

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2020**

or

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

For the transition period from _____ to _____

Commission File Number 001-05647

MATTEL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

333 Continental Blvd.
El Segundo, CA
(Address of principal executive offices)

95-1567322
(I.R.S. Employer
Identification No.)

90245-5012
(Zip Code)

(310) 252-2000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report):
NONE

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$1.00 per share	MAT	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares outstanding of registrant's common stock, \$1.00 par value, as of July 15, 2020: 346,897,357 shares

MATTEL, INC. AND SUBSIDIARIES

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(Cautionary Statement Under the Private Securities Litigation Reform Act of 1995)

Mattel is including this Cautionary Statement to caution investors and qualify for the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") for forward-looking statements. This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Act. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. The use of words such as "anticipates," "expects," "intends," "plans," "confident that" and "believes," among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information and assumptions, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond our control, could cause actual future results to differ materially from those projected in the forward-looking statements, and are currently, or in the future could be, amplified by the COVID-19 pandemic. Specific factors that might cause such a difference include, but are not limited to: (i) potential impacts of the COVID-19 pandemic on our business operations, financial results and financial position and on the global economy, including its impact on our sales; (ii) Mattel's ability to design, develop, produce, manufacture, source and ship products on a timely and cost-effective basis, as well as interest in and purchase of those products by retail customers and consumers in quantities and at prices that will be sufficient to profitably recover Mattel's costs; (iii) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (iv) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (v) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (vi) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel's costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vii) currency fluctuations, including movements in foreign exchange rates, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (viii) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, or changes in their purchasing or selling patterns; (ix) the future willingness of licensors of entertainment properties for which Mattel currently has licenses or would seek to have licenses in the future to license those products to Mattel; (x) the inventory policies of Mattel's retail customers, including retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of Mattel's revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules; (xi) legal, reputational, and financial risks related to security breaches or cyberattacks; (xii) the increased costs of developing more sophisticated digital and smart technology products, and the corresponding supply chain and design challenges associated with such products; (xiii) work disruptions, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (xiv) the bankruptcy and liquidation of Mattel's significant retailers, or the general lack of success of one of Mattel's significant retailers which could negatively impact Mattel's revenues or bad debt exposure; (xv) the impact of competition on revenues, margins and other aspects of Mattel's business, including the ability to offer products which consumers choose to buy instead of competitive products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees; (xvi) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xvii) changes in laws or regulations in the United States and/or in other major markets, such as China, in which Mattel operates, including, without limitation, with respect to taxes, tariffs, trade policies, or product safety, which may increase Mattel's product costs and other costs of doing business, and reduce Mattel's earnings; (xviii) failure to realize the planned benefits from any investments or acquisitions made by Mattel; (xix) the impact of other market conditions, third party actions or approvals and competition which could reduce demand for Mattel's products or delay or increase the cost of implementation of Mattel's programs or alter Mattel's actions and reduce actual results; (xx) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xxi) the impact of litigation, arbitration, or regulatory decisions or settlement actions; (xxii) uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; and (xxiii) other risks and uncertainties detailed in Part 1, Item 1A "Risk Factors" in Mattel's 2019 Annual Report on Form 10-K, as amended (the "2019 Annual Report on Form 10-K") and in Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2020	June 30, 2019	December 31, 2019
(Unaudited; in thousands, except share data)			
ASSETS			
Current Assets			
Cash and equivalents	\$ 461,557	\$ 194,125	\$ 630,028
Accounts receivable, net of allowances for credit losses of \$18.7 million, \$21.3 million, and \$18.5 million, respectively	650,502	755,698	936,359
Inventories	702,592	722,394	495,504
Prepaid expenses and other current assets	211,418	243,305	186,083
Total current assets	2,026,069	1,915,522	2,247,974
Noncurrent Assets			
Property, plant, and equipment, net	506,555	595,838	550,139
Right-of-use assets, net	282,474	317,085	303,187
Goodwill	1,382,858	1,386,057	1,390,714
Other noncurrent assets	794,724	832,127	833,212
Total Assets	\$ 4,992,680	\$ 5,046,629	\$ 5,325,226
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short-term borrowings	\$ 400,000	\$ 45,000	\$ —
Accounts payable	402,220	416,430	459,357
Accrued liabilities	563,633	585,674	769,513
Income taxes payable	15,732	22,618	48,037
Total current liabilities	1,381,585	1,069,722	1,276,907
Noncurrent Liabilities			
Long-term debt	2,850,841	2,855,194	2,846,751
Noncurrent lease liabilities	246,414	284,947	270,853
Other noncurrent liabilities	427,692	410,571	439,001
Total noncurrent liabilities	3,524,947	3,550,712	3,556,605
Stockholders' Equity			
Common stock \$1.00 par value, 1.0 billion shares authorized; 441.4 million shares issued	441,369	441,369	441,369
Additional paid-in capital	1,844,075	1,831,952	1,825,569
Treasury stock at cost: 94.4 million shares, 95.9 million shares, and 94.6 million shares, respectively	(2,314,967)	(2,349,874)	(2,318,921)
Retained earnings	1,093,268	1,342,410	1,413,181
Accumulated other comprehensive loss	(977,597)	(839,662)	(869,484)
Total stockholders' equity	86,148	426,195	491,714
Total Liabilities and Stockholders' Equity	\$ 4,992,680	\$ 5,046,629	\$ 5,325,226

The accompanying notes are an integral part of these consolidated financial statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Unaudited; in thousands, except per share amounts)			
Net Sales	\$ 732,136	\$ 860,063	\$ 1,326,206	\$ 1,549,309
Cost of sales	411,288	518,679	750,175	968,135
Gross Profit	320,848	341,384	576,031	581,174
Advertising and promotion expenses	60,172	84,489	136,454	153,954
Other selling and administrative expenses	306,817	308,311	635,529	605,647
Operating Loss	(46,141)	(51,416)	(195,952)	(178,427)
Interest expense	49,615	46,234	98,595	93,192
Interest (income)	(1,025)	(1,532)	(3,108)	(3,804)
Other non-operating expense (income), net	1,602	(294)	3,743	1,610
Loss Before Income Taxes	(96,333)	(95,824)	(295,182)	(269,425)
Provision for income taxes	12,839	12,163	24,732	14,858
Net Loss	\$ (109,172)	\$ (107,987)	\$ (319,914)	\$ (284,283)
Net Loss Per Common Share - Basic	\$ (0.31)	\$ (0.31)	\$ (0.92)	\$ (0.82)
Weighted-average number of common shares	346,875	345,941	346,778	345,946
Net Loss Per Common Share - Diluted	\$ (0.31)	\$ (0.31)	\$ (0.92)	\$ (0.82)
Weighted-average number of common and potential common shares	346,875	345,941	346,778	345,946

The accompanying notes are an integral part of these consolidated financial statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Unaudited; in thousands)			
Net Loss	\$ (109,172)	\$ (107,987)	\$ (319,914)	\$ (284,283)
Other Comprehensive Income (Loss), Net of Tax				
Currency translation adjustments	26,843	(1,170)	(118,791)	12,963
Employee benefit plan adjustments	518	624	3,578	847
Net unrealized (losses) gains on available-for-sale security	(80)	(1,944)	115	(67)
Net unrealized gains on derivative instruments:				
Unrealized holding gains	4,704	3,254	13,894	9,072
Amounts reclassified from accumulated other comprehensive loss	(3,699)	(2,492)	(6,909)	(3,251)
	1,005	762	6,985	5,821
Other Comprehensive Income (Loss), Net of Tax	28,286	(1,728)	(108,113)	19,564
Comprehensive Loss	\$ (80,886)	\$ (109,715)	\$ (428,027)	\$ (264,719)

The accompanying notes are an integral part of these consolidated financial statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended	
	June 30, 2020	June 30, 2019
(Unaudited; in thousands)		
Cash Flows From Operating Activities		
Net loss	\$ (319,914)	\$ (284,283)
Adjustments to reconcile net loss to net cash flows used for operating activities:		
Depreciation	81,984	103,580
Amortization	19,652	20,338
Asset impairments	4,716	6,845
Share-based compensation	23,414	24,310
Bad debt expense	6,460	2,487
Inventory obsolescence	20,929	35,351
Deferred income taxes	5,784	36
Changes in assets and liabilities:		
Accounts receivable	248,008	217,754
Inventories	(241,833)	(207,984)
Prepaid expenses and other current assets	(30,923)	(8,154)
Accounts payable, accrued liabilities, and income taxes payable	(305,316)	(301,942)
Other, net	24,007	(8,857)
Net cash flows used for operating activities	(463,032)	(400,519)
Cash Flows From Investing Activities		
Purchases of tools, dies, and molds	(25,824)	(20,933)
Purchases of other property, plant, and equipment	(34,367)	(27,248)
(Payments for) proceeds from foreign currency forward exchange contracts, net	(21,746)	3,992
Other, net	1,005	484
Net cash flows used for investing activities	(80,932)	(43,705)
Cash Flows From Financing Activities		
Proceeds from short-term borrowings, net	400,000	40,824
Other, net	(693)	(158)
Net cash flows provided by financing activities	399,307	40,666
Effect of Currency Exchange Rate Changes on Cash	(23,814)	3,202
Decrease in Cash and Equivalents	(168,471)	(400,356)
Cash and Equivalents at Beginning of Period	630,028	594,481
Cash and Equivalents at End of Period	\$ 461,557	\$ 194,125

The accompanying notes are an integral part of these consolidated financial statements.

MATTEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(Unaudited; in thousands)						
Balance, December 31, 2019	\$ 441,369	\$ 1,825,569	\$ (2,318,921)	\$ 1,413,181	\$ (869,484)	\$ 491,714
Net loss	—	—	—	(210,741)	—	(210,741)
Other comprehensive loss, net of tax	—	—	—	—	(136,399)	(136,399)
Issuance of treasury stock for restricted stock units vesting	—	(3,777)	2,811	—	—	(966)
Share-based compensation	—	14,275	—	—	—	14,275
Balance, March 31, 2020	\$ 441,369	\$ 1,836,067	\$ (2,316,110)	\$ 1,202,440	\$ (1,005,883)	\$ 157,883
Net loss	—	—	—	(109,172)	—	(109,172)
Other comprehensive income, net of tax	—	—	—	—	28,286	28,286
Issuance of treasury stock for restricted stock units vesting	—	(944)	833	—	—	(111)
Deferred compensation	—	(186)	310	—	—	124
Share-based compensation	—	9,138	—	—	—	9,138
Balance, June 30, 2020	\$ 441,369	\$ 1,844,075	\$ (2,314,967)	\$ 1,093,268	\$ (977,597)	\$ 86,148
(Unaudited; in thousands)						
	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, December 31, 2018	\$ 441,369	\$ 1,812,682	\$ (2,354,617)	\$ 1,626,693	\$ (859,226)	\$ 666,901
Net loss	—	—	—	(176,296)	—	(176,296)
Other comprehensive income, net of tax	—	—	—	—	21,292	21,292
Issuance of treasury stock for restricted stock units vesting	—	(1,829)	1,442	—	—	(387)
Share-based compensation	—	11,865	—	—	—	11,865
Balance, March 31, 2019	\$ 441,369	\$ 1,822,718	\$ (2,353,175)	\$ 1,450,397	\$ (837,934)	\$ 523,375
Net loss	—	—	—	(107,987)	—	(107,987)
Other comprehensive loss, net of tax	—	—	—	—	(1,728)	(1,728)
Issuance of treasury stock for restricted stock units vesting	—	(3,060)	3,025	—	—	(35)
Deferred compensation	—	(151)	276	—	—	125
Share-based compensation	—	12,445	—	—	—	12,445
Balance, June 30, 2019	\$ 441,369	\$ 1,831,952	\$ (2,349,874)	\$ 1,342,410	\$ (839,662)	\$ 426,195

The accompanying notes are an integral part of these consolidated financial statements.

MATTEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair statement of the financial position and interim results of Mattel, Inc. and its subsidiaries ("Mattel") as of and for the periods presented have been included.

The December 31, 2019 balance sheet data was derived from audited financial statements; however, the accompanying interim notes to the consolidated financial statements do not include all of the annual disclosures required by GAAP. As Mattel's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The financial information included herein should be read in conjunction with Mattel's consolidated financial statements and related notes in the 2019 Annual Report on Form 10-K.

2. Accounts Receivable

Mattel estimates current expected credit losses based on collection history and management's assessment of the current economic trends, business environment, customers' financial condition, accounts receivable aging, and customer disputes that may impact the level of future credit losses. Accounts receivable are net of allowances for credit losses of \$18.7 million, \$21.3 million, and \$18.5 million as of June 30, 2020, June 30, 2019, and December 31, 2019, respectively.

3. Inventories

Inventories include the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
Raw materials and work in process	\$ 139,256	\$ 129,937	\$ 103,123
Finished goods	563,336	592,457	392,381
	<u>\$ 702,592</u>	<u>\$ 722,394</u>	<u>\$ 495,504</u>

4. Property, Plant, and Equipment

Property, plant, and equipment, net includes the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
Land	\$ 24,938	\$ 25,133	\$ 25,112
Buildings	295,948	298,768	302,956
Machinery and equipment	753,388	873,294	812,509
Software	370,392	409,209	364,391
Tools, dies, and molds	601,811	818,166	747,706
Leasehold improvements	179,545	237,150	183,250
	<u>2,226,022</u>	<u>2,661,720</u>	<u>2,435,924</u>
Less: accumulated depreciation	<u>(1,719,467)</u>	<u>(2,065,882)</u>	<u>(1,885,785)</u>
	<u>\$ 506,555</u>	<u>\$ 595,838</u>	<u>\$ 550,139</u>

During the three months ended December 31, 2019, in conjunction with the Capital Light program, as further discussed in "Note 19 to the Consolidated Financial Statements—Restructuring Charges," Mattel discontinued production at one of its plants based in Mexico and has committed to a plan to dispose of the land and building. These assets meet the held for sale criteria and are actively being marketed for sale. The estimated fair value of the land and building, less costs to dispose, was determined to exceed its net book value of \$8.4 million and \$12.1 million as of June 30, 2020 and December 31, 2019, respectively, and are included within property, plant and equipment, net in the consolidated balance sheets.

5. Goodwill

Goodwill is allocated to various reporting units, which are at the operating segment level, for the purpose of evaluating whether goodwill is impaired. Mattel's reporting units are: (i) North America, (ii) International, and (iii) American Girl. Mattel tests its goodwill for impairment annually in the third quarter and whenever events or changes in circumstances indicate that the carrying value of a reporting unit may exceed its fair value.

