in effect on the date LIBOR for such Interest Period is determined (whether or not applicable to any Bank) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency Liabilities") having a term equal to such Interest Period; and

"LIBOR" means the rate of interest per annum determined by the

Agent to be the arithmetic mean (rounded upward to the nearest 1/16th of 1%) of the rates of interest per annum notified to the Agent by each Reference Bank as the rate of interest at which dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, an Eurodollar Rate Loan by such Reference Bank and having a maturity comparable to such Interest Period would be offered to major banks in the London interbank market at their request at or about 11:00 a.m. (London time) on the second Business Day prior to the commencement of such Interest Period.

"Event of Default" means any of the events set forth in Section 8.1.

"Exchange Act" means, at any time, the Securities Exchange Act of

1934, as amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

"Existing Credit Agreement" means that certain Third Amended and

Restated Credit Agreement dated as of March 19, 1993 among the Company, the Banks and the Agent, as amended.

"Federal Funds Rate" means the weighted average of the rates on

overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day of determination (or if such day of determination is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transaction received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal

Reserve System or any successor thereof.

"Funding Date" means the Business Day of the funding of a Loan.

"Future Indebtedness" means unsecured Indebtedness for borrowed money

by the Company or its Domestic Material Subsidiaries in an amount of \$25,000,000 or more in any one borrowing having maturities in excess of one year, excluding (i) Indebtedness existing on the date hereof, (ii) intercompany Indebtedness, (iii) Indebtedness permitted to be secured under Section 7.2, (iv) Indebtedness incurred under the Transfer and Administration Agreement and (v) Indebtedness hereunder and under the Multi-Year Facility.

"GAAP" means generally accepted accounting principles set forth in the

opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Person" means the government of the United States or the

government of any state or locality therein, any political subdivision or any governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body or entity, or other regulatory bureau, authority, body or entity of the United States or any state or locality therein, including the Federal Deposit Insurance Company, the Comptroller of the Currency or the Federal Reserve Board.

"Governmental Rule" means any law, statute, rule, regulation,

ordinance, order, judgment, guidelines or decision of any Governmental Person.

"Indebtedness", as applied to any Person, means (i) all indebtedness

for borrowed money, (ii) that portion of obligations with respect to Capital Leases which is required to be capitalized on a balance sheet in conformity with GAAP, (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (iv) any obligation owed for all or any part of the deferred purchase price of property or services which purchase price is (y) due more than twelve months from the date of incurrence of the obligation in respect thereof, or (z) evidenced by a promissory note and (v) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person. The amount of any Indebtedness shall be the principal amount of and all interest, premium, if any, and other fees and expenses accrued on any of the foregoing.

"Ineligible Securities" means securities which may not be underwritten

or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. (S) 24, Seventh), as amended.

"Interest Payment Date" means, with respect to any CD Rate Loan or

Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and, with respect to any Base Rate Loan, the last day of each calendar quarter, and with respect to all Loans, the Termination Date; provided, however,

that if any Interest Period for a CD Rate Loan or Eurodollar Rate Loan exceeds 90 days or three months, respectively, interest shall also be paid on the date which falls 90 days or three months after the beginning of such Interest Period.

"Interest Period" means, (a) with respect to any Eurodollar Rate Loan,

the period commencing on the Business Day the Eurodollar Rate Loan is disbursed or continued or on the date on which a Loan is converted into a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; and (b) with respect to any CD Rate Loan, the period commencing on the date the CD Rate Loan is disbursed or continued or on the date on which a Loan is converted into a CD Rate Loan and ending 30, 60, 90 or 180 days thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(i) if any Interest Period pertaining to an Eurodollar Rate Loan or CD Rate Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless, in the case of an Eurodollar Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period pertaining to an Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Termination Date.

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

amended to the date hereof and from time to time hereafter, and the rules and regulations promulgated thereunder.

"Lending Office" means, with respect to any Bank, the office or

offices of the Bank specified as its "Lending Office" or "Domestic Lending Office" or "Eurodollar Lending Office," as the case may be, opposite its name on Schedule 10.6 hereto, or such other office or offices of the Bank as it may from time to time specify to the Company and the Agent in writing.

"Lien" means any lien, mortgage, pledge, security interest, charge or

encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any kind of security interest).

"Loan Commitment" means the amount set forth under "Loan Commitment"

on Schedule 1.1, as such amount may be adjusted pursuant to Section 2.5.

"Loan Documents" means this Agreement, any Notes, the Mattel Sales

Guaranty, and all documents and instruments delivered in connection therewith (other than the Transfer and Administration Agreement and the documents delivered pursuant thereto).

"Loans" has the meaning set forth in Section 2.1.

"Margin Stock" has the meaning assigned to the term "Margin Stock" in

Regulation U of the Federal Reserve Board as in effect from time to time.

"Material Adverse Effect" means (i) a material adverse effect upon the

business, operations, properties, assets, business prospects or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, or (ii) a material impairment of the ability of the Company to perform the Obligations or of the Banks to enforce the Obligations.

"Material Subsidiaries" means those Subsidiaries of the Company

designated as such on Schedule 5.3 hereto and any Subsidiary of the Company formed or acquired after the Effective Date designated by the Board of Directors of the Company as a "Material Subsidiary".

"Mattel Sales" means Mattel Sales Corp., a California corporation.

"Mattel Sales Guaranty" means the Continuing Guaranty (364-Day

Facility) signed by Mattel Sales substantially in the form of Exhibit F hereto, as amended, supplemented, restated or otherwise modified from time to time.

"Mattel Sales Subordination Agreements" means the Mattel Sales

Subordination Agreements substantially in the form of Exhibit G attached hereto signed by each Affiliate of the Company with respect to which Mattel Sales has any outstanding obligations, as it may hereafter be amended, supplemented, restated or otherwise modified from time to time.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in

Section 4001(a)(3) of ERISA which is maintained for employees of the Company or any ERISA Affiliate of the Company.

"Multi-Year Commitment" means the amount set forth under "Multi-Year

Commitment" on Schedule 1.1, as such amount may be adjusted pursuant to Section 2.5 and under the Multi-Year Facility.

"Multi-Year Facility" means the Credit Agreement (Multi-Year Facility)

dated as of even date herewith, as amended, replaced or extended from time to time, among the Company, the banks parties thereto and Bank of America National Trust and Savings Association, as agent thereunder, and any replacements thereof or successors thereto.

"Net Issuance Proceeds" means, in respect of any issuance of equity

(excluding shares of common stock issued in connection with conversions of the 8% Convertible Subordinated Debentures), the cash proceeds and non-cash proceeds received or receivable in connection therewith, net of reasonable costs and expenses paid or incurred in connection therewith in favor of any Person not an Affiliate of the Company, excluding the exercise of stock options under the Company's stock option plans. In the case of the issuance of debt securities after the date hereof that are convertible into equity, "Net Issuance Proceeds" shall be deemed to be received if and when such debt securities are converted into equity, and the amount of such Net Issuance Proceeds shall be an amount equal to the principal amount of the debt being converted.

"Note" means a promissory note of the Company payable to the order of

a Bank substantially in the form of Exhibit A hereto, evidencing the Loans made by such Bank to the Company.

"Notice of Borrowing" means a notice substantially in the form of

Exhibit B hereto with respect to a proposed borrowing pursuant to Section 2.3(a).

"Notice of Conversion/Continuation" means a notice given by the

Company to the Agent pursuant to Section 2.4, in substantially the form of Exhibit C hereto.

"Obligations" means all obligations of every nature of the Company and

Mattel Sales from time to time owed to the Agent, the Banks or any other Person required to be indemnified hereunder, or any of them, under any Loan Document.

"Officers' Certificate" means a certificate substantially in the form

of Exhibit D hereto executed on behalf of the Company by (a) any of its Chairman of the Board (if an officer) or its President or one of its Executive Vice Presidents or one of its Senior Vice Presidents and (b) any of its Chief Financial Officer or its Treasurer or one of its Assistant Treasurers or its Controller, delivered to the Banks by the Company pursuant to Section 6.1(c).

"Participant" has the meaning set forth in Section 10.1.

"Pension Plan" means any employee plan which is subject to Section 412

of the Internal Revenue Code and which is maintained for employees of the Company or any ERISA Affiliate of the Company other than a Multiemployer Plan.

"Person" means any individual, partnership, corporation (including a

business trust), joint stock company, joint venture, trust, bank, trust company, unincorporated association or other entity or a government or any agency or political subdivision thereof.

"Pro Rata Share" means with respect to each Bank the percentage set

forth opposite such Bank's name on Schedule 1.1 hereto.

"Receivables Commitment" means the amount set forth for each Bank

under "Receivables Commitment" on Schedule 1.1, as such amount may be adjusted under Section 2.5 and the Transfer and Administration Agreement.

"Reference Banks" means Bank of America, NationsBank of Texas, N.A.

and PNC Bank, National Association. Subject to Section 3.6, in the event that at any time of determination only two Banks designated as "Reference Banks" are providing rates for deposits referred to in the definition of "Eurodollar Rate" or "Certificate of Deposit Rate," those two Banks shall be the "Reference Banks" or, if only one such Bank is providing such rates, that Bank shall be the "Reference Banks" for purposes of this Agreement.

"Reference Rate" means the rate of interest publicly announced from

time to time by Bank of America in San Francisco as its reference rate, as in effect on such date of determination. The reference rate is set by Bank of America based on various factors including Bank of America's costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. Bank of America may make loans at, above or below the rate announced by it as its reference rate.

"Regulation D" means Regulation D of the Federal Reserve Board as in

effect from time to time.

"Requisite Banks" means, as at any date of determination, Banks having

at least 66-2/3% of the then aggregate unpaid principal amount of the Loans (or if no Loans are then outstanding, Banks having at least 66-2/3% of the Aggregate Loan Commitment), loans under the Multi-Year Facility (or if no loans are then outstanding under the Multi-Year Facility, Banks having at least 66-2/3% of the Aggregate Multi-Year Commitment) and Banks having at least 66-2/3% of the then Total Outstanding Investment (or if no Investment is then outstanding, Banks having at least 66-2/3% of the Aggregate Receivables Commitment) as at such date of determination.

"Securities Act" means, at any time, the Securities Act of 1933, as

amended from time to time, and any successor statute, and the rules and regulations promulgated thereunder.

"Section 20 Subsidiary" means the Subsidiary of the bank holding

company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

"S&P" means Standard & Poor's Corporation.

"Subsidiary" means any corporation, association or other business

entity of which more than 50% of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided

that, for purposes of this Agreement (other than financial reporting purposes), Subsidiaries of the Company shall include only the entities identified in Schedule 5.3 hereto and any Subsidiary formed or acquired after the Effective Date designated by the Board of Directors of the Company as a "Material Subsidiary".

"Termination Date" means March 20, 1995.

"Total Outstanding Investment" has the meaning set forth in the

Transfer and Administration Agreement.

"Transfer and Administration Agent" means NationsBank of Texas, N.A.

in its capacity as agent under the Transfer and Administration Agreement.

"Transfer and Administration Agreement" means the Amended and Restated

Transfer and Administration Agreement dated as of even date herewith, among Mattel Sales, as transferor, the Company, as guarantor and servicer, the banks named therein, and NationsBank of Texas, N.A., as Transfer and Administration Agent for such banks, as it may be amended, supplemented, restated or otherwise modified from time to time.

1.2 Other Definitional Provisions. References to "Sections" shall be

to Sections of this Agreement unless otherwise specifically provided. Any of the terms defined in Section 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

SECTION 2.

THE COMMITMENTS.

2.1 The Aggregate Facilities Commitment. Each Bank hereby severally

agrees (a) to make advances to the Company ("Loans") on the terms and conditions set forth in this Agreement in an aggregate principal amount not exceeding such Bank's Pro Rata Share of the Aggregate Loan Commitment during the Availability Period; (b) to make advances to the Company on the terms and conditions set forth in the Multi-Year Facility in a principal amount not exceeding such Bank's Multi-Year Loan Commitment during the period from the Effective Date (as defined in the Multi-Year Facility) to but excluding the Termination Date (as defined in the Multi-Year Facility), and (c) to purchase receivables on the terms and conditions set forth in the Transfer and Administration Agreement in an amount not exceeding such Bank's Receivables Commitment during the period from the Closing Date (as defined in the Transfer and Administration Agreement) to but excluding the Termination Date (as defined in the Transfer and Administration Agreement); provided, however, that:

(i) the outstanding principal amount of all Loans hereunder shall not exceed the Aggregate Loan Commitment; the outstanding principal amount of all advances under the Multi-Year Facility shall not exceed the Aggregate Multi-Year Commitment; and the amount of the Total Outstanding Investment shall not exceed the Aggregate Receivables Commitment;

(ii) if at any time between November 1 of each year and March 1 of the following year the rating on the Company's long-term unsecured Indebtedness by any one of S&P, Moody's or Duff & Phelps is below investment grade, there shall be no Loans outstanding for 30 consecutive days commencing not earlier than such November 1 and ending not later than March 31, and the Company shall prepay any outstanding Loans pursuant to Section 2.6(b) to the extent required to not have any Loans outstanding during such period; and

(iii) the Aggregate Facilities Commitment shall not exceed \$500,000,000 in the aggregate at any one time.

Within the limits of each Bank's Loan Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.1, prepay pursuant to Section 2.6 and reborrow pursuant to this Section 2.1.

2.2 Loan Accounts and Notes. (a) Subject to Section 2.2(b), the

Loans made by each Bank shall be evidenced by one or more loan accounts maintained by such Bank in the ordinary course of business. The loan accounts or records maintained by the Agent and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Company and the interest and payments thereon. Any failure to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans.

(b) Upon the written request of any Bank made through the Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank shall endorse on the schedules annexed to its Note(s), the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Bank is irrevocably authorized by the Company to endorse its Note(s) and each Bank's record shall be conclusive absent manifest error; provided, however, that the

failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

2.3 Borrowing Procedure.

(a) Whenever the Company desires to borrow hereunder, it shall deliver irrevocable telephonic notice to the Agent followed immediately by written notice in the form of a Notice of Borrowing, which telephonic notice must be received by the Agent no later than (i) 8:00 a.m. (San Francisco time) on the proposed Funding Date in the case of Base Rate Loans, (ii) 9:00 a.m. (San Francisco time) three Business Days in advance of the proposed Funding Date in the case of Eurodollar Rate Loans, and (iii) 12:00 Noon (San Francisco time) two Business Days prior to the proposed Funding date in the case of CD Rate Loans, specifying (A) the proposed Funding Date which shall be a Business Day, (B) the amount of the proposed borrowing, (C) whether the proposed borrowing shall consist of Base Rate Loans, Eurodollar Rate Loans or CD Rate Loans, and (D) in the case of Eurodollar Rate Loans and CD Rate Loans, the requested Interest Period. Base Rate Loans made on any Funding Date shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess of that amount. Eurodollar Rate Loans and CD Rate Loans made on any Funding Date shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$500,000 in excess of that amount.

(b) Promptly (and normally within two hours) after receipt of a Notice of Borrowing (or telephone notice in lieu thereof), the Agent shall notify each Bank of the proposed borrowing. Each Bank shall make available to the Agent its Pro Rata Share of the amount (if any) by which the principal amount of the proposed borrowing exceeds the principal amount of the Loans (if any) maturing on the Funding Date, in same day funds, by remitting such funds to: Bank of America National Trust and Savings Association, ABA No. 121-000-358, Attn: Global Agency No. 5596 For credit to: BANCONTROL Account No. 12358-88449, Reference: Mattel, Inc. at the office of Bank of America located at 1850 Gateway Boulevard, Concord, California 94520, no later than 11:00 a.m. (San Francisco time) on the Funding Date. Upon satisfaction of the conditions set forth in Section 4.2, the Agent shall make available to the Company on such Funding Date the aggregate of the amounts (if any) so made available by the Banks by causing an amount of same day funds equal to such aggregate amount (if any) received by the Agent to be credited to the account of the Company at such office of Bank of America. To the extent that Eurodollar Rate Loans or CD Rate Loans made by the Banks mature on any Funding Date, the Banks shall apply the proceeds of the Loans made on such Funding Date, to the extent thereof, to the repayment of such maturing Loans, such Loans and repayments intended to be a contemporaneous exchange.

2.4 Conversion and Continuation Elections.

(a) The Company may upon irrevocable written notice to the Agent:

(i) elect to convert any Base Rate Loans (or any part thereof in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof) on any Business Day into Eurodollar Rate Loans or CD Rate Loans; (ii) elect to convert any Eurodollar Rate Loans or CD Rate Loans (or any part thereof) on the last day of any Interest Period therefor into Base Rate Loans in an amount not less than \$1,000,000 or an integral multiple of \$500,000 in excess thereof, or into CD Rate Loans or Eurodollar Rate Loans in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof; or (iii) elect to continue any Eurodollar Rate Loans or CD Rate Loans (or any part thereof in an amount not less than \$5,000,000 or an integral multiple of \$500,000 in excess thereof) on the last day of any Interest Period therefor; provided, that if the

aggregate amount of Eurodollar Rate Loans or CD Rate Loans shall have been reduced, by payment, prepayment, or conversion of part thereof to be less than \$5,000,000, the Eurodollar Rate Loans and CD Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as Eurodollar Rate Loans or CD Rate Loans shall terminate.

(b) Each conversion or continuation shall be made upon irrevocable telephonic notice to the Agent followed immediately by written notice in the form of a Notice of Conversion/ Continuation, which telephonic notice must be received by the Agent prior to (i) 9:00 a.m. (San Francisco time) at least three Business Days in advance of the conversion or continuation date, if the Loans are to be converted into or continued as Eurodollar Rate Loans; (ii) 12:00 Noon (San Francisco time) at least two Business Days in advance of the conversion or continuation date, if the Loans are to be converted into or continued as CD Rate Loans; and (iii) 9:00 a.m. (San Francisco time) on the conversion or continuation date, if the Loans are to be converted into Base Rate Loans, specifying: (A) the proposed conversion or continuation date; (B) the aggregate amount of Loans to be converted or continued; (C) the nature of the proposed conversion or continuation; and (D) the duration of the requested Interest Period, if applicable.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans or CD Rate Loans, the Company has failed to select a new Interest Period to be applicable to such Eurodollar Rate Loans or CD Rate Loans or type of Loan or if any Default or Event of Default shall then exist, the Company shall be deemed to have elected to convert such Eurodollar Rate Loans and CD Rate Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

(d) Upon receipt of a Notice of Conversion/Continuation, the Agent will promptly notify each Bank thereof, or, if no timely notice is provided, the Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made pro rata according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(e) Unless the Requisite Banks shall otherwise agree, after the occurrence of and during the continuance of a Default or Event of Default, the Company may not elect to have a Loan be made as, or converted into or continued as, a Eurodollar Rate Loan or CD Rate Loan.

(f) Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Loans, there shall not be more than five different Interest Periods in effect.

2.5 Adjustments of Commitments.

(a) Reduction and Termination of Commitments. The Company may from

time to time reduce or terminate the Aggregate Facilities Commitment by reducing or terminating the Aggregate Loan Commitment, the Aggregate Multi-Year Commitment or the Aggregate Receivables Commitment in accordance with Section 2.5(c).

(b) Reallocation of Aggregate Receivables Commitment. The Company

may, not more than twice each year, reallocate the Aggregate Receivables Commitment to the Aggregate Loan Commitment and/or the Aggregate Multi-Year Commitment in accordance with Section 2.5(c). It may not reallocate the Aggregate Loan Commitment or the Aggregate Multi-Year Commitment to each other or to the Aggregate Receivables Commitment.

(c) General. The Company shall give not less than three Business

Days' prior written notice to the Agent (and the Transfer and Administration Agent in the case of any reduction in the Aggregate Receivables Commitment) designating the date (which shall be a Business Day) and amount of any termination, reduction or reallocation pursuant to this Section 2.5. Any partial reduction or reallocation shall be in an aggregate minimum amount of \$10,000,000, and integral multiples of \$1,000,000 in excess of that amount. Promptly after receipt of any such notice (and in no event later than the end of the following Business Day), the Agent shall notify each Bank and the Transfer and Administration Agent (such notice, with respect to any reduction of the Aggregate Receivables Commitment, to be based upon information received by the Agent from the Transfer and Administration Agent). Any reduction or reallocation of any such Commitment shall be applied to each Bank in accordance with such Bank's Pro Rata Share thereof. Any termination or reduction shall be permanent, except to the extent that the Aggregate Loan Commitment and/or the Aggregate Multi-Year Commitment is concurrently increased by the amount of any reduction in the Aggregate Receivables Commitment pursuant to Section 2.5(b). All accrued commitment fees to, but not including the effective date of any termination of Loan Commitments, shall be paid on the effective date of such termination. No reduction, termination or reallocation of any Commitments shall be permitted if, after giving effect thereto and to any prepayments made on the effective date thereof, the then outstanding principal amount of the Loans hereunder would exceed the Aggregate Loan Commitment then in effect; the then outstanding principal amount of the loans under the Multi-Year Facility would exceed the Aggregate Multi-Year Commitment then in effect; or the then Total Outstanding Investment would exceed the Aggregate Receivables Commitment then in effect.

(d) Revisions to Notes. Concurrently with any termination, reduction

or increase of the Aggregate Loan Commitment, the Company shall sign such amended Notes as requested by the Banks through the Agent.

2.6 Prepayments. (a) Voluntary. The Company may, upon not less

than one Business Days' prior written or telephonic notice confirmed in writing to the Agent (in the case of a prepayment of a Base Rate Loan) or three Business Days' prior written or telephonic notice confirmed in writing to the Agent (in the case of a prepayment of a Eurodollar Rate Loan or CD Rate Loan) (which notice the Agent will promptly transmit by telecopy, telex or telephone to each Bank), at any time and from time to time prepay (i) any Eurodollar Rate Loans or CD Rate Loans in whole or in part in an aggregate minimum amount of \$3,000,000 and integral multiples of \$500,000 in excess of that amount so long as the unpaid balance is not less than \$5,000,000; or (ii) any Base Rate Loans in whole or in part in an aggregate minimum amount of \$1,000,000 and integral multiples of \$100,000 in excess of that amount; provided that in the event of any such

prepayment of any Eurodollar Rate Loans or CD Rate Loans, the Company shall be obligated to reimburse the Banks in respect thereof pursuant to Section 3.5. If such notice of prepayment does not specify how such prepayment shall be applied, it shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans or CD Rate Loans, as determined by the Agent. All prepayments of Eurodollar Rate Loans and CD Rate Loans shall be applied to the payment of any interest that has accrued to the date of such prepayment before application to principal. Prepayments of Base Rate Loans shall be applied to principal only.