The change in the carrying amount of goodwill by operating segment for the six months ended June 30, 2020 is shown below. Brand-specific goodwill held by foreign subsidiaries is allocated to the North America segment, thereby causing a foreign currency translation impact.

	December 31, 2019	Currency Exchange Rate Impact	June 30, 2020
	(In thousands)		
North America	\$ 732,430	\$ (1,957)	\$ 730,473
International	450,713	(5,899)	444,814
American Girl	207,571	—	207,571
	<u>\$ 1,390,714</u>	<u>\$ (7,856)</u>	<u>\$ 1,382,858</u>

6. Other Noncurrent Assets

Other noncurrent assets include the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
Identifiable intangible assets (net of accumulated amortization of \$267.7 million, \$228.2 million, and \$248.0 million, respectively)	\$ 524,153	\$ 566,737	\$ 553,114
Deferred income taxes	59,827	49,937	67,900

Mattel's amortizable intangible assets primarily consist of trademarks. Mattel tests its amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Mattel's amortizable intangible assets were not impaired during the three and six months ended June 30, 2020 and 2019.

7. Accrued Liabilities

Accrued liabilities include the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
Current lease liabilities	\$ 81,225	\$ 75,071	\$ 74,065
Advertising and promotion	62,025	63,516	93,804
Royalties	30,998	52,683	94,228

8. Seasonal Financing

On December 20, 2017, Mattel entered into a syndicated facility agreement, which was subsequently amended in 2018 and 2019 (as amended, the "Credit Agreement"), as a borrower (in such capacity, the "Borrower") and guarantor thereunder, along with certain of the Borrower's domestic and foreign subsidiaries as additional borrowers and/or guarantors thereunder, Bank of America, N.A., as global administrative agent, collateral agent and Australian security trustee, and the other lenders and financial institutions from time to time party thereto, providing up to \$1.60 billion in aggregate principal amount of senior secured revolving credit facilities (the "senior secured revolving credit facilities"). The senior secured revolving credit facilities consist of (i) an asset based lending facility with aggregate commitments up to \$1.31 billion, subject to borrowing base capacity, secured by substantially all of the accounts receivable and inventory of the Borrower and certain of its subsidiaries who are borrowers and/or guarantors under the Credit Agreement, as well as (ii) a revolving credit facility with \$294.0 million in aggregate commitments secured by certain fixed assets and intellectual property of the U.S. borrowers under the Credit Agreement, and certain equity interests in the borrower and guarantor subsidiaries under the Credit Agreement. The senior secured revolving credit facilities will mature on November 18, 2022.

Borrowings under the senior secured revolving credit facilities (i) are limited by jurisdiction-specific borrowing base calculations based on the sum of specified percentages of eligible accounts receivable, eligible inventory and certain fixed assets and intellectual property, as applicable, minus the amount of any applicable reserves, and (ii) bear interest at a floating rate, which can be either, at the Borrower's option, (a) an adjusted LIBOR rate plus an applicable margin ranging from 1.25% to 2.75% per annum or (b) an alternate base rate plus an applicable margin ranging from 0.25% to 1.75% per annum, in each case, such applicable margins to be determined based on the Borrower's average borrowing availability remaining under the senior secured revolving credit facilities.

In addition to paying interest on the outstanding principal under the senior secured revolving credit facilities, the Borrower is required to pay (i) an unused line fee per annum of the average daily unused portion of the senior secured revolving credit facilities, (ii) a letter of credit fronting fee based on a percentage of the aggregate face amount of outstanding letters of credit, and (iii) certain other customary fees and expenses of the lenders and agents.

Mattel had borrowings under the senior secured revolving credit facilities of \$400 million and \$45 million as of June 30, 2020 and June 30, 2019, respectively, and had no borrowings under the senior secured revolving credit facilities as of December 31, 2019. Outstanding letters of credit under the senior secured revolving credit facilities totaled approximately \$13 million, \$70 million, and \$55 million as of June 30, 2020, June 30, 2019, and December 31, 2019, respectively.

The Credit Agreement contains customary covenants, including, but not limited to, restrictions on the Borrower's and its subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances, or investments, pay dividends, sell or otherwise transfer assets outside of the ordinary course, optionally prepay or modify terms of any junior indebtedness, enter into transactions with affiliates, or change their line of business.

The Credit Agreement requires the maintenance of a fixed charge coverage ratio of 1.00 to 1.00 at the end of each fiscal quarter when excess availability under the senior secured revolving credit facilities is less than the greater of (x) \$100 million and (y) 10% of the aggregate amount available thereunder (the "Availability Threshold") and on the last day of each subsequent fiscal quarter ending thereafter until no event of default exists and excess availability is greater than the Availability Threshold for at least 30 consecutive days.

Since the execution of the Credit Agreement, the fixed charge coverage ratio covenant has not been in effect, as no event of default has occurred and Mattel's excess availability has been greater than \$100 million and the Availability Threshold. As of June 30, 2020, Mattel was in compliance with all covenants contained in the Credit Agreement. The Credit Agreement is a material agreement, and failure to comply with the covenants may result in an event of default under the terms of the senior secured revolving credit facilities. If Mattel were to default under the terms of the senior secured revolving credit facilities, its ability to meet its seasonal financing requirements could be adversely affected.

9. Long-Term Debt

Long-term debt includes the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
2010 Senior Notes due October 2020	\$ —	\$ 250,000	\$ —
2010 Senior Notes due October 2040	250,000	250,000	250,000
2011 Senior Notes due November 2041	300,000	300,000	300,000
2013 Senior Notes due March 2023	250,000	250,000	250,000
2016 Senior Notes due August 2021	—	350,000	—
2017/2018 Senior Notes due December 2025	1,500,000	1,500,000	1,500,000
2019 Senior Notes due December 2027	600,000	—	600,000
Debt issuance costs and debt discount	(49,159)	(44,806)	(53,249)
	<u>\$ 2,850,841</u>	<u>\$ 2,855,194</u>	<u>\$ 2,846,751</u>

10. Other Noncurrent Liabilities

Other noncurrent liabilities include the following:

	June 30, 2020	June 30, 2019	December 31, 2019
	(In thousands)		
Benefit plan liabilities	\$ 209,501	\$ 184,220	\$ 212,280
Noncurrent income tax liabilities	125,944	138,018	125,515

11. Accumulated Other Comprehensive Income (Loss)

The following tables present changes in the accumulated balances for each component of other comprehensive income (loss), including other comprehensive income (loss) and reclassifications out of accumulated other comprehensive income (loss) for each period:

	For the Three Months Ended June 30, 2020				
	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
	(In thousands)				
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2020	\$ 17,021	\$ (8,065)	\$ (166,797)	\$ (848,042)	\$ (1,005,883)
Other comprehensive income (loss) before reclassifications	4,704	(80)	(1,203)	26,843	30,264
Amounts reclassified from accumulated other comprehensive income (loss)	(3,699)	—	1,721	—	(1,978)
Net increase (decrease) in other comprehensive income (loss)	1,005	(80)	518	26,843	28,286
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2020	<u>\$ 18,026</u>	<u>\$ (8,145)</u>	<u>\$ (166,279)</u>	<u>\$ (821,199)</u>	<u>\$ (977,597)</u>

For the Six Months Ended June 30, 2020

	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
(In thousands)					
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2019	\$ 11,041	\$ (8,260)	\$ (169,857)	\$ (702,408)	\$ (869,484)
Other comprehensive income (loss) before reclassifications	13,894	115	499	(118,791)	(104,283)
Amounts reclassified from accumulated other comprehensive income (loss)	(6,909)	—	3,079	—	(3,830)
Net increase (decrease) in other comprehensive income (loss)	6,985	115	3,578	(118,791)	(108,113)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2020	<u>\$ 18,026</u>	<u>\$ (8,145)</u>	<u>\$ (166,279)</u>	<u>\$ (821,199)</u>	<u>\$ (977,597)</u>

For the Three Months Ended June 30, 2019

	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
(In thousands)					
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of March 31, 2019	\$ 16,470	\$ (4,670)	\$ (142,540)	\$ (707,194)	\$ (837,934)
Other comprehensive income (loss) before reclassifications	3,254	(1,944)	(618)	(1,170)	(478)
Amounts reclassified from accumulated other comprehensive income (loss)	(2,492)	—	1,242	—	(1,250)
Net increase (decrease) in other comprehensive income (loss)	762	(1,944)	624	(1,170)	(1,728)
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2019	<u>\$ 17,232</u>	<u>\$ (6,614)</u>	<u>\$ (141,916)</u>	<u>\$ (708,364)</u>	<u>\$ (839,662)</u>

For the Six Months Ended June 30, 2019

	Derivative Instruments	Available-for-Sale Security	Employee Benefit Plans	Currency Translation Adjustments	Total
(In thousands)					
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of December 31, 2018	\$ 11,411	\$ (6,547)	\$ (142,763)	\$ (721,327)	\$ (859,226)
Other comprehensive income (loss) before reclassifications	9,072	(67)	(1,824)	12,963	20,144
Amounts reclassified from accumulated other comprehensive income (loss)	(3,251)	—	2,671	—	(580)
Net increase (decrease) in other comprehensive income (loss)	5,821	(67)	847	12,963	19,564
Accumulated Other Comprehensive Income (Loss), Net of Tax, as of June 30, 2019	\$ 17,232	\$ (6,614)	\$ (141,916)	\$ (708,364)	\$ (839,662)

The following table presents the classification and amount of the reclassifications from accumulated other comprehensive income (loss) to the consolidated statements of operations:

	For the Three Months Ended		Statements of Operations Classification
	June 30, 2020	June 30, 2019	
(In thousands)			
Derivative Instruments			
Gain on foreign currency forward exchange contracts and other	\$ 3,622	\$ 2,675	Cost of sales
Tax effect	77	(183)	Provision for income taxes
	<u>\$ 3,699</u>	<u>\$ 2,492</u>	Net loss
Employee Benefit Plans			
Amortization of prior service credit (a)	\$ 466	\$ 493	Other non-operating expense (income), net
Recognized actuarial loss (a)	(2,337)	(1,735)	Other non-operating expense (income), net
	(1,871)	(1,242)	
Tax effect	150	—	Provision for income taxes
	<u>\$ (1,721)</u>	<u>\$ (1,242)</u>	Net loss

	For the Six Months Ended		Statements of Operations Classification
	June 30, 2020	June 30, 2019	
(In thousands)			
Derivative Instruments			
Gain on foreign currency forward exchange contracts and other	\$ 6,814	\$ 3,602	Cost of sales
Tax effect	95	(351)	Provision for income taxes
	<u>\$ 6,909</u>	<u>\$ 3,251</u>	Net loss
Employee Benefit Plans			
Amortization of prior service credit (a)	\$ 932	\$ 986	Other non-operating expense (income), net
Recognized actuarial loss (a)	(4,677)	(3,472)	Other non-operating expense (income), net
	<u>(3,745)</u>	<u>(2,486)</u>	
Tax effect	666	(185)	Provision for income taxes
	<u>\$ (3,079)</u>	<u>\$ (2,671)</u>	Net loss

- (a) The amortization of prior service credit and recognized actuarial loss are included in the computation of net periodic benefit cost. Refer to "Note 15 to the Consolidated Financial Statements—Employee Benefit Plans" of this Quarterly Report on Form 10-Q for additional information regarding Mattel's net periodic benefit cost.

Currency Translation Adjustments

Mattel's reporting currency is the U.S. dollar. The translation of its net investments in subsidiaries with non-U.S. dollar functional currencies subjects Mattel to the impact of foreign currency exchange rate fluctuations in its results of operations and financial position. Assets and liabilities of subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars at fiscal period-end exchange rates. Income and expense items are translated at weighted-average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. Currency translation adjustments resulted in a net loss of \$118.8 million for the six months ended June 30, 2020, primarily due to the weakening of the Mexican peso, Brazilian real, British pound sterling, and the Russian ruble against the U.S. dollar. Currency translation adjustments resulted in a net gain of \$13.0 million for the six months ended June 30, 2019, primarily due to the strengthening of the Russian ruble, Hong Kong dollar, and Mexican peso against the U.S. dollar, partially offset by the weakening of the Euro against the U.S. dollar.

12. Derivative Instruments

Mattel seeks to mitigate its exposure to foreign currency transaction risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts. Mattel uses foreign currency forward exchange contracts as cash flow hedges primarily to hedge its purchases and sales of inventory denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. These derivative instruments have been designated as effective cash flow hedges, whereby the unsettled hedges are reported in Mattel's consolidated balance sheets at fair value, with changes in the fair value of the hedges reflected in other comprehensive income ("OCI"). Realized gains and losses for these contracts are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. Mattel also uses foreign currency forward exchange contracts to hedge intercompany loans and advances denominated in foreign currencies. Due to the short-term nature of the contracts involved, Mattel does not use hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change in the consolidated statements of operations. Additionally, Mattel utilizes derivative contracts to hedge commodities including certain raw materials. As of June 30, 2020, June 30, 2019, and December 31, 2019, Mattel held foreign currency forward exchange contracts and other commodity derivative instruments, with notional amounts of \$1.17 billion, \$1.06 billion, and \$742.0 million, respectively.