(b) Mandatory. Any mandatory prepayments required under Section

2.1(ii) shall be accompanied by any payment required under Section 2.6(a) or 3.5, if applicable.

2.7 Repayment of Loans. Each Loan shall mature and the Company shall

repay the unpaid principal amount of each Loan on the Termination Date.

2.8 Interest on the Loans.

(a) Subject to Section 2.8(c), the Loans shall bear interest on the unpaid principal amount thereof from the Funding Date through maturity (whether by acceleration or otherwise) at a rate per annum equal to the (i) Eurodollar Rate plus the Applicable Amount or (ii) CD Rate plus the Applicable Amount or

(iii) the Base Rate; provided, however, during any period when the aggregate principal amount of Loans outstanding exceeds 50% of the Aggregate Loan Commitment, an additional .125% will be

added to the Eurodollar Rate, CD Rate or Base Rate as the case may be.

(b) Subject to Section 2.8(c), from and after the Effective Date, interest shall be payable in arrears on the Loans on each Interest Payment Date applicable to that Loan. Interest paid on the date of any partial prepayment of Loans hereunder shall be paid in respect of the portion of the Loans so prepaid.

(c) Any principal payments on the Loans not paid when due and, to the extent permitted by applicable law, any interest payments on the Loans not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest payable upon demand at a rate which is 2% per annum in excess of the rate of interest otherwise payable under this Agreement.

2.9 Fees. (a) The Company agrees to pay a commitment fee equal to

the Applicable Amount on the daily average unused portion of the Loan Commitment during the Availability Period. The Company shall pay the commitment fee to the Agent for distribution to each Bank in accordance with its Pro Rata Share. The commitment fee shall be calculated on the basis of a 360-day year and the actual number of days elapsed and shall be payable quarterly in arrears on the last Business Day of each fiscal quarter, for all amounts accrued to such date, and on the Termination Date; provided that, in connection with any reduction or

termination of the Loan Commitment pursuant to Section 2.5, the accrued fee calculated on the portion so terminated or reduced for the period ending on such date shall also be paid on the date of such reduction or termination.

(b) The Company shall pay to the Agent and the Arranger other fees in accordance with a term sheet dated as of February 2, 1994 from BA Securities, Inc. to the Company.

2.10 Calculation of Interest and Fees. (a) Interest on all Loans and

fees payable under this Agreement shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of the Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment shall be excluded; provided that, if a Loan is repaid on

the same day on which it is made, one day's interest shall be paid on that Loan.

(b) Any change in the interest rate on a Loan resulting from a change in the Applicable Amount, Reserve

Percentage or Eurodollar Reserve Percentage shall become effective as of the opening of business on the day on which such change in the Applicable Amount or Eurodollar Reserve Percentage becomes effective. Each determination of an interest rate by the Agent pursuant hereto shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

2.11 Payments by the Company. (a) All payments of principal, interest

and fees hereunder and under any Notes shall be in same day funds and delivered to the Agent for credit to:

Bancontrol Account No. 12358-88449
Reference: Mattel, Inc.
1850 Gateway Boulevard
Concord, California 94520

for the account of the Banks or the Agent not later than 11:00 a.m. (San Francisco time) on the date due. The Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such principal, interest, fees or other amounts in like funds received. Any payment which is received by the Agent after that time shall be deemed to have been paid by the Company on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions in the definition of "Interest Period", whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due to the Banks hereunder that the Company will not make such payment in full as and when required hereunder, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company shall not have made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate as in effect for each such day.

2.12 Payments by the Banks to the Agent.

(a) Unless the Agent shall have received notice from a Bank on the Effective Date or, with respect to each borrowing after the Effective Date, by 12:00 noon (San Francisco time) one Business Day prior to the date of any proposed borrowing of Eurodollar Rate Loans or CD Rate Loans, or by 9:00 a.m. (San Francisco time) one Business Day prior to the date of any proposed borrowing of Base Rate Loans, that such Bank will not make available to the Agent as and when required hereunder for the account of the Company the amount of that Bank's Pro Rata Share of the borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately available funds on the Funding Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the next Business Day following the date of such borrowing make such amount available to the Agent, together with interest at the Federal Funds Rate for and determined as of each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this Section 2.12(a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the next Business Day following the date of such borrowing, the Agent shall notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such borrowing.

(b) The failure of any Bank to make any Loan on any date of borrowing shall not relieve any other Bank of any obligation hereunder to make a Loan on the date of such borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any borrowing.

2.13 Sharing of Payments, Etc. If, other than as expressly provided

elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share of payments on account of the Loans obtained by all the Banks, such Bank shall forthwith (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by

them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion

of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's Pro Rata Share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased pursuant to this Section 2.13 and will in each case notify the Banks following any such purchases or repayments.

SECTION 3.

PAYMENTS IN GENERAL.

3.1 Taxes.

(a) Subject to Section 3.1(d) and Section 3.1(g), any and all payments by the Company to each Bank or the Agent under this Agreement shall be made free and clear of, and without deduction or withholding for, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Bank's or the Agent's net income by the jurisdiction under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

(b) In addition, the Company shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or

registration of, or otherwise with respect to, this Agreement or any other Loan Documents (hereinafter referred to as "Other Taxes").

(c) Subject to Section 3.1(g), the Company shall indemnify and hold harmless each Bank and the Agent for the full amount of Taxes or Other Taxes (including without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.1) paid by such Bank or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days from the date such Bank or the Agent makes written demand therefor.

(d) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, then, subject to Section 3.1(g): (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.1) such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made; (ii) the Company shall make such deductions, and (iii) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(e) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish to the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(f) Each Bank which is a foreign person (i.e., a person other than a United States person for United States Federal income tax purposes) agrees that: (i) it shall, no later than the Effective Date (or, in the case of a Bank which becomes a party hereto after the Effective Date, the date upon which the Bank becomes a party hereto) deliver to the Company and the Agent: (A) if any Lending Office is located in the United States, two accurate and complete signed originals of Internal Revenue Service Form 4224 or any successor thereto ("Form 4224"), and (B) if any Lending Office is located outside the United States, two accurate and complete signed originals of Internal Revenue Service Form 1001 or any successor thereto ("Form 1001"), in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such Lending

Office or Offices under this Agreement free from withholding of United States Federal income tax; (ii) if at any time the Bank changes its Lending Office or Offices or selects an additional Lending Office as herein provided, it shall with reasonable promptness deliver to the Company and the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder: (A) if such changed or additional Lending Office is located in the United States, two accurate and complete signed originals of Form 4224; or (B) otherwise, two accurate and complete signed originals of Form 1001, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such changed or additional Lending Office under this Agreement free from withholding of United States Federal income tax; (iii) it shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in (ii) above) requiring a change in the most recent Form 4224 or Form 1001 previously delivered by such Bank and if the delivery of the same be lawful, deliver to the Company and the Agent two accurate and complete original signed copies of Form 4224 or Form 1001 in replacement for the forms previously delivered by the Bank; and (iv) it shall, promptly upon the Company's reasonable request to that effect, deliver to the Company and the Agent such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank's tax status for withholding purposes.

(g) The Company will not be required to pay any additional amounts in respect of United States Federal income tax pursuant to Section 3.1(d) to any Bank for the account of any Lending Office of such Bank: (i) if the obligation to pay such additional amounts would not have arisen but for a failure by such Bank to comply with its obligations under Section 3.1(f) in respect of such Lending Office; (ii) if such Bank shall have delivered to the Company a Form 4224 in respect of such Lending Office pursuant to Section 3.1(f)(i)(A), and such Bank shall not be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any Governmental Person charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 4224; or (iii) if the Bank shall have delivered to the Company a Form 1001 in respect of such Lending Office pursuant to Section 3.1(f)(i)(B), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of

such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any Governmental Person charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 1001.

(h) If, at any time, the Company requests any Bank to deliver any forms or other documentation pursuant to Section 3.1(f)(iv), then the Company shall, on demand of such Bank through the Agent, reimburse such Bank for any costs and expenses (including expenses of outside legal counsel and the allocated costs of in-house counsel) reasonably incurred by such Bank in the preparation or delivery of such forms or other documentation.

(i) If the Company is required to pay additional amounts to any Bank or the Agent pursuant to Section 3.1(d), then such Bank shall use its reasonable best efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

(j) The agreements and obligations of the Company contained in this Section 3.1 shall survive the payment in full of all other Obligations.

3.2 Capital Adequacy. If (a) any adoption of or any change in or in

the interpretation of any law, rule or regulation, or (b) compliance with any guideline, request or directive of any central bank or other Governmental Person or quasi-governmental authority exercising control over banks or financial institutions generally or any court (whether or not having the force of law), or (c) any change in the force or effectiveness of the regulations set forth at 12 C.F.R. Part 3 (Appendix A), 12 C.F.R. Part 225 (Appendix A), 12 C.F.R. Part 208 (Appendix A) or 12 C.F.R. Part 325 (Appendix A) requires that the commitments of any Bank hereunder (including, without limitation, commitments and obligations in respect of Loans) be treated as an asset or otherwise be included for purposes of calculating the appropriate amount of capital to be maintained by such Bank or any corporation controlling such Bank (a "Change in Law"), the result of which is to reduce the rate of return on such Bank's capital as a consequence of such commitments to a level below that which such Bank could have achieved but for such Change in Law, taking into consideration such Bank's policies with respect to capital adequacy, by an amount which

such Bank deems to be material, the Bank shall deliver to the Company a statement of the amount necessary to compensate such Bank for the reduction in the rate of return on its capital attributable to such commitments (the "Capital Compensation Amount"). The Bank shall determine the Capital Compensation Amount in good faith, using reasonable attribution and averaging methods. The Bank shall from time to time notify the Company of the amount so determined. Such amount shall be due and payable by the Company to such Bank ten Business Days after such notice is given. As soon as practicable after any Change in Law, each Bank shall submit to the Company estimates of the Capital Compensation Amounts that would be payable as a function of such Bank's commitments hereunder.

3.3 Illegality.

(a) If any Bank shall determine that any Governmental Rule or any change therein or in the interpretation or administration thereof has made it unlawful, or that any Governmental Person has asserted that it is unlawful, for any Bank or its Lending Office to make Eurodollar Rate Loans, then, on notice thereof by the Bank to the Company through the Agent, the obligation of the Bank to make Eurodollar Rate Loans shall be suspended until the Bank shall have notified the Agent and the Company that the circumstances giving rise to such determination no longer exists.

(b) If a Bank shall determine that any Governmental Rule or any change therein or in the interpretation or administration thereof has made it unlawful, or that any Governmental Person has asserted that it is unlawful, for any Bank or its Lending Office to maintain any Eurodollar Rate Loan, the Company shall prepay all Eurodollar Rate Loans of the Bank then outstanding, together with interest accrued thereon, or convert all Eurodollar Rate Loans of the Bank then outstanding to CD Rate Loans or Base Rate Loans pursuant to Section 2.4, either on the last day of the Interest Period thereof if the Bank may lawfully continue to maintain such Eurodollar Rate Loans to such day, or promptly, if the Bank may not lawfully continue to maintain such Eurodollar Rate Loans, together with any amounts required to be paid in connection therewith pursuant to Section 3.5.

(c) If the obligation of any Bank to make or maintain Eurodollar Rate Loans has been terminated, the Company may elect, by giving notice to the Bank through the Agent that all Loans which would otherwise be made by the Bank as Eurodollar Rate Loans shall be instead CD Rate Loans or Base Rate Loans.

(d) Before giving any notice to the Agent pursuant to this Section 3.3, the affected Bank shall designate a different Lending Office with respect to its Eurodollar Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank.

3.4 Increased Costs and Reduction of Return. If any Bank shall

determine that, due to either (a) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the CD Rate or the Eurodollar Rate) in or in the interpretation of any law or regulation or (b) the compliance with any guideline or request from any Governmental Person (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans or CD Rate Loans, then the Company shall be liable for, and shall from time to time, upon demand therefor by such Bank (with a copy of such demand to the Agent), pay to such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs. Each Bank agrees to notify the Company of the occurrence of such an increased cost event promptly after obtaining knowledge thereof.

3.5 Funding Losses. The Company agrees to reimburse each Bank and to

hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of: (a) the failure of the Company to make any payment or prepayment of principal of any Eurodollar Rate Loan or CD Rate Loan (including payments made after any acceleration thereof); (b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation; (c) the failure of the Company to make any prepayment after the Company has given a notice in accordance with Section 2.6; or (d) the prepayment of a Eurodollar Rate Loan or CD Rate Loan on a day which is not the last day of the Interest Period with respect thereto; including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans or CD Rate Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Solely for purposes of calculating amounts payable by the Company to the Banks under this Section 3.5, (i) each Eurodollar Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Eurodollar Rate used in determining the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so

funded and (ii) each CD Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the Certificate of Deposit Rate used in determining the CD Rate for such CD Rate Loan by the issuance of its certificate of deposit in a comparable amount and for a comparable period, whether or not such CD Rate Loan is in fact so funded. This covenant shall survive the payment in full of all other Obligations.

3.6 Inability to Determine Rates. If any two Reference Banks shall

have determined that for any reason adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or CD Rate Loan, or if the Requisite Banks advise the Agent in writing that the Eurodollar Rate or the CD Rate applicable for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or CD Rate Loan does not adequately and fairly reflect the cost to such Banks of funding such Loan, the Agent will forthwith give notice of such determination to the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain Eurodollar Rate Loans or CD Rate Loans, as the case may be, hereunder shall be suspended until the Agent upon the instruction of the Requisite Banks revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such notice with respect to Loans, the Banks shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans or CD Rate Loans, as applicable.

3.7 Survival. The agreements and obligations of the Company in this

Section 3 shall survive the payment of all other Obligations.

SECTION 4.

CONDITIONS PRECEDENT.

4.1 Conditions to Effectiveness. This Agreement shall become

effective only upon the Company delivering to the Agent and Banks (or to the Agent for the Banks with sufficient originally executed copies for each Bank, except for any Notes):

(a) A copy of the Restated Certificate of Incorporation of the Company, together with evidence acceptable

to Agent that the same has been filed with the Secretary of State of the State of Delaware and a good standing certificate from the Secretaries of State of the States of Delaware and California, each to be dated a recent date prior to the Effective Date;

(b) Copies of the Bylaws of the Company, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(c) Resolutions of the Board of Directors of the Company approving and authorizing the execution, delivery and performance of each Loan Document to which it is a party or which it is acknowledging and approving and authorizing the execution, delivery and payment of any Notes, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(d) A signature and incumbency certificate of the officers of the Company executing or acknowledging any Loan Document;

(e) A copy of the Certificate of Incorporation of Mattel Sales, together with evidence acceptable to the Agent that the same has been filed with the Secretary of State of the State of California and a good standing certificate from the Secretary of State of the State of California to be dated a recent date prior to the Effective Date;

(f) Copies of the Bylaws of Mattel Sales, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(g) Resolutions of the Board of Directors of Mattel Sales approving and authorizing the execution, delivery and performance of each Loan Document to which it is a party or which it is acknowledging, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(h) A signature and incumbency certificate of the officers of Mattel Sales executing or acknowledging any Loan Document;

(i) A good standing certificate with respect to each Affiliate executing a Mattel Sales Subordination Agreement from the Secretary of State of the state of its incorporation, each to be dated a recent date prior to the Effective Date;

(j) Resolutions of the Board of Directors of each Affiliate executing a Mattel Sales Subordination Agreement

approving and authorizing the execution, delivery and performance of such Mattel Sales Subordination Agreement, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(k) A signature and incumbency certificate of the officers of each Affiliate executing a Mattel Sales Subordination Agreement;

(l) Executed copies of this Agreement and, as requested by any Bank, executed Notes drawn to the order of such Bank and with appropriate insertions;

(m) A certificate or other evidence from the Transfer and Administration Agent that the Transfer and Administration Agreement shall have been, or concurrently herewith is being, duly executed and delivered and all conditions precedent thereunder shall have been, or concurrently herewith are being, satisfied or waived by the Banks;

(n) Executed copies of one or more favorable written opinions of Robert Normile, Esq., Assistant General Counsel of the Company dated as of the Effective Date, substantially in the form of Exhibit E hereto relating to the Company and Mattel Sales and as to such other matters as the Agent and the Banks may reasonably request;

(o) A certificate signed by one of the officers authorized to deliver an Officer's Certificate, or other evidence satisfactory to the Agent, of the ratings on the Company's long-term unsecured Indebtedness by S&P, Moody's and Duff & Phelps;

(p) Payment, for distribution to the agent and banks parties to the Existing Credit Agreement, of all fees payable by the Company pursuant to Sections 2.4 and 2.6 of the Existing Credit Agreement that have accrued through the Effective Date;

(q) Payment of all fees payable pursuant to Section 2.9(b);

(r) The Mattel Sales Guaranty duly executed by Mattel Sales;

(s) The Company shall have performed in all material respects all agreements which this Agreement provides shall be performed by it on or before the Effective Date; and

(t) The Mattel Sales Subordination Agreements duly executed by each Affiliate listed on Schedule 5.18.

4.2 Conditions to All Loans. The obligation of each Bank to make any

Loan is subject to the following further conditions precedent that, as of the applicable Funding Date:

(a) The Agent shall have received on or before that Funding Date a Notice of Borrowing signed by the Chief Executive Officer, the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the Company or any officer of the Company designated by any of the above described officers on behalf of the Company in writing delivered to the Agent;

(b) The representations and warranties of the Company contained in any Loan Document (except, in the case of a borrowing of Loans where the aggregate principal amount of the Loans being made on that Funding Date equals or is less than the aggregate principal amount of Loans maturing on that Funding Date, the representations and warranties contained in Sections 5.9 and 5.11), shall be true, correct and complete in all material respects on and as of that Funding Date, to the same extent as though made on and as of that Funding Date; and

(c) No Default or Event of Default shall exist or shall result from such borrowing or continuation or conversion.

Each Notice of Borrowing submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the Funding Date, that the conditions in Section 4.2 are satisfied.

SECTION 5.

REPRESENTATIONS AND WARRANTIES.

In order to induce the Banks and the Agent to enter into this Agreement and to make any extension of credit hereunder, the Company represents and warrants to each Bank and the Agent that the following statements are true, correct and complete:

5.1 Organization and Powers. The Company is a corporation duly

organized, validly existing and in good standing under the laws of the State of Delaware; and, except for changes in the ordinary course of business or as permitted or contemplated by this Agreement, each of the Material Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; and each has all requisite corporate power and authority to own and operate its properties, to carry on its

business as now conducted and proposed to be conducted and, in the case of the Company, to enter into this Agreement, and the Mattel Sales Subordination Agreements, to issue the Notes and to carry out the transactions contemplated hereby and thereby.

5.2 Good Standing. The Company and, except for changes in the

ordinary course of business or as permitted or contemplated by this Agreement, each Material Subsidiary is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has or will have no Material Adverse Effect.

5.3 Subsidiaries. Except as set forth in the immediately succeeding

sentence and except for changes in the ordinary course of business or as permitted or contemplated by this Agreement, Schedule 5.3 hereto correctly sets forth the name, jurisdiction of incorporation and ownership interest of the Company in each of its Material Subsidiaries as of the date hereof. Except as identified on Schedule 5.3 hereto and except for changes in the ordinary course of business or as permitted or contemplated by this Agreement, the Company has no subsidiaries the book value of whose assets as at December 31, 1993, exceed \$1,000,000 or, when considered in the aggregate with all other subsidiaries not listed on Schedule 5.3 hereto constitute an amount in excess of \$4,000,000.

5.4 Authorization of Borrowing. The execution, delivery and

performance of each Loan Document to which it is a party, and acknowledgement of the Mattel Sales Subordination Agreements and the issuance, delivery and payment of the Notes have been duly authorized by all necessary corporate action by the Company.

5.5 No Conflict. The execution, delivery and performance by the

Company of this Agreement and the acknowledgement of the Mattel Sales Subordination Agreements and the issuance, delivery and payment of the Notes do not and will not (a) violate the Restated Certificate of Incorporation or Bylaws of the Company, (b) violate any provision of law applicable to the Company, or any material order, judgment or decree of any court or other agency of government binding on the Company, the violation of which would result in a Material Adverse Effect, (c) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Company, (d) result in or require the creation or imposition of any material lien, security interest, charge or encumbrance of any nature whatsoever upon any of its material properties or assets, or (e)

require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of the Company.

5.6 Governmental Consents. The execution, delivery and performance

by the Company of each Loan Document to which it is a party and the acknowledgment of the Mattel Sales Subordination Agreements and each agreement, document, or instrument required hereunder and the issuance, delivery and payment of the Notes do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Federal, state or other governmental authority or regulatory body or other such person.

5.7 Binding Obligation. This Agreement is, and each other Loan

Document to which it is a party, when executed and delivered hereunder will be, the legally valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

5.8 Financial Condition. The Company has heretofore delivered to the

Banks a consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 1993 and related consolidated statements of income, shareholders' equity and changes in financial position of the Company and its Subsidiaries for such fiscal year, audited by Price Waterhouse. All such statements were prepared in accordance with GAAP and fairly present the consolidated financial position of the Company and its Subsidiaries as at the date thereof and the consolidated results of operations and statement of cash flow of the Company and its Subsidiaries for the period then ended. Neither the Company nor any of its Subsidiaries has any material Contingent Obligation, liability for taxes or long-term lease which as of the date of this Agreement, individually or in the aggregate, would, if it became absolute, result in a Material Adverse Effect which is not reflected in the foregoing statements or in the notes thereto.

5.9 Changes, Etc. Since December 31, 1993, there has been no event or

events that have, either individually or in the aggregate, resulted in a Material Adverse Effect.

5.10 Title to Properties. The Company and its Subsidiaries have good,

sufficient and legal title to all the properties and assets reflected in the consolidated balance sheet referred to in Section 5.8 except as set forth in said balance sheet or in the notes thereto, except for assets

acquired or disposed of in the ordinary course of business or as otherwise permitted by this Agreement since December 31, 1993.

5.11 Litigation; Adverse Facts. There is no action, suit, proceeding

or arbitration (whether or not purportedly on behalf of the Company or any of its Subsidiaries) at law or in equity or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries or any of the Company's or such Subsidiaries' properties which, in the reasonable judgment of the Company and its executive officers (assuming adverse determination of facts which the Company in good faith believes it would not successfully prove, and considering damages which in their best judgment is the maximum that would be awarded upon, and the likelihood of, an adverse determination of the claim or the amount which reflects their best judgment as to that required to be paid to settle the claims) would result in a Material Adverse Effect and there is no basis known to such executive officers for any such action, suit or proceeding. Neither the Company nor any of its Subsidiaries is (i) in violation of any applicable law which could result in a Material Adverse Effect, or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule or regulation of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in a Material Adverse Effect. There is no action, suit, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries which provides a reasonable basis for questioning the validity or the enforceability of any Loan Document.