The following tables present Mattel's derivative assets and liabilities:

	Derivative Assets			Balance Sheet Classification
	Fair Value			
	June 30, 2020	June 30, 2019	December 31, 2019	
(In thousands)				
Derivatives designated as hedging instruments				
Foreign currency forward exchange contracts and other	\$ 11,731	\$ 13,620	\$ 10,227	Prepaid expenses and other current assets
Foreign currency forward exchange contracts and other	1,237	2,573	715	Other noncurrent assets
Total derivatives designated as hedging instruments	\$ 12,968	\$ 16,193	\$ 10,942	
Derivatives not designated as hedging instruments				
Foreign currency forward exchange contracts and other	\$ 786	\$ 929	\$ 4,060	Prepaid expenses and other current assets
	\$ 13,754	\$ 17,122	\$ 15,002	

	Derivative Liabilities			Balance Sheet Classification
	Fair Value			
	June 30, 2020	June 30, 2019	December 31, 2019	
(In thousands)				
Derivatives designated as hedging instruments				
Foreign currency forward exchange contracts and other	\$ 1,973	\$ 949	\$ 2,500	Accrued liabilities
Foreign currency forward exchange contracts and other	1,241	363	213	Other noncurrent liabilities
Total derivatives designated as hedging instruments	\$ 3,214	\$ 1,312	\$ 2,713	
Derivatives not designated as hedging instruments				
Foreign currency forward exchange contracts and other	\$ 5,280	\$ 467	\$ 263	Accrued liabilities
Foreign currency forward exchange contracts and other	185	—	—	Other noncurrent liabilities
Total derivatives not designated as hedging instruments	\$ 5,465	\$ 467	\$ 263	
	\$ 8,679	\$ 1,779	\$ 2,976	

The following tables present the classification and amount of gains and losses, net of tax, from derivatives reported in the consolidated statements of operations:

	For the Three Months Ended				Statements of Operations Classification
	June 30, 2020		June 30, 2019		
	Amount of Gain Recognized in OCI	Amount of Gain Reclassified from Accumulated OCI to Statement of Operations	Amount of Gain Recognized in OCI	Amount of Gain Reclassified from Accumulated OCI to Statement of Operations	
(In thousands)					
Derivatives designated as hedging instruments					
Foreign currency forward exchange contracts and other	\$ 4,704	\$ 3,699	\$ 3,254	\$ 2,492	Cost of sales

	For the Six Months Ended				Statements of Operations Classification
	June 30, 2020		June 30, 2019		
	Amount of Gain Recognized in OCI	Amount of Gain Reclassified from Accumulated OCI to Statement of Operations	Amount of Gain Recognized in OCI	Amount of Gain Reclassified from Accumulated OCI to Statement of Operations	
(In thousands)					
Derivatives designated as hedging instruments					
Foreign currency forward exchange contracts and other	\$ 13,894	\$ 6,909	\$ 9,072	\$ 3,251	Cost of sales

The net gains are offset by the changes in cash flows associated with the underlying hedged transactions.

	Amount of Gain Recognized in the Statements of Operations		Statements of Operations Classification
	For the Three Months Ended		
	June 30, 2020	June 30, 2019	
(In thousands)			
Derivatives not designated as hedging instruments			
Foreign currency forward exchange contracts and other	\$ 8,121	\$ 4,366	Other non-operating expense (income), net

	Amount of (Loss) Gain Recognized in the Statements of Operations		Statements of Operations Classification
	For the Six Months Ended		
	June 30, 2020	June 30, 2019	
(In thousands)			
Derivatives not designated as hedging instruments			
Foreign currency forward exchange contracts and other	\$ (30,247)	\$ 3,868	Other non-operating expense (income), net

The net gains (loss) are offset by gains and losses on the related transactions.

13. Fair Value Measurements

The following tables present information about Mattel's assets and liabilities measured and reported in the financial statements at fair value on a recurring basis as of June 30, 2020, June 30, 2019, and December 31, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable, supported by little or no market activity, and that are significant to the fair value of the assets or liabilities.

Mattel's financial assets and liabilities include the following:

June 30, 2020				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets				
Foreign currency forward exchange contracts and other (a)	\$ —	\$ 13,754	\$ —	\$ 13,754
Available-for-sale security (b)	3,645	—	—	3,645
Total assets	<u>\$ 3,645</u>	<u>\$ 13,754</u>	<u>\$ —</u>	<u>\$ 17,399</u>
Liabilities				
Foreign currency forward exchange contracts and other (a)	<u>\$ —</u>	<u>\$ 8,679</u>	<u>\$ —</u>	<u>\$ 8,679</u>
June 30, 2019				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets				
Foreign currency forward exchange contracts and other (a)	\$ —	\$ 17,122	\$ —	\$ 17,122
Available-for-sale security (b)	5,206	—	—	5,206
Total assets	<u>\$ 5,206</u>	<u>\$ 17,122</u>	<u>\$ —</u>	<u>\$ 22,328</u>
Liabilities				
Foreign currency forward exchange contracts and other (a)	<u>\$ —</u>	<u>\$ 1,779</u>	<u>\$ —</u>	<u>\$ 1,779</u>
December 31, 2019				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets				
Foreign currency forward exchange contracts and other (a)	\$ —	\$ 15,002	\$ —	\$ 15,002
Available-for-sale security (b)	3,530	—	—	3,530
Total assets	<u>\$ 3,530</u>	<u>\$ 15,002</u>	<u>\$ —</u>	<u>\$ 18,532</u>
Liabilities				
Foreign currency forward exchange contracts and other (a)	<u>\$ —</u>	<u>\$ 2,976</u>	<u>\$ —</u>	<u>\$ 2,976</u>

- (a) The fair value of the foreign currency forward exchange contracts and other commodity derivative instruments is based on dealer quotes of market forward rates and reflects the amount that Mattel would receive or pay at their maturity dates for contracts involving the same notional amounts, currencies, and maturity dates.
- (b) The fair value of the available-for-sale security is based on the quoted price on an active public exchange.

Other Financial Instruments

Mattel's financial instruments include cash and equivalents, accounts receivable and payable, accrued liabilities, short-term borrowings, and long-term debt. The fair values of these instruments, excluding long-term debt, approximate their carrying values because of their short-term nature. Cash and equivalents are classified as Level 1 and all other financial instruments are classified as Level 2 within the fair value hierarchy.

The estimated fair value of Mattel's long-term debt was \$2.87 billion (compared to a carrying value of \$2.90 billion) as of June 30, 2020, \$2.81 billion (compared to a carrying value of \$2.90 billion) as of June 30, 2019, and \$3.00 billion (compared to a carrying value of \$2.90 billion) as of December 31, 2019. The estimated fair values have been calculated based on broker quotes or rates for the same or similar instruments and are classified as Level 2 within the fair value hierarchy.

14. Earnings Per Share

The following table reconciles basic and diluted earnings per common share for the three and six months ended June 30, 2020 and 2019:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands, except per share amounts)				
Basic				
Net loss	\$ (109,172)	\$ (107,987)	\$ (319,914)	\$ (284,283)
Weighted-average number of common shares	346,875	345,941	346,778	345,946
Basic net loss per common share	\$ (0.31)	\$ (0.31)	\$ (0.92)	\$ (0.82)
Diluted				
Net loss	\$ (109,172)	\$ (107,987)	\$ (319,914)	\$ (284,283)
Weighted-average number of common shares	346,875	345,941	346,778	345,946
Dilutive stock options and restricted stock units ("RSUs") (a)	—	—	—	—
Weighted-average number of common and potential common shares	346,875	345,941	346,778	345,946
Diluted net loss per common share	\$ (0.31)	\$ (0.31)	\$ (0.92)	\$ (0.82)

(a) Mattel was in a net loss position for the three and six months ended June 30, 2020 and 2019, and, accordingly, all outstanding nonqualified stock options and RSUs were excluded from the calculation of diluted net loss per common share because their effect would be antidilutive.

15. Employee Benefit Plans

Mattel and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees of these companies, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 4 to the Consolidated Financial Statements—Employee Benefit Plans" in the 2019 Annual Report on Form 10-K.

A summary of the components of net periodic benefit cost for Mattel's defined benefit pension plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Service cost	\$ 1,112	\$ 1,678	\$ 2,221	\$ 2,634
Interest cost	3,737	4,826	7,518	9,666
Expected return on plan assets	(4,902)	(5,434)	(9,823)	(10,878)
Amortization of prior service cost	43	16	86	32
Recognized actuarial loss	2,356	1,831	4,715	3,664
	\$ 2,346	\$ 2,917	\$ 4,717	\$ 5,118

A summary of the components of net periodic benefit credit for Mattel's postretirement benefit plans is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)			
Interest cost	\$ 35	\$ 50	\$ 70	\$ 100
Amortization of prior service credit	(509)	(509)	(1,018)	(1,018)
Recognized actuarial gain	(19)	(96)	(38)	(192)
	<u>\$ (493)</u>	<u>\$ (555)</u>	<u>\$ (986)</u>	<u>\$ (1,110)</u>

During the six months ended June 30, 2020, Mattel made cash contributions totaling approximately \$2 million related to its defined benefit pension and postretirement benefit plans. During the remainder of 2020, Mattel expects to make additional cash contributions of approximately \$9 million.

16. Share-Based Payments

Mattel has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 8 to the Consolidated Financial Statements—Share-Based Payments" in the 2019 Annual Report on Form 10-K. Under the Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan, Mattel has the ability to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, RSUs, performance awards, dividend equivalent rights, and shares of common stock to officers, employees, and other persons providing services to Mattel. Stock options are granted with exercise prices at the fair market value of Mattel's common stock on the applicable grant date and expire no later than ten years from the date of grant. Stock options and RSUs generally provide for vesting over a period of three years from the date of grant.

As of June 30, 2020, two long-term incentive programs were in place with the following performance cycles: (i) a January 1, 2018–December 31, 2020 performance cycle and (ii) a January 1, 2019–December 31, 2021 performance cycle.

Compensation expense, included within other selling and administrative expenses in the consolidated statements of operations, related to stock options and RSUs is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)			
Stock option compensation expense	\$ 2,376	\$ 2,168	\$ 5,507	\$ 4,574
RSU compensation expense (a)	6,762	10,277	17,907	19,736
	<u>\$ 9,138</u>	<u>\$ 12,445</u>	<u>\$ 23,414</u>	<u>\$ 24,310</u>

(a) Includes compensation expense associated with Mattel's long-term incentive programs of \$0.2 million and \$4.0 million for the three and six months ended June 30, 2020, respectively, and \$1.3 million and \$2.1 million for the three and six months ended June 30, 2019, respectively.

As of June 30, 2020, total unrecognized compensation expense related to unvested share-based payments totaled \$50.4 million and is expected to be recognized over a weighted-average period of 1.6 years.

Mattel uses treasury shares purchased under its share repurchase program to satisfy stock option exercises and the vesting of RSUs. No cash was received for stock option exercises during the six months ended June 30, 2020 and 2019.

17. Other Selling and Administrative Expenses

Other selling and administrative expenses include the following:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)			
Design and development	\$ 46,486	\$ 52,186	\$ 91,113	\$ 94,631
Identifiable intangible asset amortization	9,687	9,909	19,652	20,338

18. Foreign Currency Transaction Exposure

Currency exchange rate fluctuations may impact Mattel's results of operations and cash flows. Mattel's currency transaction exposures include gains and losses realized on unhedged inventory purchases and unhedged receivables and payables balances that are denominated in a currency other than the applicable functional currency. Gains and losses on unhedged inventory purchases and other transactions associated with operating activities are recorded in the components of operating loss in the consolidated statements of operations. Gains and losses on unhedged intercompany loans and advances are recorded as a component of other non-operating expense (income), net in the consolidated statements of operations in the period in which the currency exchange rate changes. Inventory transactions denominated in the Euro, Mexican peso, British pound sterling, Australian dollar, Canadian dollar, Brazilian real, and Russian ruble were the primary transactions that caused foreign currency transaction exposure for Mattel during the six months ended June 30, 2020.

Currency transaction (losses) gains included in the consolidated statements of operations are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)			
Operating loss	\$ (2,169)	\$ 672	\$ (1,946)	\$ (3,098)
Other non-operating expense (income), net	(1,603)	1,117	(2,435)	(551)
Currency transaction (losses) gains, net	\$ (3,772)	\$ 1,789	\$ (4,381)	\$ (3,649)

19. Restructuring Charges

Capital Light Program

During the first quarter of 2019, Mattel announced the commencement of its Capital Light program to optimize Mattel's manufacturing footprint (including the sale or consolidation of manufacturing facilities), increase the productivity of its plant infrastructure, and achieve additional efficiencies across its entire supply chain.

In connection with the Capital Light program, Mattel recorded severance and other restructuring charges within the consolidated statements of operations as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)			
Cost of sales (a)	\$ 1,407	\$ 3,483	\$ 4,464	\$ 3,483
Other selling and administrative expenses (b)	1,374	7,971	4,120	7,971
	\$ 2,781	\$ 11,454	\$ 8,584	\$ 11,454

- (a) Severance and other restructuring costs recorded within cost of sales in the consolidated statements of operations include charges associated with the consolidation of manufacturing facilities.
- (b) Severance and other restructuring costs recorded within other selling and administrative expenses in the consolidated statements of operations are included in corporate and other expense in "Note 22 to the Consolidated Financial Statements—Segment Information."

The following table summarizes Mattel's severance and other restructuring charges activity related to the Capital Light program for the six months ended June 30, 2020:

	Liability at December 31, 2019	Charges (a)	Payments/Utilization	Liability at June 30, 2020
(In thousands)				
Severance	\$ 6,151	\$ 4,120	\$ (1,865)	\$ 8,406
Other restructuring charges	11,484	4,464	(6,906)	9,042
	<u>\$ 17,635</u>	<u>\$ 8,584</u>	<u>\$ (8,771)</u>	<u>\$ 17,448</u>

(a) Other restructuring charges consist primarily of expenses associated with the consolidation of manufacturing facilities.

As of June 30, 2020, Mattel has recorded cumulative severance and other restructuring charges related to the Capital Light program of \$46.2 million, which include approximately \$14 million of non-cash charges. Mattel expects to incur total severance and other restructuring charges, excluding non-cash charges, of approximately \$38 million related to the Capital Light program.

Other Cost Savings Actions

In connection with Mattel's continued efforts to streamline its organizational structure and restore profitability, on May 4, 2020, Mattel committed to a planned 4% reduction in its non-manufacturing workforce. The timing of this action was accelerated due to the impact of COVID-19.

The following table summarizes Mattel's severance charges activity related to other cost savings actions for the six months ended June 30, 2020:

	Liability at December 31, 2019	Charges (a)	Payments/Utilization	Liability at June 30, 2020
(In thousands)				
Severance (a)	\$ —	\$ 14,505	\$ (4,947)	\$ 9,558

(a) Severance charges recorded within other selling and administrative expenses in the consolidated statements of operations are included in corporate and other expense in "Note 22 to the Consolidated Financial Statements—Segment Information."

Mattel expects to incur additional severance and restructuring charges of approximately \$5 million related to other cost savings actions, consisting solely of cash expenditures for employee termination and severance costs, through the end of 2020.

During the first half of 2020, Mattel recorded additional severance and other restructuring charges of approximately \$5 million, related to actions initiated in the prior year associated with the Structural Simplification cost savings program.

20. Income Taxes

Mattel's provision for income taxes was \$12.8 million and \$24.7 million for the three and six months ended June 30, 2020, respectively, and \$12.2 million and \$14.9 million for the three and six months ended June 30, 2019, respectively. During the three and six months ended June 30, 2020, Mattel recognized a net discrete tax expense of \$3.2 million and \$9.6 million, respectively, primarily related to an expense for reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. During the three and six months ended June 30, 2019, Mattel recognized a net discrete tax expense of \$0.8 million and discrete tax benefit of \$1.1 million, respectively, primarily related to reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. As a result of the establishment of a valuation allowance on U.S. deferred tax assets, there was no U.S. tax benefit provided for U.S. losses during the three and six months ended June 30, 2020 and 2019.