5.12 Payment of Taxes. All tax returns and reports of the Company and

its Material Subsidiaries required to be filed by any of them have been timely filed, and all taxes, assessments, fees and other governmental charges upon the Company and its Subsidiaries and upon their respective properties, assets, income and franchises which are due and payable have been paid when due and payable or bonded against, except to the extent permitted by Section 6.3. The Company knows of no proposed tax assessment against it or any of its Subsidiaries that would result in a Material Adverse Effect.

5.13 Agreements. Neither the Company nor any of its Subsidiaries is a

party to or is subject to any material agreement or instrument or charter or other internal restriction which results in a Material Adverse Effect.

5.14 Performance. Neither the Company nor any of its Subsidiaries is

in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation of the Company, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, except, in any such case, where the consequences, direct or indirect, of such default or defaults, if any, would not result in a Material Adverse Effect.

5.15 Governmental Regulation. Neither the Company nor any of its

Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940 or to any Federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

5.16 Employee Benefit Plans. The Company and each of its ERISA

Affiliates is in compliance in all material respects with any applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Pension Plans. Neither the Company nor any of its ERISA Affiliates has participated in or participates in any Multiemployer Plan the withdrawal from which may result in any liability to any party in an amount in excess of \$1,000,000.

5.17 Disclosure. No representation or warranty of the Company

contained in this Agreement or any other document, certificate or written statement furnished to the Banks by the Company since January 1, 1994 for use in connection with the transactions contemplated by this Agreement as of the date of this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to the officers of the Company in the case of any document or fact not furnished by it) necessary in order to make the statements contained herein or therein not misleading except to the extent that any such statement or omission that was untrue or misleading at the time made or that subsequently became untrue or misleading has been superseded or corrected by information provided to the Banks prior to the date of this Agreement. The projections and pro forma financial information contained in such written materials are based upon good faith estimates and assumptions believed by the Company to be reasonable at the time made, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There is no fact known to the officers of the Company as of the date of this Agreement (other than matters of a general economic nature) which materially adversely affects the business, operations, property,

assets or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, which has not been disclosed herein or in the written materials referred to in Section 5.8 other than as disclosed in writing to the Banks on or before the date hereof.

5.18 Mattel Sales Subordination Agreements. Each Affiliate of the

Company with respect to which Mattel Sales has any outstanding obligations on the date hereof is listed on Schedule 5.18.

SECTION 6.

AFFIRMATIVE COVENANTS.

The Company agrees from the Effective Date until payment in full of all Obligations and termination of the Aggregate Facilities Commitment and the Transfer and Administration Agreement, unless Requisite Banks shall otherwise give prior written consent, the Company will perform all covenants in this Section 6.

6.1 Reporting and Information Requirements. The Company will

maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP. The Company will deliver to the Agent and to each Bank:

(a) as soon as practicable and in any event not later than 45 days after the end of each of the first three fiscal quarters of the Company, consolidated balance sheets of the Company and its Subsidiaries as at the end of such period and for the fiscal year to date and the related consolidated statements of income, consolidated statements of stockholders' equity and consolidated statements of cash flow all in reasonable detail and certified by the Chief Financial Officer or the Treasurer of the Company that the consolidated statements (and to the best of his belief, the consolidating statements) and other materials required by this clause (a) fairly present the financial condition of the Company and its Subsidiaries as at the dates indicated and the results of their operations for the periods indicated, subject to changes resulting from year-end audit and normal year-end adjustments;

(b) as soon as practicable and in any event not later than 90 days after the end of each fiscal year of the Company, consolidated and consolidating balance sheets of the Company and its Subsidiaries as at the end of such year and the related

consolidated (and, as to statements of income only, consolidated and consolidating) statements of income, stockholders' equity and cash flow of the Company and its Subsidiaries for such fiscal year, setting forth in each case, in comparative form the consolidated figures for the previous year, all in reasonable detail and (i) in the case of such consolidated financial statements, accompanied by a report thereon of Price Waterhouse or other independent accountants of recognized national standing selected by the Company which report shall state that such consolidated financial statements present fairly the financial position of the Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flow for the periods indicated in conformity with GAAP and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards and (ii) in the case of such consolidating financial statements, certified by the chief financial or accounting officer of the Company;

(c) together with each delivery of financial statements of the Company and its Subsidiaries pursuant to clauses (a) and (b) above, an Officers' Certificate (i) stating that the signers have reviewed the terms of this Agreement and the Notes and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of the Company and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as at the date of the Officers' Certificate, of any condition or event which constitutes an Event of Default or Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof, and (ii) demonstrating in reasonable detail compliance during (to the extent required) and at the end of such accounting periods with the restrictions contained in Sections 7.5, 7.6 and 7.7;

(d) together with each delivery of consolidated financial statements of the Company and its Subsidiaries pursuant to clause (b) above, a written statement by the independent accountants giving the report thereon (i) stating that their audit examination has included a review of the terms of this Agreement and the Notes as they relate to accounting matters, and (ii) stating whether, in connection with their audit examination, any condition or event which constitutes an Event of Default or Default has come to their attention, and if such a condition or event has come to their attention, specifying the nature and period of existence thereof; provided that such accountants shall not

be liable by reason of any

failure to obtain knowledge of any such Event of Default or Default that would not be disclosed in the course of their audit examination. The Agent shall have the right, from time to time, to discuss the affairs of the Company directly with such independent certified public accountants;

(e) promptly upon receipt thereof, copies of all reports submitted to the Company (including, without limitation, the Company's Board of Directors) by the Company's independent accountants in connection with each annual, interim or special audit of the consolidated financial statements of the Company made by such accountants, including, without limitation, any comment letter submitted by such accountants to management in connection with their annual audit;

(f) promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its security holders or by any Subsidiary of the Company to its security holders other than the Company or another Subsidiary, and, promptly upon their becoming effective, and in any event within 15 days of filing, all regular and periodic reports and all registration statements and prospectuses that have been filed by the Company or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any Governmental Person succeeding to any of its functions, and all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning material developments in the business of the Company and its Subsidiaries;

(g) promptly upon any executive officer of the Company obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Default, or becoming aware that the Agent or any Bank has given any notice or taken any other action with respect to a claimed Event of Default or Default under this Agreement, (ii) of any condition or event which would be required to be disclosed in a current report filed by the Company with the Securities and Exchange Commission on Form 8-K (Items 1, 2, 4 and 6 of such Form as in effect on the date hereof) if the Company were required to file such reports under the Exchange Act, (iii) that any Person has given any notice to the Company or any Subsidiary of the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 8.1, (iv) of the institution of any litigation involving an alleged liability of the Company or any of its Subsidiaries equal to or greater than \$10,000,000 or any adverse determination in any litigation involving a potential liability of the Company or any of its Subsidiaries equal to or greater than \$10,000,000, or (v)

of a Material Adverse Effect, in each case an Officers' Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed default, Event of Default, Default, event or condition, and what action the Company has taken, is taking and proposes to take with respect thereto;

(h) as soon as available but no later than March 31 of each year, copies of the Company's consolidated financial plan for the then current fiscal year as customarily prepared for internal use;

(i) promptly after the acquisition of any Material Subsidiary, notice of such acquisition;

(j) promptly upon any executive officer of the Company obtaining knowledge, notice of any change in the ratings on the Company's long-term unsecured Indebtedness by S&P, Moody's or Duff & Phelps; and

(k) with reasonable promptness, such other information and data with respect to the Company or any of its Subsidiaries as from time to time may be reasonably requested by any Bank or the Agent, including any financial reports regularly prepared by the Company for internal use.

6.2 Corporate Existence, etc. Except as permitted or not prohibited

in Section 7.3, the Company will at all times preserve and keep in full force and effect its corporate existence and rights and franchises material to its business and those of each of its Material Subsidiaries; provided that the

corporate existence and the rights and franchises of any Material Subsidiary may be terminated or permitted to lapse if such termination or lapse is in the best interest of the Company, is approved by the Board of Directors of the Company and is not materially disadvantageous to the holder of any Note.

6.3 Payment of Taxes and Claims; Tax Consolidation. The Company

will, and will cause each of its Material Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided that no

such charge or claim need be paid if being contested in good

faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor. The Company will not, nor will it permit any Material Subsidiary to, file or consent to the filing of any consolidated income tax return with any Person (other than the Company or a Subsidiary of the Company).

6.4 Maintenance of Properties; Insurance. Except as permitted or

not prohibited in Section 7.3, the Company will maintain or cause to be maintained in good repair, working order and condition all material properties (other than obsolete properties) used or useful in the business of the Company and its Material Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals, substitutions and replacements thereof. The Company will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its properties and business and the properties and business of its Material Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations; provided that the Company may maintain a program of self insurance for the Company and its Material Subsidiaries in accordance with sound business practices.

6.5 Inspection of Property and Books and Records. The Company shall

maintain and shall cause each of its Subsidiaries to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiaries. The Company will permit any authorized representatives designated by any Bank at the expense of that Bank, to visit and inspect any of the properties of the Company or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom (but not records relating to intellectual property), and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may be reasonably requested.

6.6 Use of Proceeds of Loans. (a) The Company shall use the

proceeds of Loans for general corporate purposes, including, without limitation, lending to its Subsidiaries and acquiring other Persons or businesses so long as the acquisition

is approved by the board of directors of the Person being acquired and written evidence of the approval is delivered to the Agent prior to the acquisition.

(b) The Company shall not, directly or indirectly, use any portion of the Loan proceeds (i) knowingly to purchase Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Company or any Affiliate of the Company.

SECTION 7.

NEGATIVE COVENANTS.

The Company agrees from the Effective Date until payment in full of all Obligations and termination of the Aggregate Facilities Commitment and the Transfer and Administration Agreement, unless Requisite Banks shall otherwise give prior written consent, the Company will perform all covenants in this Section 7.

7.1 Indebtedness. The Company will not, and will not permit any of

its Material Subsidiaries to, directly or indirectly incur, assume, guaranty or otherwise become directly or indirectly liable with respect to:

(a) Indebtedness for borrowed money senior or having priority of payment over the Obligations hereunder or secured by Liens on any of the Company's or any Subsidiary's assets other than as permitted under Section 7.2; and

(b) Future Indebtedness in excess of \$225,000,000; provided that any such Indebtedness (x) will not contain any terms and conditions that in the aggregate are more restrictive than the terms and conditions contained in this Agreement and (y) will not cause the Company to be in violation of Sections 7.5, 7.6, or 7.7 of this Agreement.

7.2 Liens. The Company will not, and will not permit any of its

Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or any Subsidiary to secure

Indebtedness for borrowed money in excess of \$100,000,000 (excluding Liens existing on the date hereof, Liens securing Indebtedness under the Transfer and Administration Agreement, Liens listed on Schedule 7.2 and Liens on newly-acquired Capital Assets); provided that such Liens on assets located in the

United States shall not secure Indebtedness for borrowed money in excess of \$15,000,000.

7.3 Restriction on Fundamental Changes. (a) The Company shall not,

and shall not permit any of its Material Subsidiaries to, engage in any material line of business substantially different from those lines of business carried on by it on the date hereof.

(b) The Company shall not, and shall not suffer or permit any of its Material Subsidiaries to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of whether in one transaction or in a series of transactions, all or substantially all, of its assets to or in favor of any Person, except:

(i) any Material Subsidiary of the Company may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Material Subsidiaries of the Company, provided that if any transaction shall be between a Subsidiary and a wholly-owned subsidiary, the wholly-owned subsidiary shall be the continuing or surviving corporation; and

(ii) any Subsidiary of the Company may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or another Wholly-Owned Subsidiary of the Company.

7.4 Sale or Discount of Receivables. The Company will not, and will

not permit any of its Domestic Subsidiaries to, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof (other than in the ordinary course of receivables financing without recourse), any of its notes or accounts receivable, except:

(a) The Company and its Domestic Subsidiaries may offer discounts in the ordinary course of business for early payment of accounts receivable and may negotiate settlements of bad debts and disputed accounts receivable in the ordinary course of business; and

(b) The Company and Mattel Sales may enter into and perform under the Transfer and Administration Agreement;

7.5 Consolidated Funded Indebtedness to Total Capitalization. The

Company shall not permit the ratio of the sum of (a) Consolidated Funded
Indebtedness plus (b) Total Outstanding Investment to the sum of (x)

Consolidated Funded Indebtedness plus (y) Total Outstanding Investment plus (z)

Consolidated Tangible Net Worth to exceed 65% at the end of each of the first
three fiscal quarters in each fiscal year and 55% at the end of each fiscal
year.

7.6 Consolidated Tangible Net Worth. The Company shall not permit

its Consolidated Tangible Net Worth at the end of any fiscal quarter to be less
than \$736,000,000 plus 50% of each fiscal quarter's Consolidated Net Income

subsequent to December 31, 1993 (but without reduction for any losses) plus 100%

of any Net Issuance Proceeds less an amount equal to the Company's cost of any

repurchases of the Company's capital stock in an aggregate amount not exceeding
\$125,000,000.

7.7 Interest Coverage Ratio. The Company shall not permit, as of the

last day of each fiscal quarter, the ratio of (a) the sum of (i) its net income
from continuing operations, for the four consecutive fiscal quarters ending on
such date, before (A) special items, (B) minority interest, (C) gains on
reacquisition of debt, plus (ii) income taxes accrued for the four consecutive

fiscal quarters ending on such date, plus (iii) interest accrued for the four

consecutive fiscal quarters ending on such date, excluding capitalized interest
and without regard to interest income plus (iv) depreciation and amortization

for the four consecutive fiscal quarters ending on such date to (b) interest
incurred for the four consecutive fiscal quarters ending on such date, including
capitalized interest and without regard to interest income, to be less than 3.5
to 1.

7.8 ERISA. The Company will not, and will not permit any of its

ERISA Affiliates to, permit the actuarial present value of all benefit
liabilities under all Pension Plans to exceed the fair market value of the
assets of such Pension Plans (excluding Pension Plans with assets greater than
vested benefits) allocable to such benefit liabilities by more than \$10,000,000.
As used in this Section 7.8, the terms "actuarial present value" and "benefit
liabilities" have the meanings specified in Section 4001 of ERISA.

7.9 Amendments or Waivers Under Transfer and Administration

Agreement. The Company shall not agree to any amendment or waiver under the
Transfer and Administration Agreement without the consent of the Requisite
Banks.

7.10 Margin Regulations. No portion of the proceeds of any borrowing

under this Agreement shall be used by the

Company for the purpose of "purchasing" or "carrying" any Margin Stock or used in any manner which might cause such borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Federal Reserve Board or any other regulation of the Federal Reserve Board or to violate the Exchange Act, in each case as in effect on the date or dates of such borrowing and the use of such proceeds.

7.11 Independence of Covenants. All covenants hereunder shall be

given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Default if such action is taken or condition exists.

SECTION 8.

EVENTS OF DEFAULT.

8.1 Events of Default. Any of the following conditions or events

shall constitute an "Event of Default:"

(a) Failure to Make Payments When Due. (i) Failure to pay any

required payment of principal under this Agreement, the Multi-Year Facility or the Transfer and Administration Agreement or of any Loan or any Notes, when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise, (ii) failure to pay any required payment of interest under this Agreement, the Multi-Year Facility or the Transfer and Administration Agreement or on any Loan or any Note or any fees payable pursuant to Section 2 for a period of five days or more after the date such payment is due, or (iii) failure to pay any other amount due under this Agreement, the Multi-Year Facility or the Transfer and Administration Agreement within 90 days after written notice thereof; or

(b) Default in Other Agreements. (i) Failure of the Company, Mattel

Sales or any of its Material Subsidiaries to pay or any default in the payment of any principal or interest on any Indebtedness in an amount exceeding \$5,000,000 or any default in any other obligation for the payment of money in an amount in excess of \$5,000,000 beyond any period of grace allowed; or

(ii) any breach or default (unless cured or waived) with respect to any other term of any evidence of such other

Indebtedness for borrowed money in an amount exceeding \$5,000,000 or of any loan agreement, mortgage, indenture or other agreement relating thereto, if the effect of such failure, default or breach is to cause such Indebtedness for borrowed money to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both, or otherwise); or

(c) Breach of Certain Covenants. Failure of the Company to perform

or comply with any term or condition contained in Sections 6.1(g), 6.2 or Section 7 of this Agreement; or

(d) Breach of Warranty. Any of the Company's or Mattel Sales'

representations or warranties made in any Loan Document in writing pursuant hereto or in connection herewith shall be false in any material respect on the date as of which made; or

(e) Other Defaults Under Agreement. Failure of the Company or Mattel

Sales to perform or comply with any other term or condition contained in this Agreement, the Multi-Year Facility or the Transfer and Administration Agreement or any Loan Document other than the conditions referred to in Subsections (a), (b), (c) and (d) above and such default shall not have been remedied or waived within 30 days after receipt of notice from the Agent or any Bank of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, etc. (i) A

court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company or any of its Material Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed, or (ii) any other similar relief shall be granted under any applicable federal or state or applicable foreign law; a petition for an involuntary case shall be filed against the Company or any of its Material Subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Company or any of its Material Subsidiaries, or over all or substantially all of its property, shall have been entered; or an interim receiver, trustee or other custodian of the Company or any of its Material Subsidiaries for all or substantially all of the property of the Company or any of its Material Subsidiaries shall be appointed involuntarily; and the continuance of any such events in clause (ii) for 45 days unless dismissed, bonded or discharged; or

(g) Voluntary Bankruptcy; Appointment of Receiver, etc. The Company

or any of its Material Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in any involuntary case, or to the conversion from an involuntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, sequestrator, trustee or other custodian for all or substantially all of its property; the making by the Company or any of its Material Subsidiaries of any assignment for the benefit of creditors; or the inability or failure of the Company or any of its Material Subsidiaries, or the admission by the Company or any of its Material Subsidiaries in writing of its inability, to generally pay its debts as such debts become due; or the Board of Directors of the Company or any of its Material Subsidiaries adopts any resolution or otherwise takes action to approve any of the foregoing; or

(h) Judgments. Any final money judgment involving in any case an

amount in excess of \$10,000,000 or in excess of \$20,000,000 in the aggregate at any one time for all final judgments shall be entered or filed against the Company or any Material Subsidiary or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of 45 days or in any event later than five days prior to the date of any proposed sale thereunder; or

(i) Dissolution. Any order, judgment or decree shall be entered

against the Company or any Material Subsidiary decreeing the dissolution or split up of the Company and such order shall remain undischarged or unstayed for a period in excess of 30 days; or

(j) ERISA. (i) any Pension Plan maintained by the Company or any of

its ERISA Affiliates shall be terminated within the meaning of Title IV of ERISA, or (ii) a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan, or (iii) the Pension Benefit Guaranty Corporation (or any successor thereto) shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan, or (iv) the Company or any of its ERISA Affiliates shall withdraw (under Section 4063 of ERISA) from a Pension Plan, if, as of the date of the event listed in clauses (i)-(iv) above or any subsequent date, any of the Company or its ERISA Affiliates has any liability (such liability to include, without limitation, any liability to the Pension Benefit Guaranty Corporation, or any successor thereto, or to any other party under Sections 4062, 4063 or 4064 of ERISA or any other provision of law) resulting from or otherwise

associated with the events listed in clauses (i)-(iv) above for unfunded guaranteed vested benefits under the Pension Plans which exceeds the current value of assets accumulated in such Pension Plan by more than \$10,000,000; or

(k) Loss of Property. All, or a substantial part of, the property,

assets or business of the Company or any Material Subsidiary shall be condemned or seized and such condemnation or seizure shall have (after taking into account any insurance or condemnation award) a Material Adverse Effect; or

(l) Cessation of Business. The Company or any Material Subsidiary

shall at any time voluntarily or involuntarily suspend its business or a substantial part thereof which would constitute a substantial part of, and would have a Material Adverse Effect; or

(m) Servicer Default or Termination Event. A Servicer Default or a

Termination Event (as each is defined in the Transfer and Administration Agreement) (other than as set forth in Section 7.3(i) of the Transfer and Administration Agreement) shall occur and be continuing;

8.2 Remedies. If any Event of Default occurs, the Agent shall, at

the request of, or may, with the consent of, the Requisite Banks, (a) declare the Loan Commitment of each Bank to make Loans to be terminated, whereupon such Loan Commitments shall forthwith be terminated; (b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable; without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and (c) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law; provided,

however, that upon the occurrence of any event specified in paragraph (f) or (g)

of Section 8.1 above (in the case of clause (ii) of paragraph (f) upon the expiration of the 45-day period mentioned therein), the obligation of each Bank to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent or any Bank.

8.3 Rights Not Exclusive. The rights provided for in this Agreement

and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other

instrument, document or agreement now existing or hereafter arising.

SECTION 9.

THE AGENT.

9.1 Appointment and Authorization. Each Bank hereby irrevocably

appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

9.2 Delegation of Duties. The Agent may execute any of its duties

under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.3 Liability of Agent. None of the Agent-Related Persons shall (i)

be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or for the value of any Collateral or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under

any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

9.4 Reliance by Agent.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Requisite Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Requisite Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter either sent by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank, unless an officer of the Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from the Bank prior to any borrowing specifying its objection thereto and either such objection shall not have been withdrawn by notice to the Agent to that effect or the Bank shall not have made available to the Agent the Bank's ratable portion of such borrowing.

9.5 Notice of Default. The Agent shall not be deemed to have

knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have

received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Banks and the Transfer and Administration Agent. The Agent shall take such action with respect to such Default or Event of Default as shall be requested by the Requisite Banks in accordance with Section 8; provided, however, that unless and until the Agent

shall have received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.6 Credit Decision. Each Bank expressly acknowledges that none of

the Agent-Related Persons has made any representation or warranty to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon the Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

9.7 Indemnification. Whether or not the transactions contemplated

hereby shall be consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), ratably from

and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans and the termination or resignation of the related Agent) be imposed on, incurred by or asserted against any such Person any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; provided, however, that no Bank shall be liable for the payment

to the Agent-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including fees and expenses of counsel and the allocated cost of in-house counsel) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. Without limiting the generality of the foregoing, if the Internal Revenue Service or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including fees and expenses of counsel and the allocated cost of in-house counsel). The obligation of the Banks in this Section shall survive the payment of all Obligations hereunder.

9.8 Agent in Individual Capacity. Bank of America and its Affiliates

may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory or other business with the Company and its Subsidiaries and Affiliates as though Bank of America were not

the Agent hereunder and without notice to or consent of the Banks. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include Bank of America in its individual capacity.

9.9 Successor Agent. The Agent may, and at the request of the

Requisite Banks shall, resign as Agent upon 30 days' notice to the Banks. If the Agent shall resign as Agent under this Agreement, the Requisite Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 9 and Sections 10.4 and 10.15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Requisite Banks appoint a successor agent as provided for above.

SECTION 10.

MISCELLANEOUS.

10.1 Sales of Participations. (a) Upon advance written notice to the

Company, each Bank shall have the right at any time to sell or otherwise transfer participations in all or any part of the Loans and any Notes, to one or more Affiliates of such Bank or to one or more commercial banks, merchant banks, savings and loan associations or (with the consent of the Company) any other institution (a "Participant"); provided that any such disposition shall be in a

minimum amount of \$5,000,000 and such Bank shall concurrently with any sale of a participation herein sell a ratable participation in the Multi-Year Facility and the Transfer and Administration Agreement and thereafter cause any such participation herein to remain ratable

with such participation in the Transfer and Administration Agreement. The Company hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Company to the Participant and the Participant shall be entitled to the benefit of Sections 3.1, 3.4 and 10.15 as if it were a "Bank"; provided further, that in the case of a participation, (i) the Bank's

obligations under this Agreement shall remain unchanged, (ii) the Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Agent shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement, and (iv) no Bank shall transfer or grant any participating interest under which the Participant shall have rights to approve any amendment to, or any consent or waiver with respect to this Agreement except to the extent such amendment, consent or waiver would require unanimous consent as described in the first proviso to Section 10.8. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Company hereunder shall be determined as if such Bank had not sold such participation, except that if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(b) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information provided to it by the Company or any Subsidiary of the Company, or by the Agent on such Company's or Subsidiary's behalf, in connection with this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information for any purpose or in any manner other than pursuant to the terms contemplated by this Agreement, the Multi-Year Facility and the Transfer and Administration Agreement; except to the extent such information (i) was or becomes generally available to the public other than as a result of a disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however,

that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Person to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process and

when required to do so in accordance with the provisions of any applicable Governmental Rule; provided, that a Bank shall disclose only the information

required by such request and shall notify the Company in advance of such disclosure so that the Company may seek an appropriate protective order, and (C) to such Bank's independent auditors and other professional advisors provided such Persons are obligated to keep such information confidential. Notwithstanding the foregoing, the Company authorizes each Bank to disclose to any Participant and to any prospective Participant, such financial and other information in such Bank's possession concerning the Company or its Subsidiaries which has been delivered to Agent or the Banks pursuant to this Agreement or which has been delivered to the Agent or the Banks by the Company in connection with the Banks' credit evaluation of the Company prior to entering into this Agreement; provided that, unless otherwise agreed by the Company, such

Participant agrees in writing to such Bank to keep such information confidential to the same extent required of the Banks hereunder.

10.2 Survival of Warranties and of Certain Agreements. (a) All

agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the making of the Loans hereunder and the execution and delivery of any Notes.

(b) Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of the Company set forth in Sections 2.9, 3, 10.4 and 10.15 and the agreements of the Banks set forth in Sections 2.13, 9, 10.1(b) and 10.5 shall survive the payment of the Obligations by the Company and the termination of this Agreement.

10.3 Failure or Indulgence Not Waiver; Remedies Cumulative. No

failure or delay on the part of any Bank or any holder of any Note in the exercise of any power, right or privilege hereunder or under any Note shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under this Agreement or any Notes are cumulative to and not exclusive of, any rights or remedies otherwise available.

10.4 Fees and Expenses. Whether or not the transactions contemplated

hereby shall be consummated, the Company agrees to pay within 30 days after submission of an invoice therefor (a) all the actual and reasonable out-of-pocket costs and expenses of preparation of the Loan Documents and all

the costs of furnishing all opinions by counsel for the Company (including without limitation any opinions requested by the Banks as to any legal matters arising hereunder), and of the Company's performance of and compliance with all agreements and conditions contained therein on its part to be performed or complied with; (b) the cost of delivering to the Banks any Notes pursuant to the provisions of this Agreement; (c) the reasonable fees, expenses and disbursements of the Agent and the Agent's counsel (including the allocated cost of Agent's inhouse counsel and staff) in connection with the negotiation, preparation, execution and administration of the Loan Documents and the Loans and any amendments and waivers hereto; and (d) after the occurrence of an Event of Default, all actual and reasonable out-of-pocket costs and expenses (including reasonable fees of law firms engaged by the Banks and the reasonable estimate of the allocable costs of counsel in the staff of legal departments of the Banks and costs of settlement) incurred by the Agent and each Bank in enforcing any Obligations or in collecting any payments due from the Company hereunder or under any Notes by reason of such Event of Default or in connection with any refinancing or restructuring of any Loan Document in the nature of a "work-out" or of any insolvency or bankruptcy proceeding.

10.5 Set Off. In addition to any rights now or hereafter granted

under applicable law and not by way of limitation of any such rights, upon the occurrence of and during the continuance of any Event of Default (after the giving of any notice and the expiration of any grace period contained in the definition thereof), each Bank and each subsequent holder of any Note is hereby authorized by the Company at any time or from time to time, without notice to the Company, or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate any and all deposits (including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured but not including trust accounts) and any other indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Company and to apply any such amounts in accordance with the provisions of Section 2.13 irrespective of whether or not that Bank or that subsequent holder shall have made any demand hereunder.

10.6 Notices. Unless otherwise specifically provided herein, any

notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail and shall be deemed to have been given upon delivery in person, receipt of telecopy or telex or four Business Days after deposit in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the

addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 10.6) shall be as set forth under each party's name on Schedule 10.6 hereto.

10.7 Severability. In case any provision in or obligation under this

Agreement or any Notes shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10.8 Amendments and Waivers. No amendment or waiver of any provision

of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Requisite Banks and the Company, and acknowledged by the Agent, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that

no such waiver, amendment, or consent shall, unless in writing and signed by all the Banks and the Company, and acknowledged by the Agent, do any of the following:

(a) increase or extend any Bank's Pro Rata Share of the Aggregate Loan Commitment, the Aggregate Multi-Year Commitment or the Receivables Commitment or subject any Bank to any additional obligations;

(b) postpone or delay any date fixed for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or of any fees or other amounts payable hereunder or under any Loan Document;

(d) change the Pro Rata Share of the Aggregate Loan Commitment, the Aggregate Multi-Year Commitment or the Aggregate Receivables Commitment or of the aggregate unpaid principal amount of any extension of credit which shall be required for the Banks or any of them to take any action hereunder;

(e) amend this Section 10.8 or Section 2.13;

(f) amend Section 2.1, the definitions of "Pro Rata Share" or "Requisite Banks;" or

(g) discharge any Guarantor;

provided further, that no amendment, waiver or consent shall (i) unless in

writing and signed by the Agent in addition to the Requisite Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under any Loan Document; or (ii) have the effect of making any Bank's Loan Commitment, Multi-Year Commitment or Receivables Commitment be nonratable with its Receivables Commitment and its Pro Rata Share of the Aggregate Unpaid (as defined in the Transfer and Administration Agreement). No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 10.8 shall be binding upon each holder of any Notes at the time outstanding, each future holder of the Notes and, if signed by the Company, on the Company.

10.9 Obligations Several. The obligation of each Bank hereunder is

several, and no Bank shall be responsible for any obligation or commitment of any other Bank hereunder. Nothing contained in this Agreement and no action taken by Banks pursuant hereto shall be deemed to constitute Banks to be a partnership, an association, a joint venture or another entity.

10.10 Certain Changes. If (a) any changes in accounting principles

from those used in the preparation of the financial statements referred to in Section 5.8 hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or requested by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) result in a change in the method of calculation of financial covenants, standards or terms found in Sections 1, 6 and 7, or (b) the Company changes the manner in which its fiscal year, fiscal quarters and fiscal months are determined, the parties hereto agree to enter into negotiations in order to amend the appropriate provisions of this Agreement so as to equitably reflect such changes with the desired result that the criteria for evaluating the Company's financial condition and operations or establishing limitations hereunder shall be the same after such changes as if such changes had not been made.

10.11 Headings. Section headings in this Agreement are included

herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

10.12 Applicable Law. (a) This Agreement, any Notes and the other

Loan Documents shall be governed by, and shall be construed and enforced in accordance with, the internal laws of

the State of California, without regard to conflicts of laws principles.

(b) Any legal action or proceeding with respect to this Agreement and any other Loan Documents may be brought in the courts of the State of California or of the United States for the Central District of California, and by execution and delivery of this Agreement, each of the Company, the Agent and the Banks consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. Each of the Company, the Agent and the Banks irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or any document related hereto. The Company, the Agent and the Banks each waive personal service of any summons, complaint or other process, which may be made by any other means permitted by California law.

10.13 Successors and Assigns. The provisions of this Agreement shall

be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank. No Bank may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Company and the Agent. No assignment or transfer of any Bank will be permitted if such assignment or transfer would result in any Bank's Pro Rata Share hereunder being a different percentage than its pro rata share of its Aggregate Multi-Year Commitment or the Total Outstanding Investment.

10.14 Counterparts. This Agreement and any amendments, waivers,

consents, or supplements may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

10.15 Indemnity. Whether or not the transactions contemplated hereby

are consummated, the Company shall indemnify and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless

from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable fees and out-of-pocket expenses of counsel and the allocated cost of

internal counsel) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any proceeding of the type referred to in Section 8.1(f) or (g) or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Company shall

have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

MATTEL, INC.

By _____
Vice President and
Treasurer

AGENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

By _____
Vice President

BANKS:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By _____
Robert W. Troutman
Vice President

ABN AMRO BANK N.V.

By _____
Title _____

THE BANK OF CALIFORNIA, N.A.

By _____
Title _____

BANQUE NATIONALE DE PARIS

By _____

Title _____

By _____

Title _____

CHEMICAL BANK

By _____

Title: _____

CONTINENTAL BANK N.A.

By _____

Title _____

DRESDNER BANK AG, Los Angeles
Agency

By _____

Title _____

THE FIRST NATIONAL BANK OF BOSTON

By _____

Title _____

MANUFACTURERS & TRADERS TRUST CO.

By _____

Title _____

MARINE MIDLAND BANK

By _____

Title _____

NATIONSBANK OF TEXAS, N.A.

By _____

Title _____

PNC BANK, NATIONAL ASSOCIATION

By _____

Title _____

ISTITUTO BANCARIO SAN PAOLO di TORINO SpA

By _____

Title _____

By _____

Title _____

THE TORONTO-DOMINION BANK (TEXAS) INC.

By _____

Title _____

AMENDED AND RESTATED
TRANSFER AND ADMINISTRATION AGREEMENT

among

MATTEL SALES CORP.,
as Transferor,

and

MATTEL, INC.,
as Guarantor and Servicer,

and

NATIONSBANK OF TEXAS, N.A.,
as Agent,

and

THE BANKS NAMED HEREIN

Dated as of March 18, 1994

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AMENDED AND RESTATED
TRANSFER AND ADMINISTRATION AGREEMENT

AMENDED AND RESTATED TRANSFER AND ADMINISTRATION AGREEMENT (this "Agreement"), dated as of March 18, 1994, among MATTEL SALES CORP., a California corporation, as transferor (the "Transferor"), MATTEL, INC., a Delaware corporation, as guarantor and servicer (the "Guarantor" and the "Servicer"), THE BANKS LISTED ON THE SIGNATURE PAGES HEREOF (collectively, the "Banks") and NATIONSBANK OF TEXAS, N.A., a national banking association, as agent on behalf of the Banks (the "Agent").

PRELIMINARY STATEMENTS

WHEREAS, the parties hereto intend to amend and restate that certain Transfer and Administration Agreement, dated as of March 19, 1993, among the Transferor, the Guarantor and Servicer, the Banks and the Agent, on the terms and conditions set forth herein;

WHEREAS, the Transferor may desire to convey, transfer and assign, from time to time, undivided percentage interests in certain accounts receivable with respect to which Toys "R" Us, Inc. ("Toys "R" Us") is the named obligor, and the Agent, on behalf of and for the benefit of the Banks, shall accept such conveyance, transfer and assignment of such undivided percentage interests, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Adjusted Certificate of Deposit Rate" means, with respect to a

Tranche and the related Tranche Period, the sum (rounded upward to the next highest 1/100 of 1%) of (i) the rate obtained by dividing (x) the Certificate of Deposit Rate by (y) a percentage equal to 100% minus the full reserve requirement percentage as specified by the Board of Governors of the Federal Reserve System that the Agent determines would be applicable on the date of determination to a certificate of deposit of the Agent in excess of \$100,000 with a maturity comparable to the related Tranche Period (including, without limitation, any marginal, emergency, supplemental, special or other reserves if the Agent, in its sole discretion, determines that it is required to maintain any such reserves on such day), plus (ii) the then daily net annual assessment rate as estimated by the Agent for determining the current annual assessment payable by the Agent to the Federal Deposit Insurance Corporation for insuring certificates of deposit with a maturity comparable to the related Tranche Period.

"Adverse Claim" means a lien, security interest, charge or

encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affiliate", as applied to any Person, means any other Person directly

or indirectly controlling, controlled by or under common control with, that Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" means NationsBank of Texas, N.A., a national banking

association, in its capacity as agent on behalf of the Banks.

"Aggregate Unpaid" means at any time, an amount equal to the sum of

(i) the aggregate accrued and unpaid Discount (including any additional Discount due pursuant to Section 7.4) with respect to all Tranche Periods at such time, (ii) the Total Outstanding

Investment at such time, and (iii) all amounts owed (whether due or accrued) hereunder by the Transferor to the Agent or the Banks at such time.

"Alternate Rate" means a rate per annum equal to 2% in excess of the

prime rate of interest announced by the Agent from time to time, changing when and as said prime rate changes (such rate not necessarily being the lowest or best rate charged by the Agent).

"Bank" means each of the banks listed on the signature pages hereto,

and any successors in accordance with Section 11.6.

"Bank Commitment" for each Bank means such Bank's Percentage of the

Facility Limit.

"Base Rate" means a fluctuating rate per annum which is the higher of

(a) the Federal Funds Rate plus one-half of one percent (1/2%) per annum and (b) the Reference Rate.

"Business Day" means any day excluding Saturday, Sunday and any day on

which banks in Dallas, Texas, New York, New York, Pittsburgh, Pennsylvania, or San Francisco, California are authorized or required by Governmental Rule to close; provided, however, when used with respect to LIBOR, "Business Day" means

any day on which dealings in deposits of United States dollars are transacted in the applicable offshore United States dollar interbank market.

"Certificate of Deposit Rate" means, with respect to a Tranche and the

related Tranche Period, the average of the consensus bid rates determined by the Agent on the date of determination of two or more New York certificate of deposit dealers of recognized standing selected by the Agent for the purchase in New York at face value from the Reference Banks of certificates of deposit of the Reference Banks in an amount comparable to the amount of the related Transfer Price to be funded by the Agent, and with a maturity comparable to the related Tranche Period.

"Close-Out Collections" means Collections received with respect to any

Close-Out Receivable.

"Close-Out Receivable" means any Receivable which is due and payable

prior to the Remittance Date following the date of creation of such Receivable.

"Closing Date" means March 11, 1994.

"Collection Account" means the account established and maintained by

the Agent for the benefit of the Banks pursuant to Section 2.9.

"Collections" means, with respect to any Receivable, all cash

collections and other cash proceeds of such Receivable including, without limitation, any Deemed Collections and Close-Out Collections.

"Commitment Commission Rate" means the per annum rate payable by the

Transferor to the Banks (calculated on the basis of actual number of days elapsed divided by 360), determined in accordance with the following table, and based upon the second highest of Toys "R" Us, Inc.'s long-term senior unsecured debt ratings:

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Toys "R" Us, Inc.'s long-term senior unsecured debt ratings S&P/Moody's/Duff	Commitment Commission
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AA-/Aa3/AA-or higher 12.5 bps

A/A2/A or higher 18.75 bps

A-/A3/A- 20.0 bps

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The Commitment Commission Rate as of the Closing Date is 12.5 basis points. Upon a rating change, the Agent shall determine the applicable Commitment Commission Rate and shall promptly notify the Banks and the Transferor of the Commitment Commission Rate so determined. Such determination by the Agent shall be conclusive absent manifest error. The new applicable Commitment Commission Rate will be effective as of the date of notification to the Banks.

"Commitment Fee" means a fee equal to the applicable Commitment

Commission Rate payable by the Transferor on each Remittance Date on the difference between the average Facility Limit as set forth on each

Weekly Report and the average Total Outstanding Investment as set forth on each Weekly Report for the one year period preceding such date.

"Contingent Obligation", as applied to any Person, means, without

duplication, any direct or indirect liability, contingent or otherwise, of that Person (i) with respect to any indebtedness, lease, dividend or other obligation of another if the primary purpose or intent thereof by the Person incurring the Contingent Obligation is to provide assurance to the obligee of such obligation of another that such obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof or (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings. Contingent Obligations shall include, without limitation, (a) the direct or indirect guaranty, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another and (b) any liability of such Person for the obligations of another through any agreement (contingent or otherwise) (x) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (y) to maintain the solvency or any balance sheet item, level of income or financial condition of another, if in the case of any agreement described under subclauses (x) or (y) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported. The amount of any Contingent Obligation denominated in a currency other than United States dollars shall be equal to the United States dollar equivalent of such Contingent Obligation.

"Contract" means, with respect to any Receivable, both the Written

Agreement and the invoice related thereto, pursuant to or under which the Obligor shall be obligated to pay for merchandise sold by the Transferor to the Obligor.

"Contractual Obligation", as applied to any Person, means any

provision of any security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Credit Agreements" means collectively the Credit Agreement (364-Day

Facility) and the Credit Agreement (Multi-Year Facility), each dated as of March 18, 1994, among Mattel, Inc., the banks named therein and Bank of America National Trust and Savings Association, as Agent, as such agreements may be amended and supplemented and, in the case of the Credit Agreement (364-Day Facility) renewed or replaced, from time to time.

"Credit and Collection Policy" means the Transferor's credit and

collection policies and practices relating to Contracts and Receivables existing on the date hereof, as modified from time to time in compliance with Section 5.2(c).

"Deemed Collections" means any Collections on any Receivable deemed to

have been received pursuant to Section 2.6(a) or (b).

"Defaulted Receivable" means a Receivable: (i) as to which any

payment, or part thereof, remains unpaid as of the close of business on the Remittance Date next succeeding the date such Receivable is created; (ii) as to which an Event of Bankruptcy has occurred with respect to the Obligor; (iii) which has been identified by the Transferor or the Servicer as uncollectible; or (iv) which, consistent with the Credit and Collection Policy, should be written off the Transferor's books as uncollectible.

"Deficiency Advance" has the meaning specified in Section 2.10.

"Discount" means, for each Tranche, an amount equal to the product of

(a) the related Transfer Price (minus any amounts released from the Collection Account by the Agent pursuant to Section 2.9(b) to fund all or a portion of such Transfer Price) and (b) the applicable Participation Rate and (c) a fraction, the numerator of

which is the number of days in such Tranche Period and the denominator of which is 360; provided, however, that no provision of this Agreement shall require the

payment or permit the collection of Discount in excess of the maximum permitted by applicable Governmental Rule; and provided, further, that Discount shall not

be considered paid by any distribution of Collections if at any time such distribution is rescinded or must be returned for any reason.

"Discount Reserve" means, at any time, the aggregate amount of

Discount for all outstanding Tranches.

"Duff" means Duff & Phelps Credit Ratings Co.

"Eligible Receivable" means, at any time, any Receivable:

(i) the Obligor of which is Toys "R" Us, Inc.;

(ii) which is not a Defaulted Receivable at the time of the initial creation of an interest of the Agent, on behalf of the Banks, therein;

(iii) which is an "account" within the meaning of Section 9-106 of the UCC of all applicable jurisdictions;

(iv) which is denominated and payable only in United States dollars in the United States;

(v) which, together with the Contract related thereto, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor enforceable against the Obligor in accordance with its terms and subject to no offset, counterclaim or other defense;

(vi) which, together with the Contract related thereto, does not contravene in any material respect any Governmental Rules applicable thereto and with respect to which no part of the Contract related thereto is in violation of any such Governmental Rule in any material respect;

(vii) for which the Obligor has been directed and has agreed to remit all payments to the Collection Account;

(viii) which satisfies all applicable requirements of the Credit and Collection Policy;

(ix) the term of which does not extend beyond the Remittance Date next succeeding the date such Receivable is created; and

(x) which was generated in the ordinary course of the Transferor's business.

"ERISA" means, at any time, the Employee Retirement Income Security

Act of 1974, as amended from time to time, and any successor statute.

"ERISA Affiliate", as applied to any Person, means any trade or

business (whether or not incorporated) which is a member of a group of which that Person is a member and which is under common control within the meaning of Section 414(b) and 414(c) of the Internal Revenue Code of 1986, as amended.

"Event of Bankruptcy", with respect to any Person, means (i) that such

Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against such Person seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Governmental Rule relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (ii) if such Person is a corporation, such Person shall take any corporate action to authorize any of the actions set forth in the preceding clause (i).

"Facility Limit" means \$250,000,000, as such amount may be adjusted as

provided herein.

"Federal Funds Rate" means the weighted average of the rates on

overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day of determination (or if such day of determination is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transaction received by the Agent from three Federal funds brokers of recognized standing selected by it.

"GAAP" means generally accepted accounting principles set forth in the

opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Person" means the government of the United States or the

government of any state or locality therein, any political subdivision or any governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body or entity, or other regulatory bureau, authority, body or entity of the United States or any state or locality therein, including the Federal Deposit Insurance Company, the Comptroller of the Currency or the Board of Governors of the Federal Reserve System, any central bank or any comparable authority.

"Governmental Rule" means any law, statute, rule, regulation,

ordinance, order, judgment, guidelines or decision of any Governmental Person.

"Guarantor" means Mattel, Inc.

"Indemnified Amounts" has the meaning specified in Section 8.1.

"Indemnified Parties" has the meaning specified in Section 8.1.