In the normal course of business, Mattel is regularly audited by federal, state, and foreign tax authorities. Based on the current status of federal, state, and foreign audits, Mattel believes it is reasonably possible that in the next twelve months, the total unrecognized tax benefits could decrease by approximately \$7 million related to the settlement of tax audits and/or the expiration of statutes of limitations. The ultimate settlement of any particular issue with the applicable taxing authority could have a material impact on Mattel's consolidated financial statements.

In April 2020, Mattel became aware of withholding tax regimes in Europe and potential changes in the interpretation of withholding tax rules which may subject Mattel to withholding tax for years remaining open under the applicable statute of limitation. During the second quarter of 2020, Mattel performed and completed an analysis of the application of these withholding tax regimes, which did not result in a material impact to its income tax expense.

21. Contingencies

Litigation Related to Yellowstone do Brasil Ltda.

Yellowstone do Brasil Ltda. (formerly known as Trebbor Informática Ltda.) was a customer of Mattel's subsidiary Mattel do Brasil Ltda. when a commercial dispute arose between Yellowstone and Mattel do Brasil regarding the supply of product and related payment terms. As a consequence of the dispute, in April 1999, Yellowstone filed a declarative action against Mattel do Brasil before the 15th Civil Court of Curitiba – State of Parana (the "Trial Court"), requesting the annulment of its security bonds and promissory notes given to Mattel do Brasil as well as requesting the Trial Court to find Mattel do Brasil liable for damages incurred as a result of Mattel do Brasil's alleged abrupt and unreasonable breach of an oral exclusive distribution agreement between the parties relating to the supply and sale of toys in Brazil. Yellowstone's complaint sought alleged loss of profits of approximately \$1 million, plus an unspecified amount of damages consisting of: (i) compensation for all investments made by Yellowstone to develop Mattel do Brasil's business; (ii) reimbursement of the amounts paid by Yellowstone to terminate labor and civil contracts in connection with the business; (iii) compensation for alleged unfair competition and for the goodwill of trade; and (iv) compensation for non-pecuniary damages.

Mattel do Brasil filed its defenses to these claims and simultaneously presented a counterclaim for unpaid accounts receivable for goods supplied to Yellowstone in the approximate amount of \$4 million.

During the evidentiary phase a first accounting report was submitted by a court-appointed expert. Such report stated that Yellowstone had invested approximately \$3 million in its business. Additionally, the court-appointed expert calculated a loss of profits compensation of approximately \$1 million. Mattel do Brasil challenged the report since it was not made based on the official accounting documents of Yellowstone and since the report calculated damages based only on documents unilaterally submitted by Yellowstone.

The Trial Court accepted the challenge and ruled that a second accounting examination should take place in the lawsuit. Yellowstone appealed the decision to the Court of Appeals of the State of Parana (the "Appeals Court"), but it was upheld by the Appeals Court.

The second court-appointed expert's report submitted at trial did not assign a value to any of Yellowstone's claims and found no evidence of causation between Mattel do Brasil's actions and such claims.

In January 2010, the Trial Court ruled in favor of Mattel do Brasil and denied all of Yellowstone's claims based primarily on the lack of any causal connection between the acts of Mattel do Brasil and Yellowstone's alleged damages. Additionally, the Trial Court upheld Mattel do Brasil's counterclaim and ordered Yellowstone to pay Mattel do Brasil approximately \$4 million. The likelihood of Mattel do Brasil recovering this amount was uncertain due to the fact that Yellowstone was declared insolvent and filed for bankruptcy protection. In February 2010, Yellowstone filed a motion seeking clarification of the decision which was denied.

In September 2010, Yellowstone filed a further appeal with the Appeals Court. Under Brazilian law, the appeal was de novo and Yellowstone restated all of the arguments it made at the Trial Court level. Yellowstone did not provide any additional information supporting its unspecified alleged damages. The Appeals Court held hearings on the appeal in March and April 2013. On July 26, 2013, the Appeals Court awarded Yellowstone approximately \$17 million in damages, plus attorney's fees, as adjusted for inflation and interest. The Appeals Court also awarded Mattel do Brasil approximately \$7.5 million on its counterclaim, as adjusted for inflation. On August 2, 2013, Mattel do Brasil filed a motion with the Appeals Court for clarification since the written decision contained clear errors in terms of amounts awarded and interest and inflation adjustments. Mattel do Brasil's motion also asked the Appeals Court to decide whether Yellowstone's award could be offset by the counterclaim award, despite Yellowstone's status as a bankrupt entity. Yellowstone also filed a motion for clarification on August 5, 2013. A decision on the clarification motions was rendered on November 11, 2014, and the Appeals Court accepted partially the arguments raised by Mattel do Brasil. As a result, the Appeals Court awarded Yellowstone approximately \$14.5 million in damages, as adjusted for inflation and interest, plus attorney's fees. The Appeals Court also awarded Mattel do Brasil approximately \$7.5 million on its counterclaim, as adjusted for inflation. The decision also recognized the existence of legal rules that support Mattel do Brasil's right to offset its counterclaim award of approximately \$7.5 million. Mattel do Brasil filed a new motion for clarification with the Appeals Court on January 21, 2015, due to the incorrect statement made by the reporting judge of the Appeals Court, that the court-appointed expert analyzed the "accounting documents" of Yellowstone. On April 26, 2015, a decision on the motion for clarification was rendered. The Appeals Court ruled that the motion for clarification was denied and imposed a fine on Mattel do Brasil equal to 1% of the value of the claims made for the delay caused by the motion. On July 3, 2015, Mattel do Brasil filed a special appeal to the Superior Court of Justice based upon both procedural and substantive grounds. This special appeal sought to reverse the Appeals Court's decision of July 26, 2013, and to reverse the fine as inappropriate under the law. This special appeal was submitted to the Appeals Court.

Yellowstone also filed a special appeal with the Appeals Court in February 2015, which was made available to Mattel do Brasil on October 7, 2015. Yellowstone's special appeal sought to reverse the Appeals Court decision with respect to: (a) the limitation on Yellowstone's loss of profits claim to the amount requested in the complaint, instead of the amount contained in the first court-appointed experts report, and (b) the award of damages to Mattel do Brasil on the counterclaim, since the specific amount was not requested in Mattel do Brasil's counterclaim brief.

On October 19, 2015, Mattel do Brasil filed its answer to the special appeal filed by Yellowstone and Yellowstone filed its answer to the special appeal filed by Mattel do Brasil. On April 4, 2016, the Appeals Court rendered a decision denying the admissibility of Mattel's and Yellowstone's special appeals. On May 11, 2016, both Mattel and Yellowstone filed interlocutory appeals.

On August 31, 2017, the reporting justice for the Appeals Court denied Yellowstone's interlocutory appeal. As to Mattel, the reporting justice reversed the fine referenced above that had been previously imposed on Mattel for filing a motion for clarification. However, the reporting justice rejected Mattel's arguments on the merits of Yellowstone's damages claims. On September 22, 2017, Mattel filed a further appeal to the full panel of five appellate justices to challenge the merits of Yellowstone's damages claims. Yellowstone did not file a further appeal.

In April 2018, Mattel do Brasil entered into a settlement agreement to resolve this matter, but the settlement was later rejected by the courts, subject to a pending appeal by Mattel.

On October 2, 2018, the Appeals Court rejected Mattel's merits appeal, and affirmed the prior rulings in favor of Yellowstone. In October 2019, Mattel reached an agreement with Yellowstone's former counsel regarding payment of the attorney's fees portion of the judgment. In November 2019, Yellowstone initiated an action to enforce its judgment against Mattel, but did not account for an offset for Mattel's counterclaim. On January 27, 2020, Mattel obtained an injunction, staying Yellowstone's enforcement action pending resolution of Mattel's appeal to enforce the parties' April 2018 settlement. As of June 30, 2020, Mattel assessed its probable loss related to the Yellowstone matter and has accrued a reserve, which was not material.

2017 Securities Litigation

A purported class action lawsuit is pending in the United States District Court for the Central District of California, (consolidating *Waterford Township Police & Fire Retirement System v. Mattel, Inc., et al.*, filed June 27, 2017; and *Lathe v. Mattel, Inc., et al.*, filed July 6, 2017) against Mattel, Christopher A. Sinclair, Richard Dickson, Kevin M. Farr, and Joseph B. Johnson alleging federal securities laws violations in connection with statements allegedly made by the defendants during the period October 20, 2016 through April 20, 2017. In general, the lawsuit asserts allegations that the defendants artificially inflated Mattel's common stock price by knowingly making materially false and misleading statements and omissions to the investing public about retail customer inventory, the alignment between point-of-sale and shipping data, and Mattel's overall financial condition. The lawsuit alleges that the defendants' conduct caused the plaintiff and other stockholders to purchase Mattel common stock at artificially inflated prices. On May 24, 2018, the Court granted Mattel's motion to dismiss the class action lawsuit, and on June 25, 2018, the plaintiff filed a motion informing the Court he would not be filing an amended complaint. Judgment was entered in favor of Mattel and the individual defendants on September 19, 2018. The plaintiff filed his Notice of Appeal on October 16, 2018 and his opening appellate brief on February 25, 2019. On April 26, 2019, Mattel filed its responsive appellate brief, and on June 17, 2019, plaintiff filed his reply brief. Oral argument occurred on February 4, 2020, and on February 20, 2020, the Court of Appeals affirmed the dismissal of the lawsuit.

In addition, a stockholder had filed a derivative action in the United States District Court for the District of Delaware (*Lombardi v. Sinclair, et al.*, filed December 21, 2017) making allegations that were substantially identical to, or were based upon, the allegations of the class action lawsuit. The defendants in the derivative action were the same as those in the class action lawsuit plus Margaret H. Georgiadis, Michael J. Dolan, Trevor A. Edwards, Frances D. Fergusson, Ann Lewnes, Dominic Ng, Vasant M. Prabhu, Dean A. Scarborough, Dirk Van de Put, and Kathy W. Loyd. On February 26, 2018, the derivative action was stayed pending further developments in the class action litigation. On April 16, 2020, the stockholder filed an amended complaint, which is based on new allegations and which names a new set of defendants. The amended complaint is discussed in more detail below under "Litigation and Investigations Related to Whistleblower Letter."

The lawsuits seek unspecified compensatory damages, attorneys' fees, expert fees, costs, and/or injunctive relief. Mattel believes that the allegations in the lawsuits are without merit and intends to vigorously defend against them. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

Litigation Related to the Fisher-Price Rock 'n Play Sleeper

A number of putative class action lawsuits are pending against Fisher-Price, Inc. and/or Mattel, Inc. asserting claims for false advertising, negligent product design, breach of warranty, fraud, and other claims in connection with the marketing and sale of the Fisher-Price Rock 'n Play Sleeper (the "Sleeper"). In general, the lawsuits allege that the Sleeper should not have been marketed and sold as safe and fit for prolonged and overnight sleep for infants. The putative class action lawsuits propose nationwide and over 15 statewide consumer classes comprised of those who purchased the Sleeper as marketed as safe for prolonged and overnight sleep. The class actions have been consolidated before a single judge for pre-trial purposes pursuant to the federal courts' Multi-District Litigation program.

Thirty-three additional lawsuits are pending against Fisher-Price, Inc. and Mattel, Inc. alleging that a product defect in the Sleeper caused the fatalities of or injuries to thirty-seven children. Additionally, Fisher-Price, Inc. and/or Mattel, Inc. have also received letters from lawyers purporting to represent additional plaintiffs who are threatening to assert similar claims.

In addition, a stockholder has filed a derivative action in the Court of Chancery for the State of Delaware (*Kumar v. Bradley, et al.*, filed July 7, 2020) alleging breach of fiduciary duty and unjust enrichment related to the development, marketing, and sale of the Sleeper. The defendants in the derivative action are R. Todd Bradley, Richard Dickson, Joseph J. Euteneuer, Adriana Cisneros, Michael J. Dolan, Ynon Kreiz, Soren T. Laursen, Ann Lewnes, Roger Lynch, Dominic Ng, Judy D. Olian and Vasant M. Prabhu.

The lawsuits seek compensatory damages, punitive damages, statutory damages, restitution, disgorgement, attorneys' fees, costs, interest, declaratory relief, and/or injunctive relief. Mattel believes that the allegations in the lawsuits are without merit and intends to vigorously defend against them.

A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

Litigation and Investigations Related to Whistleblower Letter

In December 2019 and January 2020, two stockholders filed separate complaints styled as class actions against Mattel, Inc., and certain of its current and former officers, alleging violations of federal securities laws. The complaints rely on the results of an investigation announced by Mattel in October 2019 regarding allegations in a whistleblower letter and claim that Mattel misled the market in several of its financial statements beginning in the third quarter of 2017. The lawsuits allege that the defendants' conduct caused the plaintiff and other stockholders to purchase Mattel common stock at artificially inflated prices.

In addition, a stockholder has filed a derivative action in the United States District Court for the District of Delaware (*Moher v. Kreiz, et al.*, filed April 9, 2020) making allegations that are substantially identical to, or are based upon, the allegations of the class action lawsuits. The defendants in the derivative action are Ynon Kreiz, Margaret H. Georgiadis, Joseph J. Euteneuer, Joseph B. Johnson, R. Todd Bradley, Adriana Cisneros, Michael J. Dolan, Trevor A. Edwards, Frances D. Fergusson, Soren T. Laursen, Ann Lewnes, Kathy W. Loyd, Roger Lynch, Dominic Ng, Judy D. Olian, Vasant M. Prabhu, Dean A. Scarborough, Christopher A. Sinclair, Mattel, Inc., and PricewaterhouseCoopers LLP. Subsequently, a nearly identical derivative action was filed by a different stockholder against the same defendants (*Lombardi v. Kreiz, et al.*, filed April 16, 2020). The second lawsuit is styled as an amended complaint and replaces a complaint making unrelated allegations in a previously filed lawsuit already pending in Delaware federal court (discussed above under "2017 Securities Litigation"). In May 2020, the derivative actions were consolidated and stayed pending further developments in the class action lawsuits.

The lawsuits seek unspecified compensatory damages, attorneys' fees, expert fees, costs and/or injunctive relief. Mattel believes that the allegations in the lawsuits are without merit and intends to vigorously defend against them. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

Mattel also received a subpoena in December 2019 from the SEC, seeking documents related to the whistleblower letter and subsequent investigation, and is responding to the SEC's subpoena. Mattel is also responding to requests from the United States Attorney's Office for the Southern District of New York ("SDNY") related to this matter. Mattel cannot predict the eventual scope, duration or outcome of potential legal action by the SEC or SDNY, if any, or whether any such action could have a material impact on Mattel's financial condition, results of operations or cash flows.

22. Segment Information

Mattel designs, manufactures, and markets a broad variety of toy products worldwide, which are sold to its customers and directly to consumers.

Gross Sales

Gross sales by categories are presented as follows:

Dolls—including brands such as *Barbie*, *American Girl*, *Enchantimals*, and *Polly Pocket*.

Infant, Toddler, and Preschool—including brands such as *Fisher-Price* and *Thomas & Friends*, *Power Wheels*, *Fireman Sam*, and *Shimmer and Shine (Nickelodeon)*.

Vehicles—including brands such as *Hot Wheels*, *Matchbox*, *CARS (Disney Pixar)*, and *Jurassic World (NBCUniversal)*.

Action Figures, Building Sets, Games, and Other—including brands such as *MEGA*, *UNO*, *Toy Story (Disney Pixar)*, *Jurassic World (NBCUniversal)*, *WWE*, and *Star Wars (Disney)*.

Segment Data

Mattel's operating segments are: (i) North America, which consists of the U.S. and Canada; (ii) International; and (iii) American Girl. The North America and International segments sell products across categories, although some products are developed and adapted for particular international markets.

The following tables present information about revenues, income (loss), and assets by segment. Mattel does not include sales adjustments such as trade discounts and other allowances in the calculation of segment revenues (referred to as "gross sales" and reconciled to net sales in the tables below). Mattel records these adjustments in its financial accounting systems at the time of sale to each customer, but the adjustments generally are not associated with categories, brands, and individual products. For this reason, Mattel's Chief Operating Decision Maker uses total net sales and gross sales by segment as measures to evaluate segment performance. Sales adjustments are included in the determination of segment income (loss) from operations based on the adjustments recorded in the financial accounting systems. Segment income (loss) represents each segment's operating income (loss), while consolidated operating loss represents loss from operations before net interest, other non-operating expense (income), net, and income taxes as reported in the consolidated statements of operations. The corporate and other expense category includes costs not allocated to individual segments, including charges related to incentive compensation, severance and other restructuring costs, share-based compensation, corporate headquarters functions managed on a worldwide basis, and the impact of changes in foreign currency exchange rates on intercompany transactions.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Revenues by Segment				
North America	\$ 461,550	\$ 447,354	\$ 767,302	\$ 816,745
International	323,944	480,507	650,064	845,685
American Girl	29,066	34,405	67,159	79,962
Gross sales	814,560	962,266	1,484,525	1,742,392
Sales adjustments	(82,424)	(102,203)	(158,319)	(193,083)
Net sales	\$ 732,136	\$ 860,063	\$ 1,326,206	\$ 1,549,309

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Segment Income (Loss)				
North America (a)	\$ 77,920	\$ 28,297	\$ 85,951	\$ 8,556
International (a)	(9,767)	(3,507)	(43,848)	(27,810)
American Girl	(13,858)	(16,305)	(31,299)	(30,364)
	54,295	8,485	10,804	(49,618)
Corporate and other expense (b)	(100,436)	(59,901)	(206,756)	(128,809)
Operating loss	(46,141)	(51,416)	(195,952)	(178,427)
Interest expense	49,615	46,234	98,595	93,192
Interest (income)	(1,025)	(1,532)	(3,108)	(3,804)
Other non-operating expense (income), net	1,602	(294)	3,743	1,610
Loss before income taxes	\$ (96,333)	\$ (95,824)	\$ (295,182)	\$ (269,425)

- (a) Segment income (loss) included severance and restructuring expenses of \$1.4 million and \$4.5 million, for the three and six months ended June 30, 2020, respectively, and \$3.5 million, for the three and six months ended June 30, 2019, respectively, which were allocated to the North America and International segments. Segment income (loss) for the three and six months ended June 30, 2019 also included charges of \$3.1 million and \$30.4 million, respectively, attributable to the inclined sleeper product recalls, substantially all of which was recorded in the North America segment.
- (b) Corporate and other expense included severance and restructuring charges of \$16.2 million and \$23.8 million, for the three and six months ended June 30, 2020, respectively, and \$14.4 million and \$23.1 million, for the three and six months ended June 30, 2019. Corporate and other expense also included expenses related to inclined sleeper product recall litigation of \$2.9 million and \$9.1 million, for the three and six months ended June 30, 2020, respectively, and share-based compensation for the three and six months ended June 30, 2020 and June 30, 2019.

Segment assets are comprised of accounts receivable and inventories, net of applicable allowances and reserves.

	June 30, 2020	June 30, 2019	December 31, 2019
(In thousands)			
Assets by Segment			
North America	\$ 620,900	\$ 622,614	\$ 569,819
International	520,189	677,958	721,251
American Girl	48,192	42,681	35,004
	<u>1,189,281</u>	<u>1,343,253</u>	<u>1,326,074</u>
Corporate and other	163,813	134,839	105,789
Accounts receivable and inventories, net	<u>\$ 1,353,094</u>	<u>\$ 1,478,092</u>	<u>\$ 1,431,863</u>

The table below presents worldwide revenues by categories:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Revenues by Categories				
Dolls	\$ 261,023	\$ 273,405	\$ 486,892	\$ 526,291
Infant, Toddler, and Preschool	199,824	251,996	340,144	445,622
Vehicles	158,683	214,137	344,334	397,498
Action Figures, Building Sets, Games, and Other	195,030	222,728	313,155	372,981
Gross sales	814,560	962,266	1,484,525	1,742,392
Sales adjustments	(82,424)	(102,203)	(158,319)	(193,083)
Net sales	<u>\$ 732,136</u>	<u>\$ 860,063</u>	<u>\$ 1,326,206</u>	<u>\$ 1,549,309</u>

The table below presents supplemental disclosure of worldwide revenues:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Revenues by Top 3 Power Brands				
Barbie	\$ 199,312	\$ 186,531	\$ 346,797	\$ 350,009
Hot Wheels	136,479	175,199	295,097	325,735
Fisher-Price and Thomas & Friends	176,259	222,409	305,009	394,807
Other	302,510	378,127	537,622	671,841
Gross sales	814,560	962,266	1,484,525	1,742,392
Sales adjustments	(82,424)	(102,203)	(158,319)	(193,083)
Net sales	<u>\$ 732,136</u>	<u>\$ 860,063</u>	<u>\$ 1,326,206</u>	<u>\$ 1,549,309</u>

Geographic Information

The table below presents information by geographic area. Revenues are attributed to countries based on location of the customer.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(In thousands)				
Revenues by Geographic Area				
North America	\$ 490,616	\$ 481,759	\$ 834,461	\$ 896,707
International				
EMEA	184,018	234,107	399,305	450,456
Latin America	67,690	141,310	127,351	216,560
Asia Pacific	72,236	105,090	123,408	178,669
Total International	323,944	480,507	650,064	845,685
Gross sales	814,560	962,266	1,484,525	1,742,392
Sales adjustments	(82,424)	(102,203)	(158,319)	(193,083)
Net sales	\$ 732,136	\$ 860,063	\$ 1,326,206	\$ 1,549,309

23. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. This update replaces the existing incurred loss impairment model with an expected loss model (referred to as the Current Expected Credit Loss model, or "CECL"). In November 2018, the FASB issued ASU 2018-19, *Codifications Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. Mattel adopted ASU 2016-13 and its related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2020-02) on January 1, 2020. The adoption of this new accounting standard and its related amendments did not have a material impact on Mattel's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements, including the consideration of costs and benefits. ASU 2018-13 was effective for interim and annual reporting periods beginning on January 1, 2020. The amendments on changes in unrealized gains and losses, the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments are applied retrospectively to all periods presented upon their effective date. Mattel adopted ASU 2018-13 on January 1, 2020. The adoption of this new accounting standard did not have a material impact on Mattel's consolidated financial statements.

In March 2019, the FASB issued ASU 2019-02, *Entertainment - Films - Other Assets - Film Costs (Subtopic 926-20) and Entertainment - Broadcasters - Intangibles - Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*, which aligns the accounting for production costs of episodic television series with the accounting of films by removing the content distinction for capitalization. Mattel adopted ASU 2019-02 on January 1, 2020. The adoption of this new accounting standard did not have a material impact on Mattel's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 will become effective for the fiscal year beginning on January 1, 2021. Early adoption is permitted and the amendments will be applied on a retrospective basis to all periods presented. Mattel is currently evaluating the impact of the adoption of ASU 2018-14 on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify the accounting for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 will become effective for the fiscal year beginning on January 1, 2021. Early adoption is permitted. The amendments related to changes in ownership of foreign equity method investments or foreign subsidiaries will be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings as of January 1, 2007. The amendments related to franchise taxes that are partially based on income will be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative effect adjustment to retained earnings as of January 1, 2007. All other amendments will be applied on a prospective basis. Mattel is currently evaluating the impact of the adoption of ASU 2019-12 on its consolidated financial statements.

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

In the discussion that follows, "Mattel" refers to Mattel, Inc. and/or one or more of its family of companies.

The following discussion should be read in conjunction with the consolidated financial statements and related notes that appear in Part I, Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q. Mattel's business is seasonal with consumers making a large percentage of all toy purchases during the traditional holiday season; therefore, results of operations are comparable only with corresponding periods.

The following discussion also includes gross sales and currency exchange rate impact, non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission ("Regulation G"), to supplement the financial results as reported in accordance with generally accepted accounting principles ("GAAP"). Gross sales represent sales to customers, excluding the impact of sales adjustments, such as trade discounts and other allowances. The currency exchange rate impact reflects the portion (expressed as a percentage) of changes in Mattel's reported results that are attributable to fluctuations in currency exchange rates. Mattel uses these non-GAAP financial measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. Management believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to allow them to better evaluate ongoing business performance and certain components of Mattel's results. These measures are not, and should not be viewed as, a substitute for GAAP financial measures. Refer to "Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q for a more detailed discussion, including a reconciliation of gross sales, a non-GAAP financial measure, to net sales, its most directly comparable GAAP financial measure.

Note that amounts within this Item 2 shown in millions may not foot due to rounding.

Overview

Mattel is a leading global children's entertainment company that specializes in the design and production of quality toys and consumer products. Mattel's products are among the most widely recognized toy products in the world. Mattel's mission is to "create innovative products and experiences that inspire, entertain, and develop children through play." In order to deliver on this mission, Mattel is focused on the following two-part strategy to transform Mattel from a toy manufacturing company into an intellectual property ("IP") driven, high-performing toy company:

- In the short- to mid-term, restore profitability by reshaping operations and regain topline growth by growing Mattel's Power Brands (*Barbie*, *Hot Wheels*, *Fisher-Price* and *Thomas & Friends*, and *American Girl*) and expanding Mattel's brand portfolio.
- In the mid- to long-term, capture the full value of Mattel's IP through franchise management and the development of Mattel's online retail and e-commerce capabilities.

Mattel is the owner of a portfolio of global brands with vast intellectual property potential. Mattel's portfolio of owned and licensed brands and products are organized into the following categories:

Dolls—including brands such as *Barbie*, *American Girl*, *Enchantimals*, and *Polly Pocket*. Empowering girls since 1959, *Barbie* has inspired the limitless potential of every girl by showing them that they can be anything. With an extensive portfolio of dolls and accessories, content, gaming, and lifestyle products, *Barbie* is the premier fashion doll for children around the world. *American Girl* is best known for imparting valuable life lessons through its inspiring dolls and books, featuring diverse characters from past and present. Its products are sold directly to consumers via its catalog, website, and proprietary retail stores.

Infant, Toddler, and Preschool—including brands such as *Fisher-Price* and *Thomas & Friends*, *Power Wheels*, *Fireman Sam*, and *Shimmer and Shine* (*Nickelodeon*). As a leader in play and child development, *Fisher-Price*'s mission is to provide meaningful solutions for parents and enrich children's lives from birth to school readiness, helping families get the best possible start. *Thomas & Friends* is an award-winning preschool train brand franchise that brings meaningful life lessons of friendship and teamwork to kids through content, toys, live events, and other lifestyle categories.

Vehicles—including brands such as *Hot Wheels*, *Matchbox*, *CARS* (*Disney Pixar*), and *Jurassic World* (*NBCUniversal*). In production for over 50 years, *Hot Wheels* continues to push the limits of performance and design and ignites the challenger spirit of kids, adults, and collectors. From diecast cars, to tracks, playsets, and advanced play products, the *Hot Wheels* portfolio has broad appeal that engages and excites kids.

Action Figures, Building Sets, Games, and Other—including brands such as *MEGA*, *UNO*, *Toy Story* (Disney Pixar), *Jurassic World* (NBCUniversal), *WWE*, and *Star Wars* (Disney). From big blocks to small bricks, first builders to advanced collectors, *MEGA* creates products that spark purposeful play and encourage kids and adults to "build beyond." America's number one game, *UNO* is the classic matching card game that is easy to pick up and fast fun for everyone.

Mattel's operating segments are: (i) North America, which consists of the U.S. and Canada; (ii) International; and (iii) American Girl. The North America and International segments sell products across categories, although some products are developed and adapted for particular international markets.

COVID-19 Update

A novel strain of coronavirus disease ("COVID-19") was reported in December 2019 and characterized as a pandemic by the World Health Organization in March 2020. The impact of COVID-19 and the actions taken by governments, businesses, and individuals in response to it have resulted in significant global economic disruption, including, but not limited to, temporary business closures, reduced retail traffic, volatility in financial markets, and restrictions on travel.

COVID-19 has continued to significantly impact Mattel's results of operations, financial position, and cash flows, primarily due to net sales declines in the International and American Girl segments during the second quarter of 2020, as compared to the second quarter of 2019. However, strong consumer toy demand in North America resulted in slightly higher net sales in the North America segment during the second quarter of 2020, as compared to the second quarter of 2019, primarily driven by strong point of sale demand ("POS") in the Dolls and Games categories and increased sales through e-commerce and omnichannel retailers. Net sales declined in the International segment during the second quarter of 2020, as compared to the second quarter of 2019, primarily due to retail store closures and local restrictions as a result of COVID-19. Exiting the second quarter of 2020, substantially all retail stores in the EMEA and Asia Pacific regions were open, while a great majority of retail stores in the Latin America region were open. Net sales declined in the American Girl segment during the second quarter of 2020, as compared to the second quarter of 2019, primarily due to retail store closures as a result of COVID-19, partially offset by higher direct-to-consumer channel sales.