"LIBOR" means, with respect to a Tranche and the related Tranche

Period, the average of the quotations (rounded upwards to the nearest 1/100 of 1%) as of 10:00 a.m. New York time on the second Business Day prior to the commencement of such Tranche Period, if any, offered to first class banks in the offshore dollar market by the Reference Banks for U.S. Dollar deposits of amounts in same day funds comparable to the Transfer Price of such Tranche (net of amounts payable in accordance with Section 2.9(b)), with a maturity comparable to such Tranche Period to which LIBOR will apply.

"Material Adverse Effect" means (i) a material adverse effect upon the

business, operations, properties, assets, business prospects or condition (financial or otherwise) of Mattel, Inc. (together with its Subsidiaries), taken as a whole, or (ii) a material impairment of the ability of Mattel, Inc. to perform its obligations under this Agreement.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in

Section 4001(a)(3) of ERISA which is maintained for employees of a Person or any ERISA Affiliate of such Person.

"Notice of Termination" means a notice delivered by the Agent to the

Transferor, the Guarantor and the Banks pursuant to Section 7.4.

"Obligations" has the meaning set forth in Section 10.1.

"Obligor" means Toys "R" Us, Inc., a Delaware corporation, which is

obligated to the Transferor to make payments for the provision of goods pursuant to a Contract.

"Participant" has the meaning set forth in Section 11.9.

"Participation Rate" means, for any Tranche and related Tranche

Period, LIBOR (or the Adjusted Certificate of Deposit Rate pursuant to Section 2.12) plus the applicable spread. Such spread shall mean the per annum rate (calculated on the basis of the actual number of days elapsed divided by 360), determined in accordance with the following table, and based upon the second highest of Toys "R" Us, Inc.'s long-term unsecured senior debt ratings:

Toys "R" Us, Inc.'s long-term senior unsecured debt ratings S&P/Moody's/Duff	Spread
AA-/Aa3/AA-or higher	25.0 bps

A/A2/A or higher 25.0 bps

A-/A3/A- 37.5 bps

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Such spread as of the Closing Date is 25 basis points. Upon a rating change, the Agent shall determine the applicable spread and shall promptly notify the Banks and the Transferor of the spread so determined. Such determination by the Agent shall be conclusive absent manifest error. The new applicable spread will be effective as of the date of notification to the Banks and will be applicable to all Tranches.

"Pension Plan" means any employee plan which is subject to Section 412

of the Internal Revenue Code of 1986, as amended, and which is maintained for employees of a Person or any ERISA Affiliate of such Person other than a Multiemployer Plan.

"Percentage" means, with respect to any Bank at any time, the

percentage set forth next to its name on the signature page hereof, which is the equivalent of a fraction the numerator of which is equal to such Bank's Bank Commitment, and the denominator of which is equal to the Facility Limit.

"Percentage Factor" means the percentage computed at any time of

determination as follows:

$$\frac{\text{TOI} + \text{DR}}{\text{ERB}}$$

Where:

TOI = the Total Outstanding Investment at the time of such computation.

DR = the Discount Reserve at the time of such computation.

ERB = the aggregate outstanding balance of the Eligible Receivables at the time of such computation.

In no event shall the Percentage Factor exceed one hundred percent. The Percentage Factor shall be

calculated by the Agent on the day of the initial Transfer hereunder. Thereafter, the Percentage Factor shall remain constant from the time as of which any such computation is made until the time as of which a subsequent Transfer shall be made pursuant to Section 2.2. The Percentage Factor, as calculated at the close of business on the date as of which any such Transfer is made shall remain constant at all times thereafter until such time as an additional Transfer is made or until such time as the Banks shall have received the full amount of the Aggregate Unpaid, at which time the Percentage Factor shall be recomputed.

"Person" means any corporation, natural person, firm, joint venture,

partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Potential Termination Event" means any condition or event which, with

the giving of notice or the lapse of time or both, would constitute a Termination Event.

"Proceeds" means "proceeds" as defined in Section 9.306(1) of the UCC.

"Receivable" means the indebtedness denominated in United States

dollars to the Transferor by the Obligor (without giving effect to any purchase hereunder by the Agent, on behalf of the Banks, at any time) under a Contract whether constituting an account, chattel paper, instrument or general intangible, including all other obligations of the Obligor with respect thereto. Notwithstanding the foregoing, once a Receivable has been deemed collected pursuant to Section 2.6 hereof, it shall no longer constitute a Receivable hereunder.

"Records" means all Contracts and other documents, books, records and

other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained with respect to Receivables and the Obligor.

"Reference Banks" means Bank of America National Trust and Savings

Association, NationsBank of Texas, N.A. and PNC Bank, National Association. In the event

that at any time of determination only two Banks designated as "Reference Banks" are providing rates for deposits referred to in the definition of "LIBOR", those two Banks shall be the "Reference Banks" or, if only one such Bank is providing such rates, that Bank shall be the "Reference Banks" for purposes of this Agreement.

"Reference Rate" means the rate of interest publicly announced from

time to time by NationsBank of Texas, N.A. in Dallas as its reference rate, as in effect on such date of determination. The reference rate is set by NationsBank of Texas, N.A. based on various factors including NationsBank of Texas, N.A.'s costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. NationsBank of Texas, N.A. may make loans at, above or below the rate announced as its reference rate.

"Remittance Date" means December 16, 1994, December 18, 1995, and

December 17, 1996, as applicable, or, if such day is not a Business Day, the next succeeding Business Day.

"Requisite Banks" means, at any date of determination, Banks having at

least 66-2/3% of the aggregate Bank Commitments at such time.

"S&P" means Standard & Poor's Ratings Group.

"Servicer" means Mattel, Inc. or, after a Servicer Default, a servicer

appointed by the Agent.

"Servicer Default" has the meaning specified in Section 7.1.

"Subsidiary" means any corporation, association or other business

entity of which more than 50% of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Termination Date" means the earlier of (i) December 17, 1996, unless

such date is otherwise extended, or (ii) the date on which the Agent delivers a Notice of Termination to the Transferor.

"Termination Event" means an event described in Section 7.3.

"Total Outstanding Investment" means the sum of the Transfer Prices

paid to the Transferor for all Transfers less any amounts released from the

Collection Account by the Agent pursuant to Section 2.9(b) to fund all or a
portion of any such amounts paid to the Transferor and less the aggregate amount

of Collections received and applied by the Agent to reduce such Total
Outstanding Investment pursuant to Section 2.4 or 2.9(b); provided that the

Total Outstanding Investment shall be restored in the amount of any Collections
so received and applied if at any time the distribution of such Collections is
rescinded or must otherwise be returned for any reason; and provided further

that the Total Outstanding Investment shall at no time exceed the Facility
Limit.

"Tranche" means a portion of the Total Outstanding Investment

allocated to a Tranche Period.

"Tranche Period" means, with respect to a Tranche, the period from the

date of the Transfer related thereto to the following Remittance Date.

"Transaction Costs" has the meaning specified in Section 8.3.

"Transfer" means a conveyance, transfer and assignment by the

Transferor to the Agent, on behalf of the Banks, of an undivided percentage
ownership interest in Receivables hereunder.

"Transfer Date" means, with respect to each Transfer, the Business Day

on which such Transfer is made.

"Transfer Price" means, with respect to any Transfer, the amount paid

to the Transferor by the Banks as described in the Transfer Notice related to
such Transfer.

"Transfer Notice" has the meaning given to it in Section 2.2.

"Transferred Interest" means, at any time of determination, an

undivided percentage ownership interest

in (i) each and every then outstanding Receivable, (ii) all Collections with respect thereto, and (iii) other Proceeds of the foregoing, equal to the Percentage Factor at such time. The Transferred Interest in each Receivable and the Collections and Proceeds with respect thereto, shall at all times be in proportion to the Transferred Interest in each other Receivable, and Collections and Proceeds with respect thereto.

"UCC" means, with respect to any state, the Uniform Commercial Code as from time to time in effect in such state.

"Weekly Report" means a report prepared on a Weekly basis by the Servicer in the form attached hereto as Exhibit B and delivered to the Agent in accordance with Section 2.8.

"Written Agreement" means the agreement between the Obligor and the Transferor in the form of Exhibit A.

SECTION 1.2. Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of California, and not specifically defined herein, are used herein as defined in such Article 9. All other terms not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreements.

SECTION 1.3. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

ARTICLE II
PURCHASES AND SETTLEMENTS

SECTION 2.1. Facility. Upon the terms and subject to the conditions

herein set forth the Transferor may, at its option, convey, transfer and assign to the Agent, on behalf of the Banks, and the Banks shall, subject to the terms and conditions hereof, accept such conveyance, transfer and assignment from the Transferor, without recourse except as provided herein, undivided percentage ownership interests in the Receivables, together with Collections with respect thereto, from time to time.

SECTION 2.2. Transfers. Upon the terms and subject to the conditions

herein set forth, the Transferor may, prior to the Termination Date, convey, transfer and assign to the Agent, on behalf of the Banks, and the Banks shall, subject to the terms and conditions hereof, accept such conveyance, transfer and assignment from the Transferor, without recourse except as otherwise provided herein, undivided percentage ownership interests in Receivables, together with Collections with respect thereto (each, a "Transfer") from time to time for an

aggregate Transfer Price (less any amounts released from the Collection Account pursuant to Section 2.9(b) to fund all or a portion of any Transfer) not to exceed the Facility Limit; provided that in no event may there be more than one

Transfer per week, and no Transfer shall be made by the Transferor between two Business Days prior to any Remittance Date and the next succeeding March 15. The Transferor shall convey, transfer and assign to the Agent, on behalf of the Banks, undivided percentage ownership interests in Receivables by delivering to the Agent, not later than 1:00 p.m., Dallas, Texas time, on the third Business Day prior to the proposed date of transfer, notice of each Transfer in substantially the form of Exhibit C hereto (a "Transfer Notice"). Each Transfer

Notice shall specify (i) the Transfer Price based on an estimated Participation Rate, (ii) an initial estimate of the Discount relating to such Transfer based on an estimated Participation Rate, (iii) the date of such Transfer, (iv) the Tranche Period related thereto, (v) the aggregate outstanding balance of the Eligible Receivables as of the day of such notice and (vi) the estimated Percentage Factor after giving effect to such

Transfer. After giving effect to such Transfer, the Total Outstanding Investment plus the Discount Reserve shall not be greater than 80% of the aggregate outstanding balance of the Eligible Receivables. Promptly after 10:00 a.m., Dallas, Texas time, on the second Business Day prior to the date of a proposed Transfer, the Agent will notify the Transferor of the LIBOR (or the Adjusted Certificate of Deposit Rate, if applicable pursuant to Section 2.12) and the Participation Rate applicable to such Transfer, and the Transferor will notify the Agent in writing of the finalized Transfer Price and the finalized Percentage Factor. The finalized Transfer Price shall be an amount not in excess of the amount which, when added to the Total Outstanding Investment immediately prior to such Transfer, would cause the Total Outstanding Investment plus the Discount Reserve to be greater than 80% of the aggregate outstanding balance of the Eligible Receivables. The Transfer Price (net of any amounts released from the Collection Account pursuant to Section 2.9(b) to fund all or a portion of any Transfer) with respect to each Transfer shall not be less than \$5,000,000 and shall be in increments of \$500,000 in excess thereof. Each Transfer Notice shall be executed by a duly authorized officer of the Transferor. The Agent, on behalf of the Banks, shall accept such offer to convey, transfer and assign undivided percentage ownership interests in writing. The terms of each Transfer shall be as set forth herein and in the related Transfer Notice.

Promptly after receipt of a Transfer Notice, the Agent shall notify each Bank of the proposed Transfer (such notice to normally be given within two hours of receipt by the Agent). Each Bank shall make available to the Agent its pro rata share of the Transfer Price by remitting such funds to the Agent for credit to NationsBank of Texas, N.A., ABA No. 111000025, Attention: Commercial Loan Operations, Account No. 0180019828, Ref. Mattel Sales Inc., no later than 2:00 p.m., Dallas, Texas time on the date of such Transfer. The Agent shall make available to the Transferor on the date of such Transfer the aggregate of the amounts so made available by the Banks by causing an amount of same-day funds equal to such aggregate amount received by the Agent to be credited to the account of the Transferor at Bank of America National Trust and Savings Association (ABA No. 121000358, Account No. 1292000883, reference: Mattel Sales Receivables); provided that, upon prior written notice to the Agent, the

Transferor may at any time direct the Agent to credit such amounts to another account of the Transferor.

Each Transfer Notice shall be irrevocable and binding on the Transferor, and the Transferor shall indemnify the Agent and the Banks against any loss or expense incurred by the Agent or the Banks arising from or relating to any failure by the Transferor to complete such Transfer including, without limitation, any loss or expense incurred by the Agent or the Banks by reason of the liquidation or reemployment of funds acquired by the Banks in anticipation of funding such Transfer.

Each Transfer shall constitute a purchase of undivided percentage ownership interests in each and every Receivable, together with all Collections and Proceeds with respect thereto. The aggregate undivided percentage ownership interest of the Agent, on behalf of the Banks, in the Receivables, together with all Collections and Proceeds with respect thereto, shall equal the Percentage Factor in effect from time to time.

SECTION 2.3. Discount, Fees and Other Costs and Expenses. (a)

Notwithstanding any limitation on recourse contained herein, the Transferor shall pay to the Agent (i) on each Remittance Date and on each day thereafter until the Total Outstanding Investment has been reduced to zero, the amounts required pursuant to Section 7.4 hereof, and (ii) as and when due in accordance with this Agreement, all amounts payable pursuant to Article VIII hereof, if any.

(b) Notwithstanding any limitation on recourse contained in this Agreement, Mattel, Inc. and the Transferor, as appropriate, shall pay the following non-refundable fees calculated on the basis of the actual number of days elapsed divided by 360:

(i) on each Remittance Date occurring from the date of execution hereof, the Transferor shall pay the Commitment Fee; and

(ii) the Transferor shall pay to the Agent the fee referenced in that certain letter agreement, dated March 19, 1993, between the Transferor and the Agent.

(c) Nothing in this Agreement shall limit in any way the obligations of the Transferor to pay the amounts set forth in this Section 2.3.

SECTION 2.4. Settlement Procedures. On each Remittance Date and each

day thereafter until the Aggregate Unpaid have been paid in full, the Agent shall apply (i) amounts on deposit in the Collection Account pursuant to Section 2.6 or 7.3(h) and (ii) the Percentage Factor of all remaining amounts on deposit in the Collection Account in the following order of priority: first, in payment

of the accrued Discount for each Tranche Period, second, in payment of the

Commitment Fee, third, in payment of any additional Discount due pursuant to

Section 7.4, fourth, in payment of the aggregate of all other amounts then owed

(whether due or accrued) hereby by Transferor to the Banks or the Agent (other than the Total Outstanding Investment), and fifth, in reduction of the Total

Outstanding Investment. In the event that on any Remittance Date and any day thereafter, the Aggregate Unpaid have not been paid in full after giving effect to the preceding sentence, the Agent shall apply any other amounts on deposit in the Collection Account to the payment in full of the Aggregate Unpaid in accordance with the foregoing priority. Following the date on which the Total Outstanding Investment has been reduced to zero, all accrued Discount and applicable fees have been paid in full, all other Aggregate Unpaid have been paid in full and this Agreement shall have terminated pursuant to Section 11.1, (i) the Agent shall recompute the Percentage Factor, (ii) the Agent, on behalf of the Banks, shall be considered to have reconveyed to the Transferor any interest in the Receivables (including the Transferred Interest), (iii) the Agent shall release to the Transferor any remaining Collections held in the Collection Account pursuant to this Section 2.4 and (iv) the Agent, on behalf of the Banks, shall execute and deliver to the Transferor, such documents or instruments as are necessary to terminate the Agent's interest in the Receivables. Any such documents shall be prepared by or on behalf of the Transferor.

SECTION 2.5. Protection of Ownership Interest of the Banks. The

Transferor agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents and take all action necessary, and such other actions as may be reasonably

requested by the Agent, in order to perfect or protect the Transferred Interest or to enable the Agent to exercise or enforce any of its or any Bank's rights hereunder. Without limiting the foregoing, the Transferor will, in order to accurately reflect this purchase and sale transaction, execute and file such financing or continuation statements or amendments thereto or assignments thereof as are necessary or as may be requested by the Agent in order to protect, perfect and preserve the Transferred Interest of the Agent, and agrees to mark its master data processing records and other documents with a legend describing the purchase by the Agent, on behalf of the Banks, of the Transferred Interest. The Transferor shall, upon request of the Agent, obtain such additional search reports as the Agent shall reasonably request. To the fullest extent permitted by applicable Governmental Rule, the Agent shall be permitted to sign and file continuation statements and amendments thereto and assignments thereof without the Transferor's signature. Carbon, photographic or other reproduction of this Agreement or any financing statement shall be sufficient as a financing statement. The Transferor shall neither change its name, identity or corporate structure (within the meaning of Section 9-402(7) of the UCC as in effect in the State of California) nor relocate its chief executive office or any office where Records are kept unless it shall have: (i) given the Agent at least thirty (30) days' prior written notice thereof and (ii) prepared at Transferor's expense and delivered to the Agent all financing statements, instruments and other documents necessary to preserve, perfect and protect the Transferred Interest of the Agent or reasonably requested by the Agent in connection with such change or relocation. Any filings under the UCC or otherwise that are occasioned by such change in name or location shall be made at the expense of Transferor. As of the date hereof, the Transferor has instructed the Obligor to cause all Collections to be deposited directly into the Collection Account and the Transferor shall not change such arrangement unless the Agent shall have given its prior written consent thereto. If the Transferor receives any Collections or is deemed to receive any Collections pursuant to Section 2.6, the Transferor shall immediately remit such Collections to the Collection Account administered by the Agent for the benefit of the Banks.

SECTION 2.6. Deemed Collections; Application of Payments. (a) In

the event that on any day the outstanding balance of a Receivable is either (x) reduced as a result of any defective or returned merchandise, any cash discount or any adjustment by the Transferor, or (y) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), then within ten (10) days, either (i) the Servicer shall deliver a Weekly Report evidencing that the aggregate outstanding balance of Eligible Receivables is at least 125% of the Total Outstanding Investment and the Discount Reserve or (ii) the Transferor shall deposit to the credit of the Collection Account the amount of such reduction or cancellation and the Agent shall be considered to have reconveyed to the Transferor any interest in such Receivables (including the Transferred Interest therein). The Agent agrees that it shall execute and return to the Transferor such documents or instruments as are reasonably requested by the Transferor and necessary to terminate the Agent's interest on behalf of the Banks in such Receivables. Any such documents shall be prepared by or on behalf of the Transferor.

(b) In the event that on any day any of the representations or warranties in Article III is no longer true with respect to a Receivable, then within ten (10) days of such occurrence, either (i) the Transferor shall cure the breach of the applicable representation or warranty or (ii) the Servicer shall deliver a Weekly Report evidencing that the aggregate outstanding balance of Eligible Receivables (not including the aggregate outstanding balance of the Receivables subject to any such breach of a representation or warranty) is at least 125% of the Total Outstanding Investment and the Discount Reserve or (iii) the Transferor shall deposit to the credit of the Collection Account the outstanding balance of such Receivable in full and the Agent, on behalf of the Banks, shall be considered to have reconveyed to the Transferor any interest in such Receivables (including the Transferred Interest therein). The Agent agrees that it shall execute and return to the Transferor such documents or instruments as are reasonably requested by the Transferor and necessary to terminate the Agent's interest on behalf of the Banks in such Receivables. Any such documents shall be prepared by or on behalf of the Transferor.

SECTION 2.7. Payments and Computations, Etc. All amounts to be paid

or deposited by the Transferor hereunder shall be paid or deposited in accordance with the terms hereof no later than 1:00 p.m. (New York City time) on the day when due in immediately available funds; if such amounts are payable to the Agent, on behalf of the Banks, they shall be paid or deposited in the Collection Account, until otherwise notified by the Agent. The Transferor shall, to the extent permitted by Governmental Rule, pay to the Agent, for the benefit of the Banks, upon demand, interest on all amounts not paid or deposited when due to the Banks hereunder at a rate equal to the highest Participation Rate applicable to any Tranche then outstanding plus 2% or, if no Tranche is then outstanding, the Alternate Rate. All computations of discount, interest and all per annum fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed. Any computations by the Agent of amounts payable by the Transferor hereunder to the Banks or the Agent shall be binding absent manifest error. All payments made to the Agent in respect of the Total Outstanding Investment and Discount shall be made to the Agent for the account of the Banks pro rata based on their respective Percentages. The Agent shall promptly remit

to each Bank such Bank's pro rata share of such payments (such payments to normally be remitted within two hours of receipt by the Agent).

SECTION 2.8. Reports. At any time the Total Outstanding Investment

is greater than zero, commencing on the date hereof, and on each subsequent Monday (or, if such day is not a Business Day, the next succeeding Business Day) the Servicer shall prepare and forward to the Agent a Weekly Report for the preceding calendar week, and (ii) such other information as the Agent may reasonably request. On the second Business Day prior to each Remittance Date, the Transferor shall provide the Agent and each Bank with a certificate detailing the amount of Collections expected as of that Remittance Date, together with the Total Outstanding Investment and the Discount Reserve.

SECTION 2.9. Collection Account. (a) There shall be established on

the day of the initial Transfer hereunder and maintained, in the name of the Agent for the benefit of the Banks, a segregated account (the "Collection Account"), at NationsBank of Texas, N.A., bearing a designation clearly

indicating that the funds deposited therein are held for the benefit of the Banks.

(The wiring instructions for deposits to such account are: ABA No. 111000025, Account No. 1290154724.) Any interest and earnings (net of losses and investment expenses) on funds on deposit in the Collection Account shall be retained in the Collection Account and be available to make any payments required to be made hereunder (including Discount) to the Agent or the Banks. On the date on which the Total Outstanding Investment is zero and the Aggregate Unpays have been paid in full to the Banks, any funds remaining on deposit in the Collection Account shall be released to the Transferor in same-day funds.

(b) Close-Out Collections deposited to the credit of the Collection Account shall be retained in the Collection Account by the Agent until the earlier of (w) the next succeeding Remittance Date, at which time such amounts shall be applied pursuant to Section 2.4, and (x) the next succeeding Transfer Date, at which time the Agent shall release to the Transferor the amount of such Collections minus the Percentage Factor (as calculated as of the latest Transfer

Date) of such Collections. In the event that Collections of Close-Out Receivables are to be applied pursuant to clause (x) above, the Transferor may request that the Percentage Factor of such Collections be applied toward (i) all or a portion of the Transfer Price of the Transfer occurring on such Transfer Date (in which case such amounts shall be paid to the Transferor) or (ii) the reduction of the Total Outstanding Investment (in which case such amounts shall be paid to the Banks). In the case of any such reduction of the Total Outstanding Investment, the Agent shall, in its sole discretion, determine the Tranche(s) with respect to which such reduction shall be applied; provided

further, however, that in the case of any such reduction of the Total

Outstanding Investment, the Transferor agrees to reimburse each Bank and to hold each Bank harmless from any loss or expense which such Bank may sustain or incur as a consequence of such reduction of the Total Outstanding Investment, including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its funding hereunder or from fees payable to terminate the deposits from which such funds were obtained. This covenant shall survive the payment in full of the Aggregate Unpays.