In the near term, COVID-19 is expected to continue to have adverse effects on net sales, with resulting impacts to profitability and working capital, though net sales, profitability, and working capital are expected to be less adversely impacted by COVID-19 in the second half of 2020 as compared to the year-over-year impact in the first half of 2020. Due to the uncertainty of the duration and severity of the pandemic and resulting effects, it is not possible to further estimate the ultimate impact to net sales, profitability, and working capital for the second half of 2020 and beyond. If the pandemic worsens, the actual adverse impact on net sales, profitability, and working capital may be materially greater than Mattel's current estimates.

COVID-19 has caused manufacturing and distribution disruption for Mattel and the manufacturers and distribution network it relies upon, including the temporary disruption of manufacturing and distribution facilities during the second quarter of 2020. To date, the disruption has not and is not expected to materially impact Mattel's ability to meet demand for its products. Mattel's manufacturing and distribution network was operational as of June 30, 2020. To the extent any of this disruption becomes prolonged or recurs, particularly during seasonally-high periods of production and/or distribution during the second half of 2020, Mattel's ability to meet demand may be materially impacted. Due to the uncertainty of the duration and severity of the pandemic and resulting effects, it is not possible to estimate the extent of such impact.

Prolonged disruption to Mattel's customers, supply chain, or other critical operations would result in material adverse effects to Mattel's business and its liquidity. The ultimate impact of COVID-19 on Mattel's results of operations, financial position, and cash flows remains uncertain at this time due to rapidly evolving circumstances. Mattel is closely monitoring the situation and actively managing its business as developments occur. Refer to Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q for further discussion regarding potential impacts of COVID-19 on Mattel's business.

The specific line items that have been materially affected by these impacts of COVID-19 are noted within "Results of Operations—Second Quarter" and "Results of Operations—First Half" below. Additional discussion of the impact of COVID-19 on Mattel's liquidity and capital resources is discussed in "Liquidity and Capital Resources" and in "Cost Savings Programs" below. In addition to the impacts of COVID-19 discussed below, it is reasonably likely that the pandemic and its resulting effects could have other unforeseen consequences that affect Mattel's business.

Cybersecurity Update

On July 28, 2020, Mattel discovered that it was the victim of a ransomware attack on its information technology systems that caused data on a number of systems to be encrypted. Promptly upon detection of the attack, Mattel began enacting its response protocols and taking a series of measures to stop the attack and restore impacted systems. Mattel believes it has contained the attack and, although some business functions were temporarily impacted, Mattel was able to restore its critical operations. At this time, there is no evidence that any sensitive business data or retail customer, supplier, consumer, or employee data was exfiltrated. Mattel carries cyber and business continuity insurance, commensurate with its size and the nature of its operations. At this time, Mattel believes there has been no material impact to its operations or financial condition as a result of the incident. However, a forensic investigation of the incident is being conducted, and until that investigation is completed, Mattel cannot be certain of the full impact of the incident.

Results of Operations—Second Quarter

Consolidated Results

Net sales for the second quarter of 2020 were \$732.1 million, a 15% decrease, as compared to \$860.1 million in the second quarter of 2019, with an unfavorable impact from changes in currency exchange rates of 2 percentage points. Net loss for the second quarter of 2020 was \$109.2 million, or \$0.31 per share, as compared to a net loss of \$108.0 million, or \$0.31 per share, in the second quarter of 2019, due to lower net sales in the International and American Girl segments, primarily due to the impact of COVID-19, partially offset by higher overall gross margin and higher net sales in the North America segment.

The following table provides a summary of Mattel's consolidated results for the second quarter of 2020 and 2019:

	For the Three Months Ended				Year/Year Change	
	June 30, 2020		June 30, 2019		%	Basis Points of Net Sales
	Amount	% of Net Sales	Amount	% of Net Sales		
(In millions, except percentage and basis point information)						
Net sales	\$ 732.1	100.0 %	\$ 860.1	100.0 %	-15 %	—
Gross profit	\$ 320.8	43.8 %	\$ 341.4	39.7 %	-6 %	410
Advertising and promotion expenses	60.2	8.2 %	84.5	9.8 %	-29 %	-160
Other selling and administrative expenses	306.8	41.9 %	308.3	35.8 %	— %	610
Operating loss	(46.1)	-6.3 %	(51.4)	-6.0 %	-10 %	-30
Interest expense	49.6	6.8 %	46.2	5.4 %	7 %	140
Interest (income)	(1.0)	-0.1 %	(1.5)	-0.2 %	-33 %	10
Other non-operating expense (income), net	1.6		(0.3)			
Loss before income taxes	(96.3)	-13.2 %	(95.8)	-11.1 %	1 %	-210
Provision for income taxes	12.8		12.2			
Net loss	\$ (109.2)	-14.9 %	\$ (108.0)	-12.6 %	1 %	-230

Sales

Net sales for the second quarter of 2020 were \$732.1 million, a decrease of \$128.0 million or 15%, as compared to \$860.1 million in the second quarter of 2019, with an unfavorable impact from changes in currency exchange rates of 2 percentage points.

The following table provides a summary of Mattel's consolidated gross sales by categories, along with supplemental information by brand, for the second quarter of 2020 and 2019:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 261.0	\$ 273.4	-5 %	-3 %
Infant, Toddler, and Preschool	199.8	252.0	-21 %	-2 %
Vehicles	158.7	214.1	-26 %	-3 %
Action Figures, Building Sets, Games, and Other	195.0	222.7	-12 %	-1 %
Gross Sales	\$ 814.6	\$ 962.3	-15 %	-2 %
Sales Adjustments	(82.4)	(102.2)		
Net Sales	\$ 732.1	\$ 860.1	-15 %	-2 %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 199.3	\$ 186.5	7 %	-3 %
Hot Wheels	136.5	175.2	-22 %	-3 %
Fisher-Price and Thomas & Friends	176.3	222.4	-21 %	-2 %
Other	302.5	378.1	-20 %	-2 %
Gross Sales	\$ 814.6	\$ 962.3	-15 %	-2 %

Gross sales were \$814.6 million in the second quarter of 2020, a decrease of \$147.7 million or 15%, as compared to \$962.3 million in the second quarter of 2019, with an unfavorable impact from changes in currency exchange rates of 2 percentage points. The decrease in second quarter of 2020 gross sales was primarily due to lower sales of Vehicles and Infant, Toddler, and Preschool, including the impact of COVID-19.

Of the 5% decrease in Dolls gross sales, 3% was due to lower sales of *Enchantimals* products, 2% was due to lower sales of *Polly Pocket* products, and 2% was due to lower sales of *American Girl* products, partially offset by higher sales of *Barbie* products of 5%. Sales of *Barbie* products increased 7% driven by strong growth in North America segment sales, which increased 43%, partially offset by the decline in International segment sales of 19%, primarily due to the impact of COVID-19.

Of the 21% decrease in Infant, Toddler, and Preschool gross sales, 19% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, due to lower sales of *Imaginext Toy Story 4* products and the overall category decline, including the impact of COVID-19.

Of the 26% decrease in Vehicles gross sales, 18% was due to lower sales of *Hot Wheels* products, primarily due to lower gross sales in the International segment of 34%, due to the impact of COVID-19, and 5% was due to lower sales of *CARS* products following its movie launch in a prior year.

Of the 12% decrease in Action Figures, Building Sets, Games, and Other gross sales, 24% was due to lower sales of *Toy Story 4* products following its 2019 theatrical release and 6% was due to lower sales of *MEGA* products. This was partially offset by higher sales of 9% from card game products including *UNO*, and initial sales of *Star Wars: The Child* plush products of 8%.

Cost of Sales

Cost of sales as a percentage of net sales was 56.2% in the second quarter of 2020, as compared to 60.3% in the second quarter of 2019. Cost of sales decreased by \$107.4 million, or 21%, to \$411.3 million in the second quarter of 2020 from \$518.7 million in the second quarter of 2019, as compared to a 15% decrease in net sales. Within cost of sales, product and other costs decreased by \$78.7 million, or 20%, to \$320.4 million in the second quarter of 2020 from \$399.1 million in the second quarter of 2019; freight and logistics expenses decreased by \$6.1 million, or 9%, to \$60.0 million in the second quarter of 2020 from \$66.1 million in the second quarter of 2019; and royalty expense decreased by \$22.6 million, or 42%, to \$30.9 million in the second quarter of 2020 from \$53.5 million in the second quarter of 2019.

Gross Margin

Gross margin increased to 43.8% in the second quarter of 2020 from 39.7% in the second quarter of 2019. The increase in gross margin was primarily driven by incremental realized savings from the Structural Simplification and Capital Light programs (the "cost savings programs") and a decrease in royalty expense resulting from lower sales of licensed products, partially offset by the unfavorable impact of fixed cost absorption.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which primarily include the media, planning, and buying fees for television, print, and online advertisements; (ii) non-media costs, which primarily include commercial and website production, merchandising, and promotional costs; (iii) retail advertising costs, which primarily include consumer direct catalogs, newspaper inserts, fliers, and mailers; and (iv) generic advertising costs, which primarily include trade show costs. Advertising and promotion expenses as a percentage of net sales decreased to 8.2% in the second quarter of 2020 from 9.8% in the second quarter of 2019 as a result of a reduction and deferral of advertising and promotion spend due to the impact of COVID-19.

Other Selling and Administrative Expenses

Other selling and administrative expenses were \$306.8 million, or 41.9% of net sales, in the second quarter of 2020, as compared to \$308.3 million, or 35.8% of net sales, in the second quarter of 2019. The decrease in other selling and administrative expenses was primarily driven by incremental realized savings from the cost savings programs, partially offset by higher incentive compensation expense.

Interest expense

Interest expense was \$49.6 million in the second quarter of 2020, as compared to \$46.2 million in the second quarter of 2019. The increase in interest expense was due to the higher interest rate associated with the refinancing of both the 2010 Senior Notes due October 2020 and the 2016 Senior Notes due August 2021 with the 2019 Senior Notes and higher short-term borrowings.

Provision for Income Taxes

Mattel's provision for income taxes was \$12.8 million and \$12.2 million for the second quarter of 2020 and 2019, respectively. For the second quarter of 2020 and 2019, Mattel recognized a net discrete tax expense of \$3.2 million and \$0.8 million, respectively, primarily related to an expense for reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. As a result of the establishment of a valuation allowance on U.S. deferred tax assets, there was no U.S. tax benefit provided for U.S. losses during the second quarter 2020 and 2019.

Segment Results

North America Segment

The following table provides a summary of Mattel's gross sales for the North America segment by categories, along with supplemental information by brand, for the second quarter of 2020 and 2019:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 121.2	\$ 93.3	30 %	— %
Infant, Toddler, and Preschool	132.4	142.6	-7 %	— %
Vehicles	77.8	88.6	-12 %	— %
Action Figures, Building Sets, Games, and Other	130.2	122.8	6 %	— %
Gross Sales	\$ 461.5	\$ 447.4	3 %	— %
Sales Adjustments	(28.7)	(24.5)		
Net Sales	\$ 432.9	\$ 422.9	2 %	— %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 112.3	\$ 78.5	43 %	— %
Hot Wheels	66.2	68.6	-3 %	— %
Fisher-Price and Thomas & Friends	111.7	124.6	-10 %	— %
Other	171.4	175.7	-2 %	— %
Gross Sales	\$ 461.5	\$ 447.4	3 %	— %

Gross sales for the North America segment were \$461.5 million in the second quarter of 2020, an increase of \$14.1 million, or 3%, as compared to \$447.4 million in the second quarter of 2019. The increase in the North America segment gross sales was primarily due to higher sales of Dolls, partially offset by lower sales of Vehicles.

Of the 30% increase in Dolls gross sales, 36% was due to higher sales of *Barbie* products, primarily driven by positive POS brand momentum, partially offset by lower sales of other owned brands products of 3%, and lower sales of partner brands products of 3%.

Of the 7% decrease in Infant, Toddler, and Preschool gross sales, 9% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products attributable to lower sales of *Imaginext Toy Story 4* products and the overall category decline. This was partially offset by higher sales of *Power Wheels* products of 4%.

Of the 12% decrease in Vehicles gross sales, 5% was due to lower sales of *CARS* products following its movie launch in a prior year, 4% was due to lower sales of *Matchbox* products, and 3% was due to lower sales of *Hot Wheels* products.

Of the 6% increase in Action Figures, Building Sets, Games, and Other gross sales, 14% was due to initial sales of *Star Wars: The Child* plush products and 13% was due to higher sales of card game products, including *UNO*. This was partially offset by lower sales of *Toy Story 4* products of 23% following its 2019 theatrical release.

Cost of sales decreased 8% in the second quarter of 2020, as compared to a 2% increase in net sales, primarily due to lower product and other costs and royalty expense. Gross margin in the second quarter of 2020 increased primarily due to lower product costs due to incremental realized savings from the cost savings programs and lower royalty expense.

North America segment income was \$77.9 million in the second quarter of 2020, as compared to segment income of \$28.3 million in the second quarter of 2019; the increase was primarily due to higher gross profit and lower advertising and promotion expenses.

International Segment

The following table provides a summary of Mattel's gross sales for the International segment by categories, along with supplemental brand information, for the second quarter of 2020 and 2019:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 110.8	\$ 145.7	-24 %	-5 %
Infant, Toddler, and Preschool	67.4	109.4	-38 %	-3 %
Vehicles	80.9	125.5	-36 %	-5 %
Action Figures, Building Sets, Games, and Other	64.8	99.9	-35 %	-4 %
Gross Sales	\$ 323.9	\$ 480.5	-33 %	-5 %
Sales Adjustments	(52.9)	(76.9)		
Net Sales	\$ 271.1	\$ 403.6	-33 %	-4 %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 87.0	\$ 108.1	-19 %	-4 %
Hot Wheels	70.3	106.6	-34 %	-5 %
Fisher-Price and Thomas & Friends	64.6	97.8	-34 %	-4 %
Other	102.1	168.1	-39 %	-4 %
Gross Sales	\$ 323.9	\$ 480.5	-33 %	-5 %

Gross sales for the International segment were \$323.9 million in the second quarter of 2020, a decrease of \$156.6 million, or 33%, as compared to \$480.5 million in the second quarter of 2019, with an unfavorable impact from changes in currency exchange rates of 5 percentage points. The decrease in the International segment gross sales was due to lower sales in all categories, primarily due to retail store closures and local restrictions resulting from COVID-19.

Of the 24% decrease in Dolls gross sales, 14% was due to lower sales of *Barbie* products, 4% was due to lower sales of *Enchantimals* products, and 4% was due to lower sales of *Polly Pocket* products, primarily due to the impact of COVID-19.

Of the 38% decrease in Infant, Toddler, and Preschool gross sales, 30% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, primarily due to the impacts of the overall category decline and the impact of COVID-19, and 7% was due to lower sales of *Fisher-Price Friends* products, primarily driven by the rationalization of licensing partnerships.

Of the 36% decrease in Vehicles gross sales, 29% was due to lower sales of *Hot Wheels* products, primarily due to the impact of COVID-19, and 5% was due to lower sales of *CARS* products following its movie launch in a prior year.

Of the 35% decrease in Action Figures, Building Sets, Games, and Other gross sales, 28% was due to lower sales of *Toy Story 4* products following its 2019 theatrical release and 6% was due to lower sales of *MEGA* products.

Cost of sales decreased 36% in the second quarter of 2020, as compared to a 33% decrease in net sales, primarily due to lower product and other costs and royalty expense. Gross margin in the second quarter of 2020 increased primarily as a result of lower product costs due to incremental realized savings from the cost savings programs and lower royalty expense.

International segment loss was \$9.8 million in the second quarter of 2020, as compared to segment loss of \$3.5 million in the second quarter of 2019; the decline was primarily as a result of lower net sales due to the impact of COVID-19, partially offset by higher gross margin and lower advertising and promotion expenses.

American Girl Segment

The following table provides a summary of Mattel's gross sales for the American Girl segment for the second quarter of 2020 and 2019:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
American Girl Segment				
Gross Sales	\$ 29.1	\$ 34.4	-16 %	— %
Sales Adjustments	(0.9)	(0.9)		
Net Sales	<u>\$ 28.2</u>	<u>\$ 33.5</u>	-16 %	— %

Gross sales for the American Girl segment were \$29.1 million in the second quarter of 2020, a decrease of \$5.3 million, or 16%, as compared to \$34.4 million in the second quarter of 2019. The decrease in *American Girl* gross sales was primarily due to lower sales in proprietary retail channels, which were impacted by retail store closures throughout the quarter due to the impact of COVID-19. This was partially offset by higher direct-to-consumer channel sales, which more than doubled during the second quarter of 2020.

Cost of sales decreased 13% in the second quarter of 2020, as compared to a 16% decrease in net sales, primarily due to lower product and other costs, partially offset by higher freight and logistics expenses. Gross margin in the second quarter of 2020 decreased primarily due to increased freight and logistics expenses due to higher direct-to-consumer channel sales, partially offset by incremental realized savings from cost savings programs.

American Girl segment loss was \$13.9 million in the second quarter of 2020, as compared to a segment loss of \$16.3 million in the second quarter of 2019. This improvement was primarily driven by lower selling and administrative expense, partially offset by lower net sales, including the impact of retail store closures during the quarter due to the impact of COVID-19.

Results of Operations—First Half

Consolidated Results

Net sales for the first half of 2020 were \$1.33 billion, a 14% decrease, as compared to \$1.55 billion for the first half of 2019, with an unfavorable impact from the changes in currency exchange rates of 1 percentage point. Net loss for the first half of 2020 was \$319.9 million, or \$0.92 per share, as compared to a net loss of \$284.3 million, or \$0.82 per share, in the first half of 2019. The higher net loss was due to lower net sales, primarily due to the impact of COVID-19, which was partially offset by higher gross margin, driven by incremental realized savings from the cost savings programs, and the absence of the impact of the inclined sleeper product recalls of approximately \$30 million.

The following table provides a summary of Mattel's consolidated results for the first half of 2020 and 2019:

	For the Six Months Ended				Year/Year Change	
	June 30, 2020		June 30, 2019		%	Basis Points of Net Sales
	Amount	% of Net Sales	Amount	% of Net Sales		
(In millions, except percentage and basis point information)						
Net sales	\$ 1,326.2	100.0 %	\$ 1,549.3	100.0 %	-14 %	—
Gross profit	\$ 576.0	43.4 %	\$ 581.2	37.5 %	-1 %	590
Advertising and promotion expenses	136.5	10.3 %	154.0	9.9 %	-11 %	40
Other selling and administrative expenses	635.5	47.9 %	605.7	39.1 %	5 %	880
Operating loss	(196.0)	-14.8 %	(178.5)	-11.5 %	10 %	-330
Interest expense	98.6	7.4 %	93.2	6.0 %	6 %	140
Interest (income)	(3.1)	-0.2 %	(3.8)	-0.2 %	-18 %	—
Other non-operating expense, net	3.7		1.6			
Loss before income taxes	(295.2)	-22.3 %	(269.4)	-17.4 %	10 %	-490
Provision for income taxes	24.7		14.9			
Net loss	\$ (319.9)	-24.1 %	\$ (284.3)	-18.3 %	13 %	-580

Sales

Net sales for the first half of 2020 were \$1.33 billion, a 14% decrease, as compared to \$1.55 billion for the first half of 2019.

The following table provides a summary of Mattel's consolidated gross sales by categories, along with supplemental information by brand, for the first half of 2020 and 2019:

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 486.9	\$ 526.3	-7 %	-2 %
Infant, Toddler, and Preschool	340.1	445.6	-24 %	-2 %
Vehicles	344.3	397.5	-13 %	-2 %
Action Figures, Building Sets, Games, and Other	313.2	373.0	-16 %	-2 %
Gross Sales	\$ 1,484.5	\$ 1,742.4	-15 %	-2 %
Sales Adjustments	(158.3)	(193.1)		
Net Sales	\$ 1,326.2	\$ 1,549.3	-14 %	-1 %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 346.8	\$ 350.0	-1 %	-3 %
Hot Wheels	295.1	325.7	-9 %	-3 %
Fisher-Price and Thomas & Friends	305.0	394.8	-23 %	-2 %
Other	537.6	671.8	-20 %	-2 %
Gross Sales	\$ 1,484.5	\$ 1,742.4	-15 %	-2 %

Gross sales were \$1.48 billion in the first half of 2020, a decrease of \$257.9 million or 15%, as compared to \$1.74 billion in the first half of 2019, with an unfavorable impact from changes in currency exchange rates of 2 percentage points. The decrease in gross sales for the first half of 2020 was primarily due to lower sales of Infant, Toddler, and Preschool; Action Figures, Building Sets, Games, and Other; and Vehicles, primarily due to the impact of COVID-19.

Of the 7% decrease in Dolls gross sales, 2% was due to lower sales of *American Girl* products, 2% was due to lower sales of *Polly Pocket* products, 1% was due to lower sales of *Enchantimals* products, and 1% was due to lower sales of *Barbie* products. Sales of *Barbie* products decreased 1% driven by the decline in International segment sales of 18%, primarily due to the impact of COVID-19, partially offset by strong growth in North America segment sales, which increased 22%.

Of the 24% decrease in Infant, Toddler, and Preschool gross sales, 20% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, due to the overall category decline, including the impact of COVID-19.

Of the 13% decrease in Vehicles gross sales, 7% was due to lower sales of *Hot Wheels* products, primarily in the International segment, which declined 19% year over year, primarily due to the impact of COVID-19; and 4% was due to lower sales of *CARS* products following its movie launch in a prior year.

Of the 16% decrease in Action Figures, Building Sets, Games, and Other gross sales, 20% was due to lower sales of *Toy Story 4* products following its 2019 theatrical release and 6% was due to lower sales of *MEGA* products, partially offset by higher sales of card games products, including *UNO* of 8%, and initial sales of *Star Wars: The Child* plush products of 5%.

Cost of Sales

Cost of sales as a percentage of net sales was 56.6% in the first half of 2020, as compared to 62.5% in the first half of 2019. Cost of sales decreased by \$218.0 million, or 23%, to \$750.2 million in the first half of 2020 from \$968.1 million in the first half of 2019, as compared to a 14% decrease in net sales. Within cost of sales, product and other costs decreased by \$169.5 million, or 23%, to \$580.8 million in the first half of 2020 from \$750.3 million in the first half of 2019; freight and logistics expenses decreased by \$14.1 million, or 11%, to \$115.0 million in the first half of 2020 from \$129.1 million in the first half of 2019; and royalty expense decreased by \$34.4 million, or 39%, to \$54.4 million in the first half of 2020 from \$88.7 million in the first half of 2019.

Gross Margin

Gross margin increased to 43.4% in the first half of 2020 from 37.5% in the first half of 2019. The increase in gross margin was primarily driven by incremental realized savings from the cost savings programs, a decrease in royalty expense resulting from lower sales of licensed products, and the absence of the inclined sleeper product recalls of approximately \$26 million, partially offset by the unfavorable impact of fixed cost absorption.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily consist of: (i) media costs, which primarily include the media, planning, and buying fees for television, print, and online advertisements; (ii) non-media costs, which primarily include commercial and website production, merchandising, and promotional costs; (iii) retail advertising costs, which primarily include consumer direct catalogs, newspaper inserts, fliers, and mailers; and (iv) generic advertising costs, which primarily include trade show costs. Advertising and promotion expenses as a percentage of net sales increased to 10.3% in the first half of 2020 from 9.9% in the first half of 2019, due to lower net sales, partially offset by a reduction and deferral of advertising and promotion spend, both primarily due to the impact of COVID-19.

Other Selling and Administrative Expenses

Other selling and administrative expenses were \$635.5 million, or 47.9% of net sales, in the first half of 2020, as compared to \$605.7 million, or 39.1% of net sales, in the first half of 2019. The increase in other selling and administrative expenses were primarily driven by higher incentive compensation expense and employee-related costs, partially offset by incremental realized savings from the cost savings programs.

Interest Expense

Interest expense was \$98.6 million in the first half of 2020, as compared to \$93.2 million in the first half of 2019. The increase in interest expense was due to the higher interest rate associated with the refinancing of both the 2010 Senior Notes due October 2020 and the 2016 Senior Notes due August 2021 with the 2019 Senior Notes and higher short-term borrowings.

Provision for Income Taxes

Mattel's provision for income taxes was \$24.7 million and \$14.9 million for the first half of 2020 and 2019, respectively. For the first half of 2020, Mattel recognized a net discrete tax expense of \$9.6 million primarily related to an expense for reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. During the first half of 2019, Mattel recognized a net discrete benefit of \$1.1 million, primarily related to reassessments of prior years' tax liabilities and income taxes recorded on a discrete basis in various jurisdictions. As a result of the establishment of a valuation allowance on U.S. deferred tax assets, there was no U.S. tax benefit provided for U.S. losses during the first half of 2020 and 2019.

Segment Results

North America Segment

The following table provides a summary of Mattel's gross sales for the North America segment by categories, along with supplemental information by brand, for the first half of 2020 and 2019:

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 195.1	\$ 173.6	12 %	— %
Infant, Toddler, and Preschool	208.9	250.6	-17 %	— %
Vehicles	166.5	173.6	-4 %	— %
Action Figures, Building Sets, Games, and Other	196.7	219.0	-10 %	— %
Gross Sales	\$ 767.3	\$ 816.7	-6 %	— %
Sales Adjustments	(46.9)	(52.5)		
Net Sales	\$ 720.4	\$ 764.3	-6 %	— %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 180.1	\$ 147.8	22 %	— %
Hot Wheels	140.3	135.6	3 %	-1 %
Fisher-Price and Thomas & Friends	181.6	221.2	-18 %	— %
Other	265.3	312.2	-15 %	— %
Gross Sales	\$ 767.3	\$ 816.7	-6 %	— %

Gross sales for the North America segment were \$767.3 million in the first half of 2020, a decrease of \$49.4 million, or 6%, as compared to \$816.7 million in the first half of 2019. The decrease in the North America segment gross sales was primarily due to lower sales of Infant, Toddler, and Preschool; and Action Figures, Building Sets, Games, and Other; partially offset by higher sales of Dolls.

Of the 12% increase in Dolls gross sales, 18% was due to higher sales of *Barbie* products, primarily driven by positive POS brand momentum, partially offset by lower sales of other owned brands products of 4%.

Of the 17% decrease in Infant, Toddler, and Preschool gross sales, 16% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, including the impacts of lower sales of *Imaginext Toy Story 4* products and the overall category decline.

Of the 4% decrease in Vehicles gross sales, 4% was due to lower sales of *CARS* products following its movie launch in a prior year and 2% was due to lower sales of *Matchbox* products, partially offset by higher sales of *Hot Wheels* products of 3%.

Of the 10% decrease in Action Figures, Building Sets, Games, and Other gross sales, 21% was due to lower sales of *Toy Story 4* products following its 2019 theatrical release and 6% was due to lower sales of *MEGA* products, partially offset by 10% higher sales of card games products, including *UNO*, and 8% due to initial sales of *Star Wars: The Child* plush products.

Cost of sales decreased 19% during the first half of 2020, as compared to a 6% decrease in net sales, primarily driven by lower product and other costs and royalty expense. Gross margin in the first half of 2020 increased primarily due to lower product costs due to incremental realized savings from the cost savings programs, lower royalty expense, and the absence of the inclined sleeper product recall expense of approximately \$25 million in 2019.

North America segment income was \$86.0 million in the first half of 2020, as compared to segment income of \$8.6 million in the first half of 2019; the improvement was primarily due to higher gross profit and lower advertising and promotion expenses.

International Segment

The following table provides a summary of Mattel's gross sales for the International segment by categories, along with supplemental brand information, for the first half of 2020 and 2019:

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
Revenues by Categories				
Dolls	\$ 224.7	\$ 272.8	-18 %	-5 %
Infant, Toddler, and Preschool	131.2	195.0	-33 %	-4 %
Vehicles	177.8	223.9	-21 %	-5 %
Action Figures, Building Sets, Games, and Other	116.4	154.0	-24 %	-3 %
Gross Sales	\$ 650.1	\$ 845.7	-23 %	-4 %
Sales Adjustments	(109.6)	(138.6)		
Net Sales	\$ 540.4	\$ 707.1	-24 %	-4 %
Supplemental Revenue Disclosure				
Revenues by Top 3 Power Brands				
Barbie	\$ 166.7	\$ 202.3	-18 %	-5 %
Hot Wheels	154.8	190.1	-19 %	-5 %
Fisher-Price and Thomas & Friends	123.4	173.6	-29 %	-4 %
Other	205.2	279.7	-27 %	-4 %
Gross Sales	\$ 650.1	\$ 845.7	-23 %	-4 %

Gross sales for the International segment were \$650.1 million in the first half of 2020, a decrease of \$195.6 million, or 23%, as compared to \$845.7 million in the first half of 2019, with an unfavorable impact from changes in currency exchange rates of 4 percentage points. The decrease in the International segment gross sales was due to lower sales in all categories, primarily due to the impact of COVID-19.