SECTION 2.10. Deficiency Advances. No Bank shall be responsible for

any default of any other Bank in respect of such other Bank's obligation to fund any portion of a Transfer hereunder, nor shall the commitment of any Bank hereunder be increased as a result of such default by any other Bank. Without limiting the generality of the foregoing, in the event any Bank shall fail to advance funds as provided herein, the Agent may, in its discretion but shall not be obligated to, advance as a Bank all or any portion of such amount (the "Deficiency Advance") and shall thereafter be entitled to payments on such

Deficiency Advance in the same manner and at the same rate(s) to which such other Bank would have been entitled had it made such advance itself; provided

that, upon payment to the Agent from such other Bank of the entire outstanding amount of such Deficiency Advance, together with interest thereon, at the Participation Rate applicable to the related Tranche, then such payment shall be credited against the Agent's share of the Total Outstanding Investment in full payment of such Deficiency Advance. Acceptance by the Transferor of a Deficiency Advance from the Agent shall in no way limit the rights of the Transferor against the Bank failing to fund its pro rata portion (based on its

Percentage) of the Transfer Price of any Transfer hereunder.

SECTION 2.11. Adjustment of Facility Limit. (a) The Transferor

shall have the right, at any time and from time to time; to terminate in whole or permanently reduce in part, without premium or penalty, the Facility Limit; provided that the Facility Limit, as reduced, shall equal or exceed the Total

Outstanding Investment as of the date of such reduction.

(b) The Transferor shall give not less than three Business Days' prior written notice to the Agent designating the date (which shall be a Business Day) and the amount of such termination or reduction. Any partial reduction shall be in an aggregate minimum amount of \$10,000,000 and integral multiples of \$1,000,000 in excess of that amount. Promptly after receipt of a notice of such termination or partial reduction, the Agent shall notify each Bank and Bank of America National Trust and Savings Asssociation as agent under the Credit Agreements of the proposed termination or reduction. Such termination or reduction shall be effective on the date specified in the Transferor's notice and

shall terminate or reduce the dollar amount of each Bank's Bank Commitment.

SECTION 2.12. Inability to Determine LIBOR. If for any reason the

Reference Banks shall have determined that for any reason adequate and reasonable means do not exist for ascertaining LIBOR for any proposed Tranche Period, or if the Requisite Banks advise the Agent in writing that LIBOR for any proposed Tranche Period does not adequately and fairly reflect the cost to such Banks of funding the Total Outstanding Investment during such Tranche Period, the Agent will forthwith give notice of such determination to the Transferor and each Bank. In such event, the Participation Rate with respect to such proposed Tranche Period and related Tranche shall be determined by reference to the Adjusted Certificate of Deposit Rate. If for any reason the Reference Banks shall have determined that for any reason adequate and reasonable means do not exist for ascertaining the Adjusted Certificate of Deposit Rate for any proposed Tranche Period, or if the Requisite Banks advise the Agent in writing that the Adjusted Certificate of Deposit Rate for any proposed Tranche Period does not adequately and fairly reflect the cost to such Banks of funding the Total Outstanding Investment during such Tranche Period, the Agent will forthwith give notice of such determination to the Transferor and each Bank. In such event, the Participation Rate with respect to such proposed Tranche Period and related Tranche shall be determined by reference to the Base Rate.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

SECTION 3.1. Representations and Warranties of the Transferor. The

Transferor hereby represents and warrants to each of the Banks that:

(a) Perfection. Immediately preceding each Transfer hereunder, the

Transferor shall be the owner of all of the Receivables which are the subject of each such Transfer, free and clear of all liens, encumbrances, security interests, preferences or other security arrangements of any kind or nature whatsoever. On or prior to each Transfer, all financing statements and other documents required to be recorded or filed in order to perfect the Transferred Interest against all creditors and purchasers from the Transferor will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

(b) Accuracy of Information. All information heretofore furnished by

the Transferor to the Banks or the Agent for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Transferor to the Banks or the Agent will be, true and accurate in every material respect, on the date such information is stated or certified.

(c) Place of Business. The chief place of business and chief

executive office of the Transferor are located at the address of the Transferor indicated in Section 11.3, and the offices where the Transferor keeps its Records are located at the address of the Transferor indicated in Section 11.3 and listed on Exhibit F hereto or at such other locations notified to the Agent in accordance with Section 2.5 in jurisdictions where all action required by Section 2.5 has been taken and completed.

(d) Payments. The Obligor has, with respect to each Receivable, been

directed by the Transferor to remit all payments in respect of such Receivable

directly to the Collection Account administered by the Agent.

(e) Good Title. Upon each Transfer and each recomputation of the

Transferred Interest, the Agent, on behalf of the Banks, shall acquire a valid and perfected first priority undivided percentage ownership interest to the extent of the Transferred Interest or a first priority perfected security interest in each Receivable which exists on the date of such Transfer and recomputation and all Collections with respect thereto free and clear of any Adverse Claim.

(f) Tradenames, etc.. As of the date hereof: (i) the Transferor has

no subsidiaries or divisions; and (ii) the Transferor has not, within the last five (5) years, operated under any tradenames except as set forth on Exhibit G hereto and, within the last five (5) years, has not changed its name, merged with or into or consolidated with any other corporation or been the subject of any proceeding under Title 11 of the United States Code (Bankruptcy).

(g) No Termination Event. No event has occurred and is continuing,

and no condition exists, which constitutes a Termination Event.

(h) Organization and Powers. The Transferor is a corporation duly

organized, validly existing and in good standing under the laws of the State of California and has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and to enter into this Agreement and to carry out the transactions contemplated hereby and thereby.

(i) Good Standing. The Transferor is in good standing wherever

necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has or will have no Material Adverse Effect.

(j) Authorization. The execution, delivery and performance of this

Agreement have been duly authorized by all necessary corporate action by the Transferor.

(k) No Conflict. The execution, delivery and performance by the

Transferor of this Agreement do not and will not (a) violate the Certificate of Incorporation or Bylaws of the Transferor, (b) violate any provision of law applicable to the Transferor, or any material order, judgment or decree of any court or other agency of government binding on the Transferor, the violation of which would result in a Material Adverse Effect, (c) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Transferor, (d) result in or require the creation or imposition of any material lien, security interest, charge or encumbrance of any nature whatsoever upon any of its material properties or assets, other than Liens created in favor of the Agent, or (e) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of the Transferor.

(l) Governmental Consents. The execution, delivery and performance

by the Transferor of this Agreement, and each agreement, document, or instrument required hereunder do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Federal, state or other governmental authority or regulatory body or other such person.

(m) Binding Obligation. This Agreement when executed and delivered

will be the legally valid and binding obligation of the Transferor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(n) Changes, Etc. Since December 31, 1993 there has been no event or

events that have, either individually or in the aggregate, resulted in a Material Adverse Effect.

(o) Litigation; Adverse Facts. There is no action, suit, proceeding

or arbitration (whether or not purportedly on behalf of the Transferor) at law or in equity or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending

or, to the knowledge of the Transferor, threatened against or affecting the Transferor or any of the Transferor's properties which, in the reasonable judgment of the Transferor and its executive officers (assuming adverse determination of facts which the Transferor in good faith believes it would not successfully prove, and considering damages which in their best judgment is the maximum that would be awarded upon, and the likelihood of, an adverse determination of the claim or the amount which reflects their best judgment as to that required to be paid to settle the claims) would result in a Material Adverse Effect and there is no basis known to such executive officers for any such action, suit or proceeding. The Transferor is not (i) in violation of any applicable law which could result in a Material Adverse Effect, or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule or regulation of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in a Material Adverse Effect. There is no action, suit, proceeding or investigation pending or, to the knowledge of the Transferor, threatened against or affecting the Transferor which provides a reasonable basis for questioning the validity or the enforceability of this Agreement.

(p) Payment of Taxes. All tax returns and reports of the Transferor

required to be filed by any of them have been timely filed, and all taxes, assessments, fees and other governmental charges upon the Transferor and upon its respective properties, assets, income and franchises which are due and payable have been paid when due and payable or bonded against, except to the extent permitted by Section 6.3 of the Credit Agreements. The Transferor knows of no proposed tax assessment against it that would result in a Material Adverse Effect.

(q) Agreements. The Transferor is not a party to nor is it subject

to any material agreement or instrument or charter or other internal restriction which results in a Material Adverse Effect.

(r) Performance. The Transferor is not in default in the

performance, observance or fulfillment of any of the obligations, covenants or conditions

contained in any Contractual Obligation of the Transferor, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, except, in any such case, where the consequences, direct or indirect, of such default or defaults, if any, would not result in a Material Adverse Effect.

(s) Governmental Regulation. The Transferor is not subject to

regulation under the Public Utility Holding Transferor Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Transferor Act of 1940 or to any Federal or state statute or regulation limiting its ability to transfer interests in the Receivables hereunder.

(t) Employee Benefit Plans. The Transferor and each of its ERISA

Affiliates is in compliance in all material respects with any applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Pension Plans. Neither the Transferor nor any of its ERISA Affiliates has participated in or participates in any Multiemployer Plan the withdrawal from which may result in any liability to any party in an amount in excess of \$1,000,000.

(u) Disclosure. No representation or warranty of the Transferor

contained in this Agreement or any other document, certificate or written statement furnished to the Banks by the Transferor since January 1, 1994 for use in connection with the transactions contemplated by this Agreement as of the date of this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to the Transferor in the case of any document or fact not furnished by it) necessary in order to make the statements contained herein or therein not misleading except that any such statement or omission that was untrue or misleading at the time made or that subsequently became untrue or misleading has been superseded or corrected by information provided to the Banks prior to the date of this Agreement.

SECTION 3.2. Representations and Warranties of Mattel, Inc. Mattel,

Inc. represents and warrants to the Banks that:

(a) Servicing. Since January 4, 1994, there has been no material

change in the ability of Mattel, Inc. to service the Receivables.

(b) Organization and Powers. Mattel, Inc. is a corporation duly

organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and to enter into this Agreement and to carry out the transactions contemplated hereby and thereby.

(c) Good Standing. Mattel, Inc. is in good standing wherever

necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has or will have no Material Adverse Effect.

(d) Authorization. The execution, delivery and performance of this

Agreement have been duly authorized by all necessary corporate action by Mattel, Inc.

(e) No Conflict. The execution, delivery and performance by Mattel,

Inc. of this Agreement do not and will not (a) violate the Restated Certificate of Incorporation or Bylaws of Mattel, Inc., (b) violate any provision of law applicable to Mattel, Inc., or any material order, judgment or decree of any court or other agency of government binding on Mattel, Inc., the violation of which would result in a Material Adverse Effect, (c) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Mattel, Inc., (d) result in or require the creation or imposition of any material lien, security interest, charge or encumbrance of any nature whatsoever upon any of its material properties or assets, other than Liens created in favor of the Agent, or (e) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Mattel, Inc.

(f) Governmental Consents. The execution, delivery and performance

by Mattel, Inc. of this Agreement, and each agreement, document, or instrument required hereunder do not and will not require any

registration with, consent or approval of, or notice to, or other action to, with or by, any Federal, state or other governmental authority or regulatory body or other such person.

(g) Binding Obligation. This Agreement when executed and delivered

will be the legally valid and binding obligation of Mattel, Inc., enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(h) Financial Condition. Mattel, Inc. has heretofore delivered to

the Banks a consolidated balance sheet of Mattel, Inc. and its Subsidiaries for the fiscal year ended December 31, 1993 and related consolidated statements of income, shareholders' equity and changes in financial position of Mattel, Inc. and its Subsidiaries for such fiscal year, audited by Price Waterhouse. All such statements were prepared in accordance with GAAP and fairly present the consolidated financial position of Mattel, Inc. and its Subsidiaries as at the date thereof and the consolidated results of operations and statement of cash flow of Mattel, Inc. and its Subsidiaries for the period then ended. Neither Mattel, Inc. nor any of its Subsidiaries has any material Contingent Obligation, liability for taxes or long-term lease which as of the date of this Agreement, individually or in the aggregate, would, if it became absolute, result in a Material Adverse Effect which is not reflected in the foregoing statements or in the notes thereto.

(i) Changes, Etc. Since December 31, 1992 there has been no event or

events that have, either individually or in the aggregate, resulted in a Material Adverse Effect.

(j) Title to Properties. Mattel, Inc. and its Subsidiaries have

good, sufficient and legal title to all the properties and assets reflected in the consolidated balance sheet referred to in Section 5.8 of the Credit Agreements except as set forth in said balance sheet or in the notes thereto, except for assets acquired or disposed of in the ordinary course of business or as otherwise permitted by this Agreement or the Credit Agreements since December 31, 1993.

(k) Litigation; Adverse Facts. There is no action, suit, proceeding

or arbitration (whether or not purportedly on behalf of Mattel, Inc.) at law or in equity or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or, to the knowledge of Mattel, Inc., threatened against or affecting Mattel, Inc. or any of its Subsidiaries or any of Mattel, Inc.'s or such Subsidiaries' properties which, in the reasonable judgment of Mattel, Inc. and its executive officers (assuming adverse determination of facts which Mattel, Inc. in good faith believes it would not successfully prove, and considering damages which in their best judgment is the maximum that would be awarded upon, and the likelihood of, an adverse determination of the claim or the amount which reflects their best judgment as to that required to be paid to settle the claims) would result in a Material Adverse Effect and there is no basis known to such executive officers for any such action, suit or proceeding. Neither Mattel, Inc. nor any of its Subsidiaries is (i) in violation of any applicable law which could result in a Material Adverse Effect, or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule or regulation of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in a Material Adverse Effect. There is no action, suit, proceeding or investigation pending or, to the knowledge of Mattel, Inc., threatened against or affecting Mattel, Inc. or any of its Subsidiaries which provides a reasonable basis for questioning the validity or the enforceability of this Agreement.

(l) Payment of Taxes. All tax returns and reports of Mattel, Inc.

and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes, assessments, fees and other governmental charges upon Mattel, Inc. and its Subsidiaries and upon their respective properties, assets, income and franchises which are due and payable have been paid when due and payable or bonded against, except to the extent permitted by Section 6.3 of the Credit Agreements. Mattel, Inc. knows of no proposed tax assessment against it or any of its Subsidiaries that would result in a Material Adverse Effect.

(m) Agreements. Neither Mattel, Inc. nor any of its Subsidiaries is

a party to or is subject to any material agreement or instrument or charter or other internal restriction which results in a Material Adverse Effect.

(n) Performance. Neither Mattel, Inc. nor any of its Subsidiaries is

in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation of Mattel, Inc., and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, except, in any such case, where the consequences, direct or indirect, of such default or defaults, if any, would not result in a Material Adverse Effect.

(o) Governmental Regulation. Neither Mattel, Inc. nor any of its

Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940 or to any Federal or state statute or regulation limiting the Transferor's ability to transfer interests in the Receivables hereunder.

(p) Employee Benefit Plans. Mattel, Inc. and each of its ERISA

Affiliates is in compliance in all material respects with any applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Pension Plans. Neither Mattel, Inc. nor any of its ERISA Affiliates has participated in or participates in any Multiemployer Plan the withdrawal from which may result in any liability to any party in an amount in excess of \$1,000,000.

(q) Disclosure. No representation or warranty of Mattel, Inc.

contained in this Agreement or any other document, certificate or written statement furnished to the Banks by Mattel, Inc. since January 1, 1994 for use in connection with the transactions contemplated by this Agreement as of the date of this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to the officers of Mattel, Inc. in the case of any document or fact not furnished by it) necessary in order to make the statements contained herein or therein not misleading except

that any such statement or omission that was untrue or misleading at the time made or that subsequently became untrue or misleading has been superseded or corrected by information provided to the Banks prior to the date of this Agreement.

SECTION 3.3. Reaffirmation of Representations and Warranties. On

each day that a Transfer is made hereunder (a) the Transferor, by accepting the proceeds of such Transfer shall be deemed to have certified that (i) all representations and warranties described in Section 3.1 are correct on and as of such day as though made on and as of such day, and (ii) no event has occurred or is continuing or would result from any such Transfer, which constitutes a Termination Event or a Potential Termination Date and (b) Mattel, Inc. as Guarantor and as Servicer shall be deemed to have certified that (i) all representations and warranties described in Section 3.2 are correct on and as of such day as though made on and as of such day and (ii) if Mattel, Inc. is then the Servicer, that no event has occurred or is continuing or would result from any such Transfer, which constitutes, or with the passage of time or the giving of notice or both, would constitute a Servicer Default.

ARTICLE IV
CONDITIONS PRECEDENT

SECTION 4.1. Conditions to Closing. On or prior to the date of

execution hereof and prior to the effectiveness of this Agreement, the Transferor and the Guarantor shall have delivered to the Agent and the Banks originally executed copies of this Agreement, together with originals to the Agent and copies to the Banks of the following documents and instruments, all in form and substance acceptable to the Agent:

(a) a Certificate of the Secretary of Mattel, Inc. (i) certifying that, since March 19, 1993, there have been no changes in the Restated Certificate of Incorporation, by-laws and incumbency signatures of Mattel, Inc. (or, if changes have been made with respect thereto, specifying the nature of such changes and attaching copies thereof to such Certificate) and (ii) attaching copies of resolutions of the Board of Directors authorizing the execution, delivery and performance of this Agreement and related documents to which it is a party;

(b) good standing certificates of Mattel, Inc. from each of the Secretaries of State of Delaware and California, each to be dated a recent date prior to the Closing Date;

(c) a Certificate of the Secretary of the Transferor (i) certifying that, since March 19, 1993, there have been no changes in the Certificate of Incorporation, by-laws and incumbency signatures of the Transferor (or, if changed have been made with respect thereto, specifying the nature of such changes and attaching copies thereof to such Certificate) and (ii) attaching copies of resolutions of the Board of Directors authorizing the execution, delivery and performance of this Agreement and related documents to which it is a party;

(d) good standing certificate of the Transferor from the Secretary of State of California to be dated a recent date prior to the Closing Date;

(e) proper financing statements (Form UCC-1) naming the Transferor as the debtor/transferor and the Agent, as agent on behalf of the Banks, as purchaser or other similar instruments or documents as may be necessary or in the opinion of the Agent desirable under the UCC of all appropriate jurisdictions or any comparable Governmental Rule to perfect the ownership interest of the Agent, on behalf of the Banks, in all Receivables;

(f) certified copies of request for information or copies (Form UCC-11) (or a similar search report certified by parties acceptable to the Banks) dated a date reasonably near the date of the initial Transfer listing all effective financing statements which name the Transferor (under its present name and any previous name) as Debtor and which are filed in jurisdictions in which the filings were made pursuant to item (i) above together with copies of such financing statements (none of which shall cover any Receivables or Contracts);

(g) a favorable opinion of Robert J. Normile, counsel for the Transferor, in substantially the form of Exhibit I hereto and as to such other matters as the Agent may reasonably request;

(h) a favorable opinion of Robert J. Normile, counsel for the Guarantor, in substantially the form of Exhibit J hereto and as to such other matters as the Agent may reasonably request; and

(i) an executed copy of the Written Agreement.

ARTICLE V
COVENANTS

SECTION 5.1. Affirmative Covenants of the Transferor. At all times

for the term of this Agreement, unless the Requisite Banks shall otherwise consent in writing:

(a) Conduct of Business. The Transferor will carry on and conduct

its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and will do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and will maintain all requisite authority to conduct its business in each jurisdiction in which its business is presently conducted.

(b) Compliance with Governmental Rules. The Transferor will comply

with all Governmental Rules, writs, judgments, injunctions, decrees or awards to which it may become subject.

(c) Furnishing of Information and Inspection of Records. The

Transferor will furnish to the Agent and the Banks from time to time such information with respect to the Receivables as the Agent or the Banks may reasonably request, including, without limitation, listings identifying the outstanding balance for each Receivable. The Transferor will at any time and from time to time during regular business hours permit the Agent or the Banks, or their agents or representatives, (i) to examine and make copies of and abstracts from all Records and (ii) to visit the offices and properties of the Transferor for the purpose of examining such Records, and to discuss matters relating to the Receivables or the Transferor's performance hereunder with any of the officers, directors, employees, agents or independent public accountants of the Transferor having knowledge of such matters.

(d) Keeping of Records and Books of Account. The Transferor will

maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records

evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each Receivable). The Transferor will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(e) Performance and Compliance with Receivables and Contracts. The

Transferor will at its expense timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables.

(f) Credit and Collection Policies. The Transferor will comply in

all material respects with its Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Accounting Treatment. The Transferor shall report the

transactions contemplated by the Agreement on its financial statements as a sale of the Transferred Interest to the Agent on behalf of the Banks.

(h) Knowledge. Promptly upon any executive officer of the Transferor

obtaining knowledge of any condition or event which constitutes a Termination Event or Potential Termination Event or becoming aware that the Agent or any Bank has given any notice or taken any other action with respect to a claimed Termination Event or Potential Termination Event under this Agreement, the Transferor shall provide to the Agent an officer's certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given and the nature of such claimed Termination Event or Potential Termination Event, together with what action the Transferor has taken, is taking and proposes to take with respect thereto.

(i) Written Agreement. For so long as this Agreement is in effect,

and prior to the delivery by the Transferor of the initial Transfer Notice of each calendar year, the Transferor shall provide the Agent and

the Banks with a copy of a Written Agreement in the form of Exhibit A hereto, duly executed by the Transferor and the Obligor and appropriately revised to reflect the Remittance Date of such calendar year.

SECTION 5.2. Negative Covenants of the Transferor. At all times

during the term of this Agreement, unless the Requisite Banks shall otherwise consent in writing:

(a) No Sales, Liens, etc. Except as otherwise provided herein, the

Transferor will not sell, assign (by operation of Governmental Rule or otherwise) or otherwise dispose of, or create or knowingly suffer to exist any Adverse Claim upon (or the filing of any financing statement) or with respect to, any Receivable, or upon or with respect to any account to which any Collections of any Receivable are sent.

(b) Extension or Amendment of Receivables. The Transferor will not

extend the term of any Receivable beyond the Remittance Date next succeeding the date such Receivable was created. The Transferor will not amend or modify any Receivable or amend, modify or waive any term or condition of any Contract related thereto except in accordance with its normal business practices as reflected in the Credit and Collection Policy.

(c) No Change in Business or Credit and Collection Policy. The

Transferor will not make any change in the character of its business or in the Credit and Collection Policy without the prior written consent of the Agent at the written direction of the Requisite Banks.

(d) No Modification of Written Agreement. The Transferor will not

amend, supplement, alter or otherwise modify the Written Agreement.

SECTION 5.3. Affirmative Covenants of Mattel, Inc. At all times

during the term of this Agreement, unless the Requisite Banks shall otherwise consent in writing:

(a) Financial Information. Mattel, Inc. will maintain a system of

accounting established and

administered in accordance with generally accepted accounting principles, and will furnish to the Agent and the Banks:

(i) as soon as practicable and in any event not later than forty-five (45) days after the end of each of the first three (3) fiscal quarters of Mattel, Inc., consolidated balance sheets of Mattel, Inc. and its Subsidiaries as at the end of such period and for the fiscal year to date and the related consolidated and consolidating statements of income, consolidated statements of stockholders' equity and consolidated statements of cash flow all in reasonable detail and certified by the Chief Financial Officer or the Treasurer of Mattel, Inc. that the consolidated statements (and to the best of his belief, the consolidating statements) and other materials required by this clause (a)(i) fairly present the financial condition of Mattel, Inc. and its Subsidiaries as at the dates indicated and the results of their operations for the periods indicated, subject to changes resulting from year-end audit and normal year-end adjustments;

(ii) as soon as practicable and in any event not later than ninety (90) days after the end of each fiscal year of Mattel, Inc., consolidated and consolidating balance sheets of Mattel, Inc. and its Subsidiaries as at the end of such year (such consolidating statements shall specifically detail the Transferor) and the related consolidated (and, as to statements of income only, consolidated and consolidating) statements of income, stockholders' equity and cash flow of Mattel, Inc. and its Subsidiaries for such fiscal year, setting forth in each case, in comparative form, the consolidated figures for the previous year, all in reasonable detail and (x) in the case of such consolidated financial statements, accompanied by a report thereon of Price Waterhouse or other independent accountants of recognized national standing selected by Mattel, Inc., which report shall state that such consolidated financial statements present fairly the financial position of Mattel, Inc. and its Subsidiaries as at the dates indicated and the results of their operations and their cash flow for the periods indicated in conformity with generally accepted

accounting principles and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards and (y) in the case of such consolidating financial statements, certified by the chief financial or accounting officer of Mattel, Inc.; and

(iii) together with each delivery of financial statements of Mattel, Inc. and its Subsidiaries as provided above in clauses (i) and (ii), an officer's certificate stating that the signers thereof have reviewed the terms of this Agreement and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of Mattel, Inc. and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and the signers do not have knowledge of the existence as of the date of such officer's certificate, of any condition or event which constitutes a Termination Event or Potential Termination Event or, if any such condition or event existed or exists, specifying the nature and period of existence thereof.

(b) Conduct of Business. Mattel, Inc. will carry on and conduct its

business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and will do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and will maintain all requisite authority to conduct its business in each jurisdiction in which its business is presently conducted.

(c) Compliance with Governmental Rule. Mattel, Inc. will comply with

all Governmental Rules, writs, judgments, injunctions, decrees or awards to which it may become subject.

(d) Furnishing of Information and Inspection of Records. Mattel,

Inc. will furnish to the Agent from time to time such information with respect to its obligations as Guarantor and Servicer hereunder as may be

reasonably requested by the Agent. Mattel, Inc. will at any time and from time to time during regular business hours permit the Agent, or its agents or representatives, (i) to examine and make copies of and abstracts from all Records and (ii) to visit the offices and properties of Mattel, Inc. for the purpose of examining such Records, and to discuss matters relating to the Receivables or Mattel, Inc.'s performance hereunder as Guarantor and as Servicer, as the case may be, with any of the officers, directors, employees, agents or independent public accounts of Mattel, Inc. having knowledge of such matters.

(e) Keeping of Records and Books of Account. Mattel, Inc. will

maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each Receivable). Mattel, Inc. will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(f) Knowledge. Promptly upon any executive officer of Mattel, Inc.

obtaining knowledge of any condition or event which constitutes a Termination Event or Potential Termination Event or becoming aware that the Agent or any Bank has given any notice or taken any other action with respect to a claimed Termination Event or Potential Termination Event under this Agreement, Mattel, Inc. shall provide to the Agent an officer's certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given and the nature of such claimed Termination Event or Potential Termination Event, together with what action Mattel, Inc. has taken, is taking and proposes to take with respect thereto.

ARTICLE VI
ADMINISTRATION AND COLLECTIONS

SECTION 6.1. Appointment of Servicer. The servicing and

administering of the Receivables shall be conducted by the Servicer. Until the Agent gives notice to the Transferor of the designation of a new Servicer, Mattel, Inc. is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. On and after the occurrence of a Servicer Default, the Agent, on behalf of the Banks, may designate as Servicer any Person (including the Agent) to succeed Mattel, Inc. or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

SECTION 6.2. Duties of Servicer and Agent. (a) The Servicer shall

take or cause to be taken all such action as may be necessary or advisable to facilitate the collection of each Receivable from time to time, all in accordance with applicable Governmental Rules, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. Each of the Transferor, the Agent and the Banks hereby appoints as its agent the Servicer, from time to time designated pursuant to Section 6.1, to enforce its respective rights and interests in and under the Receivables and the Contracts. Neither the Transferor nor the Servicer may extend the maturity of any Receivable beyond the Remittance Date next succeeding the date of creation of such Receivable. The Transferor shall deliver to the Servicer, and the Servicer shall hold in trust for the Transferor and the Agent in accordance with their respective interests, all Records which evidence or relate to any Receivables. Notwithstanding anything to the contrary contained herein, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action to enforce collection of any Receivable. In the event that the Obligor defaults in the performance of the Written Agreement and the Servicer fails to take action with respect to the Obligor as directed by the Agent pursuant to the preceding sentence, notwithstanding anything to the contrary contained herein, the Agent shall have the absolute and unlimited right

to take any and all steps in the Transferor's name and on behalf of the Transferor necessary or desirable, in the determination of the Requisite Banks, to collect all amounts due under any and all Receivables including, without limitation, endorsing the Transferor's name on checks and other instruments representing Collections and enforcing such Receivables and the Written Agreement.

(b) The Agent shall, as soon as practicable following receipt thereof, turn over to the Transferor any collections of any indebtedness of the Obligor which is not a Receivable.

(c) On and after the occurrence of a Servicer Default, the Agent shall have the right to require the Servicer to cause a firm of independent public accountants (who may also render other services to the Servicer or the Transferor) to furnish a report to the Agent to the effect that they have (i) compared the information contained in the Transfer Notices and the Weekly Reports with the information contained in the Records and the Servicer's records and computer systems for such period, and that, on the basis of such examination and comparison, such firm is of the opinion that the information contained in such Transfer Notices and Weekly Reports reconciles with the information contained in the Receivables and the Servicer's records and computer system and that the servicing of the Receivables has been conducted in compliance with this Agreement, (ii) confirmed the Eligible Receivables balance as set forth on such Transfer Notices and Weekly Reports, and (iii) confirmed that the Receivables treated by the Agent as Eligible Receivables in fact satisfied the requirements of the definition thereof contained herein, except, in each case for (a) such exceptions as such firm shall believe to be immaterial (which exceptions need not be enumerated) and (b) such other exceptions as shall be set forth in such statement.

SECTION 6.3. Rights After Designation of New Servicer. At any time

following the designation of a Servicer pursuant to Section 6.1:

(i) The Transferor shall, at the Agent's request and at the Transferor's expense, give notice of the Banks' ownership of Receivables to the Obligor and direct that payments be made directly to the

Agent or its designee or designate a new Collection Account.

(ii) The Transferor shall, at the Agent's request, (A) assemble all of the Records, and shall make the same available to the Agent at a place selected by the Agent or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Receivables in a manner reasonably acceptable to the Agent and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(iii) The Transferor hereby authorizes the Agent to take any and all reasonable steps in the Transferor's name and on behalf of the Transferor necessary or desirable, in the determination of the Agent, to collect all amounts due under any and all Receivables including, without limitation, endorsing the Transferor's name on checks and other instruments representing Collections and enforcing such Receivables and the Written Agreement.

SECTION 6.4. Responsibilities of the Transferor. Anything herein to

the contrary notwithstanding, the Transferor shall (i) perform all of its obligations under the Contracts related to the Receivables to the same extent as if interests in such Receivables had not been sold hereunder and the exercise by the Agent of its rights hereunder shall not relieve the Transferor from such obligations and (ii) pay when due any taxes, including without limitation, any sales taxes payable in connection with the Receivables and their creation and satisfaction. Neither the Agent nor the Banks shall have any obligation or liability with respect to any Receivable or related Contracts, nor shall they be obligated to perform any of the obligations of the Transferor thereunder.

ARTICLE VII
SERVICER DEFAULT AND TERMINATION EVENTS

SECTION 7.1. Servicer Default. The occurrence of any one or more of

the following events shall constitute a default by the Servicer hereunder (each, a "Servicer Default"):

(a) (i) the Servicer shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in this Section 7.1) and such failure shall remain unremedied for ten (10) Business Days or (ii) the Servicer shall fail to make any payment or deposit to be made by it hereunder when due; or

(b) any representation, warranty, certification or statement made by the Servicer in this Agreement or in any other document delivered pursuant hereto shall prove to have been incorrect in any material respect when made or deemed made; or

(c) the Agent, on behalf of the Banks, shall fail to have a valid and perfected first priority ownership or security interest in and to the Receivables; or

(d) any Event of Bankruptcy shall occur with respect to the Servicer;
or

(e) the Servicer shall merge with or into any entity whereby it is not the surviving entity; or

(f) [reserved]

(g) an event of acceleration with respect to any indebtedness in excess of \$10,000,000 under any agreement to which the Servicer or any one of its domestic subsidiaries is a party occurs.

SECTION 7.2. Servicer Default Remedies. If a Servicer Default

occurs, the Agent shall, upon written request of the Requisite Banks, by notice to the Transferor, terminate the Servicer's rights as Servicer hereunder and appoint a successor Servicer (which successor Servicer may be itself).

SECTION 7.3. Termination Events. The occurrence of any one or more

of the following events shall constitute a Termination Event hereunder:

(a) the occurrence of a Servicer Default; or

(b) the Transferor or the Guarantor shall fail to make any payment or deposit required to be made by it hereunder when due; or

(c) any Event of Bankruptcy shall occur with respect to the Transferor or the Guarantor; or

(d) the material breach of any representation or warranty contained herein, or the failure to comply with any material covenant contained herein, by the Transferor or the Guarantor; or

(e) the Agent, on behalf of the Banks, shall fail to have a valid and perfected first priority ownership or security interest in and to the Receivables; or

(f) the Transferor or the Guarantor shall merge with or into any entity whereby it is not the surviving entity; provided that the merger of the

Transferor or the Guarantor with or into the other shall not constitute a Termination Event under this Section 7.3(f); or

(g) any material adverse change in the operations of the Transferor or the Guarantor, or any other event which materially affects the ability of the Transferor or the Guarantor to perform its obligations hereunder; or

(h) at any time the Percentage Factor exceeds 80% unless the Transferor, within ten (10) days of such occurrence, either (i) deposits into the Collection Account an amount equal to the amount by which the Total Outstanding Investment plus the Discount Reserve exceeds 80% of the aggregate

outstanding balance of Eligible Receivables or (ii) otherwise reduces the Percentage Factor to less than or equal to 80%; or

(i) the second highest short-term unsecured debt rating assigned to the Obligor by S&P, Moody's or Duff falls below "A-1", "P-1" or "D-1", respectively, or the second highest long-term senior unsecured debt rating assigned to the Obligor by S&P, Moody's or Duff falls below "A-", "A3" or "A-", respectively; or

(j) the Obligor fails to remit full payment in respect of the Receivables on any Remittance Date to the Collection Account; or

(k) the occurrence of an event of acceleration with respect to any indebtedness in excess of \$10,000,000 under any agreement to which the Guarantor or any one of its domestic subsidiaries is a party; or

(l) the occurrence of an Event of Default (as defined in the Credit Agreements) under the Credit Agreements.

SECTION 7.4. Termination Event Remedies. Upon the occurrence of a

Termination Event described in clause (c) or (e) of Section 7.3 above, all outstanding Tranches shall thereafter accrue additional Discount at a rate equal to the difference, for each respective Tranche, between (x) the highest Participation Rate applicable to any Tranche plus 2% and (y) the Participation Rate applicable to such Tranche at the time of such Termination Event, and the commitment of the Banks to purchase undivided interests in the Receivables from the Transferor shall automatically terminate. Upon the occurrence of a Termination Event other than an event described in clause (c) or (e) of Section 7.3, the Agent, upon the written request of the Requisite Banks, shall, by written notice to the Transferor, the Guarantor and the Banks, (a "Notice of

Termination") (i) specify that additional Discount with respect for each

outstanding Tranche shall thereafter accrue as described in this Section 7.4 and/or (ii) terminate the commitment of the Banks to purchase undivided interests in the Receivables from the Transferor. In the event that any Total Outstanding Investment remains unpaid on and after any Remittance Date, such Total Outstanding Investment will thereafter accrue Discount at the Alternate Rate until paid in full.

SECTION 7.5. Potential Termination Event Remedies. Upon the

occurrence of a Potential Termination

Event, the Agent, upon the written request of the Requisite Banks shall, by notice to the Transferor, terminate the commitment of the Banks to purchase undivided interests in the Receivables from the Transferor.

ARTICLE VIII
INDEMNIFICATION; EXPENSES; RELATED MATTERS

SECTION 8.1. Indemnities by the Transferor. Without limiting any

other rights which the Agent or the Banks may have hereunder or under applicable
Governmental Rule, the Transferor hereby agrees to indemnify the Agent and the
Banks and any permitted assigns and their respective officers, directors and
employees (collectively, "Indemnified Parties") from and against any and all

damages, losses, claims, liabilities, costs and expenses, including reasonable
attorneys' fees (which such attorneys may be employees of the Agent or any one
of the Banks) and disbursements (all of the foregoing being collectively
referred to as "Indemnified Amounts") awarded against or incurred by any of them

arising out of or as a result of this Agreement or the ownership, either
directly or indirectly, by the Agent or the Banks of a Transferred Interest,
excluding, however, (i) Indemnified Amounts to the extent resulting from gross
negligence or willful misconduct on the part of an Indemnified Party or (ii)
recourse (except as otherwise specifically provided in this Agreement) for
uncollectible Receivables. Without limiting the generality of the foregoing,
the Transferor shall indemnify each Indemnified Party for Indemnified Amounts
relating to or resulting from:

(i) reliance on any material representation or warranty made by
the Transferor or Mattel, Inc. (or any officers of the Transferor or
Mattel, Inc.) under or in connection with this Agreement, any Transfer
Notice, Weekly Report or any other information or report delivered by the
Transferor or Mattel, Inc. pursuant hereto, which shall have been false or
incorrect in any material respect when made or deemed made; or

(ii) the failure by the Transferor to comply with any applicable
Governmental Rule with respect to any Receivable or the related Contract,
or the nonconformity of any Receivable or the related Contract with any
such applicable Governmental Rule; or

(iii) the failure to vest and maintain vested in the Agent, on
behalf of the Banks, an

undivided percentage ownership interest, to the extent of a Transferred Interest, in the Receivables included in such Transferred Interest, free and clear of any Adverse Claim; or

(iv) the failure to file by the Transferor, or any delay in filing by the Transferor, any required financing statements, continuation statements, or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable Governmental Rules with respect to any Receivable included in a Transferred Interest; or

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable included in the Transferred Interest (including, without limitation, a defense based on such Receivable or the related Contract not being legal, valid and binding obligation of the Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of merchandise related to such Receivable or the furnishing or failure to furnish such merchandise; or

(vi) any failure of Mattel, Inc., as Servicer or otherwise, to perform its duties or obligations in accordance with the provisions of Article VI; or

(vii) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with merchandise or services which are the subject of any Receivable.

SECTION 8.2. Indemnity for Taxes, Reserves and Expenses. (a) If

after the date hereof, the adoption of any Governmental Rule or bank regulatory guideline or any amendment or change in the interpretation of any existing or future Governmental Rule or bank regulatory guideline by any Governmental Person charged with the administration, interpretation or application thereof, or the compliance with any directive of any Governmental Person (in the case of any bank regulatory guideline, whether or not having the force of Governmental Rule):

(i) shall subject any Indemnified Party to any tax, duty or other charge with respect to this Agreement, any Transferred Interest, the Receivables or payments of amounts due hereunder, or shall change the basis of taxation of payments to any Indemnified Party of amounts payable in respect of this Agreement, any Transferred Interest, the Receivables or payments of amounts due hereunder or otherwise in respect of this Agreement, any Transferred Interest or the Receivables (except for changes in the rate of general corporate, franchise, net income or other income tax imposed on such Indemnified Party by the jurisdiction in which such Indemnified Party's principal executive office or any funding office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, any Indemnified Party or shall impose on any Indemnified Party or on the United States market for certificates of deposit or the Eurodollar interbank market any other condition affecting this Agreement, any Transferred Interest, the Receivables or payments of amounts due hereunder or otherwise in respect of this Agreement, any Transferred Interest or the Receivables; or

(iii) imposes upon any Indemnified Party any other expense (including, without limitation, reasonable attorneys' fees and expenses, and expenses of litigation or preparation therefor in contesting any of the foregoing) with respect to this Agreement, any Transferred Interest, the Receivables or payments of amounts due hereunder or otherwise in respect of this Agreement, the Transferred Interests or the Receivables, and the result of any of the foregoing is to increase the cost to such Indemnified Party with respect to this Agreement, any Transferred Interest, the Receivables, the obligations hereunder, or the funding of any purchases hereunder, by an amount deemed by such Indemnified Party to be material, then, within ten (10) days after demand by the Agent, the Transferor shall pay

to such Indemnified Party such additional amount or amounts as will compensate such Indemnified Party for such increased cost.

(b) If any Indemnified Party shall have determined that after the date hereof, the adoption of any applicable Governmental Rule or bank regulatory guideline regarding capital adequacy, or any change therein, or any change in the interpretation thereof by any Governmental Person, or any directive regarding capital adequacy (in the case of any bank regulatory guideline, whether or not having the force of Governmental Rule) of any such Governmental Person, has or would have the effect of reducing the rate of return on capital of such Indemnified Party (or its parent) as a consequence of such Indemnified Party's obligations hereunder or with respect hereto to a level below that which such Indemnified Party (or its parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Indemnified Party to be material, then from time to time, within ten (10) days after demand by such Indemnified Party, the Transferor shall pay to such Indemnified Party such additional amount or amounts as will compensate such Indemnified Party (or its parent) for such reduction.

(c) Each Bank will promptly notify the Agent, and the Agent will promptly notify the Transferor of any event of which such Bank has knowledge, occurring after the date hereof, which will entitle an Indemnified Party to compensation pursuant to this Section. Any notice by the Agent, acting on behalf of a Bank, claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attributing methods.

SECTION 8.3. Other Costs, Expenses and Related Matters. The

Transferor agrees, upon receipt of a written invoice, to pay or cause to be paid, and to save the Agent harmless against liability for the payment of, all reasonable out-of-pocket expenses (including, without limitation, attorneys', accountant's and other third parties' fees and expenses, any filing fees and expenses incurred by officers or employees of the Agent) incurred

by or on behalf of the Agent (i) in connection with the negotiation, execution, delivery and preparation of this Agreement and any documents or instruments delivered pursuant hereto and the transactions contemplated hereby (including, without limitation, the perfection or protection of the Transferred Interest) and (ii) from time to time (a) relating to any amendments, waivers or consents under this Agreement, (b) arising in connection with the Agent's or their agents' enforcement or preservation of rights (including, without limitation, the perfection and protection of the Transferred Interest under this Agreement), or (c) arising in connection with any audit, dispute, disagreement, litigation or preparation for litigation involving this Agreement (all of such amounts, collectively, "Transaction Costs").

SECTION 8.4. Reconveyance Under Certain Circumstances. The

Transferor agrees to accept the reconveyance from the Agent, on behalf of the Banks, of the Transferred Interest if the Agent notifies the Transferor of a material breach of any representation or warranty made or deemed made pursuant to Article III of this Agreement, and Transferor shall fail to cure such breach within ten (10) days (or, in the case of the representations and warranties in Sections 3.1(a) and 3.1(e), five (5) days) of such notice. The reconveyance price (which shall be an amount equal to the Aggregate Unpaid) shall be paid by the Transferor directly to the Agent for the account of the Banks (and not to the Collection Account) in immediately available funds on such tenth day (or fifth day, if applicable).

ARTICLE IX
THE AGENT

SECTION 9.1. Appointment. Each Bank hereby irrevocably designates

and appoints NationsBank of Texas, N.A., as the Agent of the Banks under this Agreement, and each of the Banks hereby irrevocably authorizes NationsBank of Texas, N.A., as the Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and to exercise such powers as are expressly delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any of the Banks, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent.

SECTION 9.2. Attorneys-in-fact. The Agent may execute any of its

duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the gross negligence or willful misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 9.3. Limitation on Liability. Neither the Agent nor any of

its officers, directors, employees, agents or attorneys-in-fact shall be liable to the Banks for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement except for its or their own gross negligence or willful misconduct. Neither the Agent nor any of its affiliates shall be responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Transferor, the Servicer or the Guarantor, or any officer or partner thereof contained in this Agreement, or in any certificate, report, statement or other document referred to or provided for in or received by the Agent under or in connection with this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or for any failure of the Transferor, the Servicer or the Guarantor to perform their obligations thereunder.

The Agent shall not be under any obligation to any of the Banks to ascertain or to inquire as to the observance or performance of any of the terms, covenants or conditions of this Agreement on the part of the Transferor, the Servicer or the Guarantor or to inspect the properties, books or records of the Transferor, the Servicer or the Guarantor.

SECTION 9.4. Reliance. The Agent shall be entitled to rely, and

shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, teletype or telex message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Transferor, the Servicer or the Guarantor), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive advice or concurrence of the Requisite Banks as provided in this Agreement (or from all of the Banks if so specified herein) or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Requisite Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks.

SECTION 9.5. Notice of Termination Event. The Agent shall not be

deemed to have knowledge or notice of the occurrence of any Termination Event or Servicer Default hereunder unless the Agent has received written notice from a Bank, the Transferor, the Servicer or the Guarantor, describing such Termination Event or Servicer Default. In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Banks and Bank of America National Trust and Savings Association as agent under the Credit Agreements. Except as otherwise provided herein, the Agent shall take such action to enforce this Agreement as shall be directed by the Requisite Banks. In the event that any remedy is

exercised pursuant to Section 7.4 of this Agreement, each Bank and the Agent shall pursue remedies designated by the Requisite Banks to the same extent as though such demand was caused by the action of all Banks, and each Bank agrees to act as expeditiously as possible so as to maximize recovery. Each Bank agrees that no Bank shall have any right individually to take action with respect to the Transferred Interest, it being understood and agreed that such rights and remedies with respect to any portion of the Transferred Interest may be exercised by the Agent as directed by the Requisite Banks for the ratable benefit of the Banks.

SECTION 9.6. No Representations. Each Bank expressly acknowledges

that neither the Agent nor any of its affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of the Transferor or the Guarantor, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the financial condition, creditworthiness, affairs, status and nature of the Transferor and the Guarantor and made its own decision to enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and to make such investigation as its deems necessary to inform itself as to the status and affairs, financial or otherwise, of the Transferor and the Guarantor. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Transferor and the Guarantor which may come into the possession of the Agent or any of its affiliates.

SECTION 9.7. Indemnification. The Banks agree to indemnify the Agent

in its capacity as such (to the extent not reimbursed by the Transferor or the Guarantor

and without limiting any obligations of the Transferor or the Guarantor so to do, ratably according to their respective Percentages as then in effect) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time (including without limitation at any time following the payment of the Aggregate Unpaid) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other document contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Bank shall be

liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the termination of this Agreement.

SECTION 9.8. Bank. The Agent and its affiliates may make loans to,

accept deposits from and generally engage in any kind of business with the Obligor, the Transferor and the Guarantor as though it were not the Agent hereunder. With respect to its loans made or renewed by it and any note issued to it, the Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity.

SECTION 9.9. Resignation. If the Agent shall resign as Agent under

this Agreement, then the Requisite Banks may appoint a successor Agent for the Banks, which shall be a commercial bank organized under the Governmental Rules of the United States or any state thereof, having a combined surplus and capital of not less than \$500,000,000, whereupon such successor Agent shall succeed to the rights, powers and duties of the former Agent and the obligations of the former Agent shall be terminated and cancelled, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement; provided, however, that the former Agent's resignation shall not

become effective until such successor Agent has been appointed and has

succeeded of record to all right, title and interest of the former Agent in the Receivables; provided, further however, if the Requisite Banks cannot agree as

to a successor Agent within ninety (90) days after such resignation, the Agent shall appoint a successor Agent and the parties hereto agree to execute whatever documents are necessary to effect such action under this Agreement or any other document executed pursuant to this Agreement; provided, however, in such event

all provisions of this Agreement shall remain in full force and effect. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 9.10. Sharing of Payments, etc. The Banks agree that (i)

with respect to all amounts received by each of them with respect to the Aggregate Unpaid, whether in the nature of a return of any investment or discount, or amounts due to a particular Bank in respect of any commitment fees or facility fees hereunder, equitable adjustment will be made so that, in effect, all such amounts will be shared among the Banks in proportion to the portion of the Aggregate Unpaid due each Bank, whether received by voluntary payment, or by the exercise of the right of set-off or banker's lien or secured claims under the Bankruptcy Code as now or hereafter amended, altered, modified or replaced, by counterclaim or cross-action or by the enforcement of this Agreement; (ii) if any of them shall exercise any right of counterclaim, set-off, banker's lien or otherwise or as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code, receives payment or reduction of any amounts due to such Bank hereunder, which is greater than the proportion received by any other Bank in respect of the amounts due hereunder to such other Bank, then the Bank receiving such proportionately greater payment shall (x) notify each other Bank and the Agent of such receipt and (y) purchase participations (which it shall be deemed to have done simultaneously upon the receipt of such payment) in the amounts due hereunder to the other Banks so that all such recoveries of amounts due hereunder shall be shared by the Banks in proportion to the amounts due them hereunder; provided that the foregoing

provisions shall not apply to any such amount received by a foreign branch, subsidiary or affiliate of any Bank which is applied by that Bank to the payment of any

indebtedness of a foreign subsidiary. If all or any portion of such payment is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

SECTION 9.11. Independent Agreements. The provisions contained in

Sections 9.1 through 9.8 and 9.10 of this Article IX constitute independent obligations and agreements of the Agent and the Banks, and the Transferor and the Guarantor shall not be deemed parties thereto nor bound thereby. The Transferor and the Guarantor do acknowledge the rights of the Banks and the Agent under Section 9.8.

ARTICLE X
GUARANTY

SECTION 10.1. Guaranty of Obligations. For valuable consideration,

the Guarantor unconditionally, absolutely and irrevocably guarantees and promises to pay to the Agent, or order, on demand, in lawful money of the United States and in immediately available funds, any and all present or future payment and performance obligations of the Transferor hereunder owing to the Agent and the Banks. The phrase "payment and performance obligations of the Transferor" (hereinafter collectively referred to as the "Obligations") is used herein in its most comprehensive sense and includes any and all advances, debts, obligations, and liabilities of the Transferor, now, or hereafter made, incurred, or created, whether voluntarily or involuntarily, and however arising, including, without limitation, any and all attorneys' fees, costs, premiums, charges, or interest owed by the Transferor to the Agent and/or the Banks, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether the Transferor may be liable individually or jointly with others, whether recovery upon such indebtedness may be or hereafter becomes barred by any statute of limitations or whether such indebtedness may be or hereafter become otherwise unenforceable.

SECTION 10.2. Guaranty Continuing. This guaranty is a continuing

guaranty which relates to any Obligations, including those which arise under successive transactions which shall either cause the Transferor to incur new Obligations, continue the Obligations from time to time, or renew them after they have been satisfied. The Guarantor agrees that nothing shall discharge or satisfy its obligations created hereunder except for the full payment of the Obligations with interest as applicable. Any payment by the Guarantor shall not reduce its maximum obligation hereunder.

SECTION 10.3. Guarantor Directly Liable. The Guarantor agrees that

it is directly and primarily liable to the Agent for the benefit of the Banks, that its obligations hereunder are independent of the Obligations of the Transferor, or of any other guarantor, and that a separate action or actions may be brought and prosecuted against the Guarantor, whether action is brought against

the Transferor or whether the Transferor is joined in any such action or actions. The Guarantor agrees that any releases which may be given by the Agent and the Banks to the Transferor or any other guarantor shall not release it from this Guaranty.

SECTION 10.4. No Impairment. The obligations of the Guarantor under

this Guaranty shall not be affected, modified or impaired upon the occurrence from time to time of any of the following, whether or not with notice to or the consent of the Guarantor:

(a) the compromise, settlement, change, modification, amendment (whether material or otherwise) or partial termination of any or all of the Obligations;

(b) the failure to give notice to the Guarantor of the occurrence of any Termination Event or Servicer Default under the terms and provisions of this Agreement;

(c) the waiver of the payment, performance or observance of any of the Obligations;

(d) the taking or omitting to take any actions referred to in this Agreement or of any action under this guaranty;

(e) any failure, omission or delay on the part of the Agent and/or the Banks to enforce, assert or exercise any right, power or remedy conferred in this Agreement or any other indulgence or similar act on the part of the Agent and/or the Banks in good faith and in compliance with applicable law;

(f) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets, receivership, insolvency, bankruptcy, assignment for the benefit of creditors or readjustment of, or other similar proceedings which affect the Guarantor, any other guarantor of any of the Obligations of the Transferor or any of the assets of any of them, or any allegation of invalidity or contest of the validity of this Guaranty in any such proceeding; or

(g) to the extent permitted by law, the release or discharge of any other guarantors of the Obligations from the performance or observance of any obligation, covenant or agreement contained in any guaranties of the Obligations by operation of law.

To the extent any of the foregoing refers to any actions which the Agent or the Banks may take, the Guarantor hereby agrees that the Agent and/or the Banks may take such actions in such manner, upon such terms, and at such times as the Agent or the Banks, in their discretion, deem advisable, without, in any way or respect, impairing, affecting, reducing or releasing the Guarantor from its undertakings hereunder and the Guarantor hereby consents to each and all of the foregoing actions, events and occurrences.

SECTION 10.5. Waiver. The Guarantor hereby waives:

(a) any and all rights to require the Agent or the Banks to prosecute or seek to enforce any remedies against the Transferor or any other party liable to the Agent or the Banks on account of the Obligations;

(b) any right to assert against the Agent or the Banks any defense (legal or equitable), set-off, counterclaim, or claim which the Guarantor may now or at any time hereafter have against the Transferor or any other party liable to the Agent or the Banks in any way or manner under this Agreement;

(c) all defenses, counterclaims and off-sets of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity or enforceability of this Agreement and the security interest granted pursuant thereto;

(d) any defense arising by reason of any claim or defense based upon an election of remedies by the Agent or the Banks including, without limitation, any direction to proceed by judicial or nonjudicial foreclosure or by deed in lieu thereof, which, in any manner impairs, affects, reduces, releases, destroys or extinguishes the Guarantor's subrogation rights, rights to proceed against the Transferor for reimbursement, or any other rights of the Guarantor to proceed against the

Transferor, against any other guarantor, or against any other security, with the Guarantor understanding that the exercise by the Agent and/or the Banks of certain rights and remedies may offset or eliminate the Guarantor's right of subrogation against the Transferor, and that the Guarantor may therefore incur partially or totally non-reimbursable liability hereunder;

(e) all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, notices of default, notice of acceptance of this Guaranty, and notices of the existence, creation, or incurring of new or additional indebtedness, and all other notices or formalities to which the Guarantor may be entitled; and

(f) without limiting the generality of the foregoing, the Guarantor hereby expressly waives any and all benefits of (i) California Civil Code Sections 2809, 2810, 2819, 2825, 2839, 2845 through 2850, 2899 and 3433 and (ii) California Code of Civil Procedure Sections 580(a), 580(b), 580(d) and 726.

SECTION 10.6. Subrogation. The Guarantor hereby agrees that unless

and until all Obligations have been paid to the Agent and the Banks in full, it shall not have any rights of subrogation, reimbursement or contribution as against the Transferor or any other guarantor, if any, and shall not seek to assert or enforce the same. Guarantor understands that the exercise by Agent of certain rights and remedies contained in this Agreement may affect or eliminate Guarantor's right of subrogation if any, against the Transferor and that Guarantor may therefore incur a partially or totally non-reimbursable liability hereunder; nevertheless, Guarantor hereby authorizes and empowers the Agent and the Banks to exercise, in their sole discretion, any right and remedy, or any combination thereof, which may then be available, since it is the intent and purpose of Guarantor that the obligations hereunder shall be absolute, independent and unconditional under any and all circumstances.

SECTION 10.7. Information. The Guarantor is presently informed of

the financial condition of the Transferor and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. The Guarantor hereby

covenants that it will continue to keep itself informed of the financial condition of the Transferor and of all other circumstances which bear upon the risk of nonpayment. The Guarantor hereby waives its right, if any, to require the Agent or the Banks to disclose to it any information which the Agent or any Bank may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of any other guarantor.

SECTION 10.8. Evidence of Obligations. The Agent and each Bank's

books and records evidencing the Obligations shall be admissible in any action or proceeding and shall be binding upon the Guarantor for the purpose of establishing the terms set forth therein and shall constitute prima facie proof thereof.

ARTICLE XI
MISCELLANEOUS

SECTION 11.1. Term of Agreement. This Agreement shall terminate

following the later of (i) the Termination Date or (ii) the date on which the Total Outstanding Investment has been reduced to zero, all accrued Discount has been paid in full and all other Aggregate Unpays have been paid in full; provided, however, that (i) the rights and remedies of the Banks with respect to

any representation and warranty made or deemed to be made by Transferor pursuant to this Agreement, (ii) the indemnification and payment provisions of Article VIII and (iii) the agreement set forth in Section 9.10, shall be continuing and shall survive any termination of this Agreement.

SECTION 11.2. Waivers; Amendments. No failure or delay on the part

of the Agent or the Banks in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. No notice to or demand on the Transferor, the Servicer or the Guarantor in any case shall entitle the Transferor, the Servicer or the Guarantor, as the case may be, to any other or further notice or demand in similar or other circumstances. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by Governmental Rule. Any provision of this Agreement may be amended if, but only if, such amendment is in writing and is signed by the Transferor, the Servicer, the Guarantor, the Agent and the Requisite Banks; provided, however, that no such waiver, amendment or consent

shall, unless in writing and signed by all of the Banks, the Transferor, the Servicer, the Guarantor and acknowledged by the Agent, (a) increase or extend any Bank's Bank Commitment or subject any Bank to additional obligations; (b) postpone or delay any date fixed for any payment of fees or any other amounts due to the Banks (or any of them) hereunder; (c) reduce any fees or other amounts payable to the Banks (or any Bank) hereunder; (d) change any Bank's Percentage; (e) amend this Section 11.2 or Section 9.10; or (f) release the Guarantor from any obligation undertaken by it pursuant to this Agreement; provided, further, however, that no amendment, waiver or

consent shall require the consent of a Bank or, in the case of participations, a participant, if any such amendment, waiver or consent would not change the dollar amount of such participant's participation or would not decrease the dollar amount of, or extend the maturity of, any Obligation owing to such Bank or such participant.

SECTION 11.3. Notices. Except as provided below, all communications

and notices provided for hereunder shall be in writing and shall be sent by telecopy and shall be given to the other party at its telecopy number set forth on the signature page hereof or at such other telecopy number as such party may hereafter specify for the purposes of notice to such party. Each such notice or other communication shall be effective when such telecopy is transmitted to the telecopy number specified below and when confirmation of delivery is received:

If to the Transferor:

Mattel Sales Corp.
333 Continental Boulevard
El Segundo, California 90245
Attention: William Stavro
Telephone: (310) 524-3202
Telecopy: (310) 524-3215

If to the Guarantor or Servicer:

Mattel, Inc.
333 Continental Boulevard
El Segundo, California 90245
Attention: William Stavro
Telephone: (310) 524-3202
Telecopy: (310) 524-3215

If to the Agent:

NationsBank of Texas, N.A.
901 Main Street
Dallas, Texas 75202
Attention: Ms. Kirsty Green
Telephone: (214) 508-2335
Telecopy: (214) 508-2515

If to the Banks, to their addresses set forth on the signature pages hereto.

SECTION 11.4. Governing Law; Integration. (a) This Agreement shall

be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of Governmental Rules provisions thereof. This Agreement contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire Agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) Any legal action or proceeding with respect to this Agreement may be brought in the courts of the State of California or of the United States for the Central District of California, and by execution and delivery of this Agreement, each of the Guarantor, the Transferor and the Banks consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. Each of the Guarantor, the Transferor and the Banks irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or any document related hereto. The Guarantor, the Transferor and the Banks each waive personal service of any summons, complaint or other process, which may be made by any other means permitted by California law.

SECTION 11.5. Severability; Counterparts. This Agreement may be

executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 11.6. Successors and Assigns. This Agreement shall be

binding on the parties hereto and their respective successors; provided,

however, that subject to Section 11.9, no party to this Agreement may assign any

of its rights or delegate any of its duties hereunder.

SECTION 11.7. Confidentiality. Each Bank agrees to take normal and

reasonable precautions and exercise due care to maintain the confidentiality of
all information provided to it by the Guarantor or any Subsidiary of the
Guarantor, or by the Agent on such Guarantor's or Subsidiary's behalf, in
connection with this Agreement or any documents related hereto, and neither it
nor any of its Affiliates shall use any such information for any purpose or in
any manner other than pursuant to the terms contemplated by this Agreement;
except to the extent such information (i) was or becomes generally available to
the public other than as a result of a disclosure by the Bank, or (ii) was or
becomes available on a non-confidential basis from a source other than the
Guarantor, provided that such source is not bound by a confidentiality agreement
with the Guarantor known to the Bank; provided, however, that any Bank may

disclose such information (A) at the request or pursuant to any requirement of
any Governmental Person to which the Bank is subject or in connection with an
examination of such Bank by any such authority; (B) pursuant to subpoena or
other court process and when required to do so in accordance with the provisions
of any applicable Governmental Rule; provided, that a Bank shall disclose only
the information required by such request and shall notify the Guarantor in
advance of providing such information so that the Guarantor may seek an
appropriate protective order, and (C) to such Bank's independent auditors and
other professional advisors provided such Persons are obligated to keep such
information confidential. Notwithstanding the foregoing, the Guarantor
authorizes each Bank to disclose to any Participant and to any prospective
Participant, such financial and other information in such Bank's possession
concerning the Guarantor or its Subsidiaries which has been delivered to the
Agent or the Banks pursuant to this Agreement or which has been delivered to the
Agent or the Banks by the Guarantor in connection with the Banks' credit
evaluation of the Guarantor prior to entering into this Agreement; provided

that, unless otherwise agreed by the Guarantor, such

Participant agrees in writing to such Bank to keep such information confidential to the same extent required of the Banks hereunder.

SECTION 11.8. Characterization of the Transactions Contemplated by

the Agreement. It is the intention of the parties that the transactions

contemplated hereby constitute the sale of the Transferred Interest, conveying good title thereto free and clear of any Adverse Claims to the Agent, on behalf of the Banks, and that the Transferred Interest not be part of the Transferor's estate in the event of an insolvency. If, notwithstanding the foregoing, the transactions contemplated hereby should be deemed a financing, the parties intend that the Transferor shall be deemed to have granted to the Agent on behalf of the Banks, and the Transferor hereby grants to the Agent, on behalf of the Banks, a first priority perfected security interest in all of the Transferor's right, title and interest in, to and under the Receivables, and that this Agreement shall constitute a security agreement under applicable law.

SECTION 11.9. Sales of Participations. Upon advance written notice

to the Transferor, each Bank shall have the right at any time to sell or otherwise transfer participations in all or any part of their pro rata portion of the Transferred Interest, to one or more Affiliates of such Bank or to one or more commercial banks, merchant banks, savings and loan associations or (with the consent of the Transferor) any other institution (a "Participant"); provided

that any such disposition shall be in a minimum amount of \$5,000,000 and such Bank shall concurrently with any sale of a participation herein sell a ratable participation under each of the Credit Agreements and thereafter cause any such participation herein to remain ratable with such participation under each of the Credit Agreements. The Transferor hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Transferor to the Participant and the Participant shall be entitled to the benefit of Section 9.10 as if it were a "Bank"; provided further, that in the case of a participation,

(i) the Bank's obligations under this Agreement shall remain unchanged, (ii) the Bank shall remain solely responsible for the performance of such obligations, (iii) the Transferor and the Agent shall continue to deal solely and directly with the Bank in connection with the

Bank's rights and obligations under this Agreement, and (iv) no Bank shall transfer or grant any participating interest under which the Participant shall have rights to approve any amendment to, or any consent or waiver with respect to this Agreement except to the extent such amendment, consent or waiver would require unanimous consent. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any documents related hereto, and all amounts payable by the Transferor hereunder shall be determined as if such Bank had not sold such participation, except that if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of a Termination Event, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement this 18th day of March, 1994.

MATTEL SALES CORP.,
as Transferor

By: _____
Name:
Title:

MATTEL, INC., as Guarantor
and Servicer

By: _____
Name:
Title:

NATIONSBANK OF TEXAS, N.A.,
as Agent

By: _____
Name:
Title:

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
-----	-----	
13.0	32,500,00	NATIONSBANK OF TEXAS, N.A.

By: _____
Name:
Title:

Notice Address: 444 S. Flower Street, Suite 1500
Los Angeles, California 90071
Attn: J. Blake Seaton

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

13.0

32,500,000

BANK OF AMERICA
NATIONAL TRUST AND
SAVINGS ASSOCIATION

By:

Name:

Title:

Notice Address: 1850 Gateway Boulevard, 4th Floor
Concord, California 94520

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

10.0

25,000,000

PNC BANK, NATIONAL
ASSOCIATION

By: _____

Name:

Title:

Notice Address:

55 South Lake Avenue, Suite 650
Pasadena, California 91101
Attn: Ted A. Dunn

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

10.0

25,000,000

CHEMICAL BANK

By: _____

Name:

Title:

Notice Address:

Corporate Banking Group
270 Park Avenue, 10th Floor
New York, New York 10017
Attn: Ted Swarmer

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

10.0

25,000,000

THE FIRST NATIONAL
BANK OF BOSTON

By:

Name:

Title:

Notice Address:

100 Federal Street, 6th Floor
Boston, Massachusetts 02110
Attn: J. Peter Mitchell

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
10.0	25,000,000	THE TORONTO-DOMINION BANK

By: _____
Name:
Title:

Notice Address: 909 Fannin
Houston, Texas 77010
Attn: Lisa Allison

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
-----	-----	
6.0	15,000,000	CONTINENTAL BANK, N.A.

By: _____
Name:
Title:

Notice Address: 231 S. LaSalle Street
Chicago, Illinois 60697
Attn: Miriam L. Williams

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
-----	-----	
4.0	10,000,000	ABN AMRO BANK N.V.

By: _____
Name:
Title:

Notice Address: Los Angeles International Branch
300 South Grand Avenue, Suite 1115
Los Angeles, California 90071
Attn: Sander Pruijs

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

4.0

10,000,000

ISTITUTO BANCARIO SAN
PAOLO DI TORINO SPA

By:

Name:
Title:

By:

Name:
Title:

Notice Address:

444 South Flower Street
Suite 4550
Los Angeles, California 90071
Attn: Glen Binder

Dollar Amount
of Percentage
of Original
Facility
Limit (\$)

Percentage (%)

4.0

10,000,000

THE BANK OF
CALIFORNIA, N.A.

By:

Name:
Title:

Notice Address:

550 South Hope Street
Fifth Floor
Los Angeles, California
Attn: Thomas Tegart

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
-----	-----	
4.0	10,000,000	BANQUE NATIONALE DE PARIS

By: _____
Name:
Title:

By: _____
Name:
Title:

Notice Address: 725 South Figueroa Street
Suite 2090
Los Angeles, California 90017
Attn: Rafael C. Lumanlan

Percentage (%)	Dollar Amount of Percentage of Original Facility Limit (\$)	
-----	-----	
4.0	10,000,000	MARINE MIDLAND BANK

By: _____
 Name:
 Title:

Notice Address: 140 Broadway, Sixth Floor
 New York, New York 10005-1180
 Attn: Mary Ann Tappero