Of the 18% decrease in Dolls gross sales, 13% was due to lower sales of *Barbie* products and 3% was due to lower sales of *Polly Pocket* products, both primarily due to the impact of COVID-19.

Of the 33% decrease in Infant, Toddler, and Preschool gross sales, 26% was due to lower sales of *Fisher-Price* and *Thomas & Friends* products, including the impacts of the overall category decline and the impact of COVID-19, and 6% was due to lower sales of *Fisher-Price Friends* products primarily driven by the rationalization of licensing partnerships.

Of the 21% decrease in Vehicles gross sales, 16% was due to lower sales of *Hot Wheels* products, primarily due to the impact of COVID-19, and 4% was due to lower sales of *CARS* products following its movie launch in a prior year.

Of the 24% decrease in Action Figures, Building Sets, Games, and Other gross sales, 18% was due to lower sales of *Toy Story 4* products following its 2019 theatrical release and 4% was due to lower sales of *MEGA* products.

Cost of sales decreased 28% in the first half of 2020, as compared to a 24% decrease in net sales, primarily due to lower product and other costs and royalty expense. Gross margin in the first half of 2020 increased primarily due to lower product costs driven by incremental realized savings from the cost savings programs and lower royalty expense.

International segment loss was \$43.8 million in the first half of 2020, as compared to a segment loss of \$27.8 million in the first half of 2019. The decline was primarily due to lower net sales, mainly due to the impact of COVID-19, partially offset by lower advertising and promotion expenses and higher gross margin.

American Girl Segment

The following table provides a summary of Mattel's gross sales for the American Girl segment for the first half of 2020 and 2019:

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
(In millions, except percentage information)				
American Girl Segment				
Total Gross Sales	\$ 67.2	\$ 80.0	-16 %	— %
Sales Adjustments	(1.8)	(2.0)		
Total Net Sales	\$ 65.3	\$ 78.0	-16 %	— %

Gross sales for the American Girl segment was \$67.2 million in the first half of 2020, a decrease of \$12.8 million, or 16%, as compared to \$80.0 million in the first half of 2019. The decrease in *American Girl* gross sales was primarily due to lower sales in proprietary retail channels, which were negatively impacted by retail store closures late in the first quarter and throughout the second quarter of 2020, primarily due to the impact of COVID-19, partially offset by higher direct-to-consumer channel sales.

Cost of sales decreased 9% in the first half of 2020, as compared to a 16% decrease in net sales, primarily driven by lower product and other costs. Gross margin in the first half of 2020 decreased primarily due to higher freight and logistics expenses due to higher direct-to-consumer channel sales, partially offset by lower product costs driven by the incremental realized savings from cost savings programs.

American Girl segment loss was \$31.3 million in the first half of 2020, as compared to segment loss of \$30.4 million in the first half of 2019. The decline was driven primarily by lower net sales, partially offset by lower other selling and administrative expenses.

Cost Savings Programs

Capital Light Program

During the first quarter of 2019, Mattel announced the commencement of its Capital Light program to optimize Mattel's manufacturing footprint (including the sale or consolidation of manufacturing facilities), increase the productivity of its plant infrastructure, and achieve additional efficiencies across its entire supply chain. In conjunction with the Capital Light program, Mattel discontinued production in 2019 at certain plants located in China, Indonesia, and Mexico. In addition to the discontinued production at the three plants, Mattel will discontinue production at its plant located in Canada in 2021. Mattel recorded severance and other restructuring charges of \$8.6 million for the first half of 2020. Of the total charges recorded for the first half of 2020, \$4.1 million was recorded within other selling and administrative expenses and \$4.5 million was recorded within cost of sales in the consolidated statements of operations.

As of June 30, 2020, Mattel has recorded cumulative severance and other restructuring charges related to the Capital Light program of \$46.2 million, which include approximately \$14 million of non-cash charges. Mattel expects to incur total severance and other restructuring charges, excluding non-cash charges, of approximately \$38 million related to the Capital Light program.

Mattel is currently evaluating other cost saving measures, including the optimization of owned and operated manufacturing facilities and the geographical footprint of co-manufacturing facilities, which may result in incremental cost savings. Mattel realized cost savings (before severance, restructuring costs, and cost inflation) of approximately \$26 million, primarily within gross profit, for the first half of 2020 and has achieved approximately \$41 million of run-rate savings in connection with the program. Mattel expects to realize cumulative run-rate cost savings of approximately \$65 million in 2020 and \$72 million by 2021 related to the Capital Light program actions taken through June 30, 2020.

Other Cost Savings Actions

During the first half of 2020, Mattel recorded severance charges of approximately \$15 million, primarily related to actions taken to further streamline its organizational structure.

In connection with Mattel's continued efforts to streamline its organizational structure and restore profitability, on May 4, 2020, Mattel committed to a planned 4% reduction in its non-manufacturing workforce. The timing of this action was accelerated due to the impact of COVID-19. Mattel expects to incur additional severance and restructuring charges of approximately \$5 million, consisting solely of cash expenditures for employee termination and severance costs, through the end of 2020. As a result of the reduction in force actions initiated in 2020, Mattel expects to realize approximately \$40 million of run-rate cost savings exiting 2020.

During the first half of 2020, Mattel recorded additional severance and other restructuring charges of approximately \$5 million, related to actions initiated in the prior year associated with the Structural Simplification cost savings program.

Liquidity and Capital Resources

Mattel's primary sources of liquidity are its domestic and foreign cash and equivalents balances, short-term borrowing facilities, including its \$1.60 billion senior secured revolving credit facilities, and access to capital markets to fund its operations and obligations. Such obligations may include investing and financing activities such as capital expenditures and debt service. Of Mattel's \$461.6 million in cash and equivalents at June 30, 2020, approximately \$311 million was held by foreign subsidiaries.

Cash flows from operating activities could be negatively impacted by decreased demand for Mattel's products, which could result from factors such as, but not limited to, adverse economic conditions and changes in public and consumer preferences, or by increased costs associated with manufacturing and distribution of products or shortages in raw materials or component parts. Additionally, Mattel's ability to issue long-term debt and obtain seasonal financing could be adversely affected by factors such as, but not limited to, global economic crises and tight credit environments, an inability to meet its debt covenant requirements and its senior secured revolving credit facility covenants, or further deterioration of Mattel's credit ratings. As discussed above under Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Update" of this Quarterly Report on Form 10-Q, many of the aforementioned factors have been, and are expected to continue to be, adversely affected by COVID-19. However, based on Mattel's current business plan and factors known to date, including the currently known impacts of COVID-19, it is expected that existing cash and equivalents, cash flows from operations, availability under the senior secured credit revolving facility, and access to capital markets, will be sufficient to meet working capital and operating expenditure requirements for the next twelve months. Additionally, Mattel expects to remain in compliance with all of its debt covenants through August 10, 2021. Refer to Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q for further discussion regarding potential impacts of COVID-19 on Mattel's business.

Current Market Conditions

Mattel is exposed to financial market risk resulting from changes in interest and foreign currency exchange rates.

Consistent with prior periods, Mattel intends to utilize its senior secured revolving credit facilities to meet its short-term liquidity needs. At June 30, 2020, Mattel had \$400.0 million in outstanding borrowings under the senior secured revolving credit facilities and approximately \$13 million in outstanding letters of credit under the senior secured revolving credit facilities. During the first half of 2020, Mattel drew down \$400.0 million under the senior secured revolving credit facilities as Mattel accelerated the timing of its borrowings under the senior secured revolving credit facilities in anticipation of its projected seasonal working capital requirements and in light of uncertainties surrounding the impact of COVID-19.

Market conditions could affect certain terms of other debt instruments that Mattel enters into from time to time.

Mattel monitors the third-party depository institutions that hold Mattel's cash and equivalents. Mattel's emphasis is primarily on safety and liquidity of principal, and secondarily on maximizing the yield on those funds. Mattel diversifies its cash and equivalents among counterparties and securities to minimize risks.

Mattel is subject to credit risks relating to the ability of its counterparties in hedging transactions to meet their contractual payment obligations. The risks related to creditworthiness and nonperformance have been considered in the fair value measurements of Mattel's foreign currency forward exchange contracts. Mattel closely monitors its counterparties and takes action, as necessary, to manage its counterparty credit risk.

Mattel expects that some of its customers and vendors may experience difficulty in obtaining the liquidity required to buy inventory or raw materials, especially in light of the global economic uncertainty caused by COVID-19. Mattel monitors its customers' financial condition and their liquidity in order to mitigate Mattel's accounts receivable collectibility risks, and customer terms and credit limits are adjusted, if necessary. Additionally, Mattel uses a variety of financial arrangements to ensure collectibility of accounts receivable of customers deemed to be a credit risk, including requiring letters of credit, factoring, purchasing various forms of credit insurance with unrelated third parties, or requiring cash in advance of shipment.

Mattel sponsors defined benefit pension plans and postretirement benefit plans for its employees. Actual returns below the expected rate of return, including as a result of the market disruptions caused by COVID-19, along with changes in interest rates that affect the measurement of the liability, would impact the amount and timing of Mattel's future contributions to these plans.

Mattel's business has been adversely impacted by COVID-19. Refer to Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Update" and Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q for further discussion regarding the impact and potential impacts of COVID-19 on Mattel's business.

Cash Flow Activities

Cash flows used for operating activities were \$463.0 million in the first half of 2020, as compared to \$400.5 million in the first half of 2019. The increase in cash flows used for operating activities was primarily due to higher net loss, excluding the impact of non-cash charges.

Cash flows used for investing activities were \$80.9 million in the first half of 2020, as compared to \$43.7 million in the first half of 2019. The increase in cash flows used for investing activities was primarily driven by payments for foreign currency forward exchange contracts and higher capital spending in the first half of 2020.

Cash flows provided by financing activities were \$399.3 million in the first half of 2020, as compared to \$40.7 million in the first half of 2019. The increase in cash flows from financing activities was primarily driven by net proceeds from short-term borrowings of \$400.0 million in the first half of 2020.

Seasonal Financing

See Part I, Item 1 "Financial Statements—Note 8 to the Consolidated Financial Statements—Seasonal Financing" of this Quarterly Report on Form 10-Q.

Financial Position

Mattel's cash and equivalents decreased \$168.5 million to \$461.6 million at June 30, 2020, as compared to \$630.0 million at December 31, 2019, primarily due to seasonal working capital usage and capital expenditures, partially offset by net proceeds from short-term borrowings during the first half of 2020. Mattel's cash and equivalents increased \$267.4 million to \$461.6 million at June 30, 2020, as compared to \$194.1 million at June 30, 2019, primarily due to net proceeds from short-term borrowings during the first half of 2020 and cash flows provided by operating activities for the trailing twelve months, partially offset by capital expenditures.

Accounts receivable decreased \$285.9 million to \$650.5 million at June 30, 2020, as compared to \$936.4 million at December 31, 2019, primarily due to seasonal declines as year-end receivables are collected and the impact of foreign exchange, due to the strengthening of the U.S. dollar. Accounts receivable decreased \$105.2 million to \$650.5 million at June 30, 2020, as compared to \$755.7 million at June 30, 2019, primarily due to lower sales during the first half of 2020, as a result of the continued impact of COVID-19.

Inventory increased \$207.1 million to \$702.6 million at June 30, 2020, as compared to \$495.5 million at December 31, 2019, primarily due to seasonal inventory build, partially offset by the temporary closure of production facilities in regions affected by COVID-19 and the impact of foreign exchange, due to the strengthening of the U.S. dollar. Inventory decreased \$19.8 million to \$702.6 million at June 30, 2020, as compared to \$722.4 million at June 30, 2019, primarily due to the temporary closure of production facilities, partially offset by lower sales during the first half of 2020, as a result of the continued impact of COVID-19 and the impact of foreign exchange, due to the strengthening of the U.S. dollar.

Accounts payable and accrued liabilities decreased \$263.0 million to \$965.9 million at June 30, 2020, as compared to \$1.23 billion at December 31, 2019, primarily due to seasonal declines in expenditure levels. Accounts payable and accrued liabilities decreased \$36.3 million to \$965.9 million at June 30, 2020, as compared to \$1.0 billion at June 30, 2019, primarily due to the timing of interest payments.

Mattel had \$400.0 million and \$45.0 million of short-term borrowings outstanding at June 30, 2020, and June 30, 2019, respectively. At December 31, 2019, Mattel had no short-term borrowings outstanding.

A summary of Mattel's capitalization is as follows:

	June 30, 2020		June 30, 2019		December 31, 2019		
	(In millions, except percentage information)						
Cash and equivalents	\$	461.6	\$	194.1	\$	630.0	
Short-term borrowings		400.0		45.0		—	
2010 Senior Notes due October 2020		—		250.0		—	
2010 Senior Notes due October 2040		250.0		250.0		250.0	
2011 Senior Notes due November 2041		300.0		300.0		300.0	
2013 Senior Notes due March 2023		250.0		250.0		250.0	
2016 Senior Notes due August 2021		—		350.0		—	
2017/2018 Senior Notes due December 2025		1,500.0		1,500.0		1,500.0	
2019 Senior Notes due December 2027		600.0		—		600.0	
Debt issuance costs and debt discount		(49.2)		(44.8)		(53.2)	
Total debt	\$	3,250.8	97 %	\$ 2,900.2	87 %	\$ 2,846.8	85 %
Stockholders' equity		86.1	3	426.2	13	491.7	15
Total capitalization (debt plus equity)	\$	3,336.9	100 %	\$ 3,326.4	100 %	\$ 3,338.5	100 %

Total debt was \$3.25 billion at June 30, 2020, as compared to \$2.85 billion at December 31, 2019. There were no borrowings or repayments on long-term debt during the first half of 2020. Short-term borrowings were \$400.0 million during the first half of 2020. Total debt was \$3.25 billion at June 30, 2020, as compared to \$2.90 billion at June 30, 2019. The increase is primarily due to the short-term borrowings of \$400.0 million during the first half of 2020. In November 2019, Mattel used the proceeds from the \$600.0 million aggregate principal issuance of the 2019 Senior Notes to redeem and retire its \$250.0 million of 2010 Senior Notes due October 2020 and \$350.0 million of 2016 Senior Notes due August 2021.

Stockholders' equity decreased \$405.6 million to \$86.1 million at June 30, 2020, as compared to \$491.7 million at December 31, 2019, primarily due to the net loss for the first half of 2020 and a decrease in currency translation adjustments within accumulated other comprehensive loss due to the strengthening of the U.S. dollar. Stockholders' equity decreased \$340.0 million to \$86.1 million at June 30, 2020, as compared to \$426.2 million at June 30, 2019, primarily due to the higher net loss for the first half of 2020 and a decrease in currency translation adjustments within accumulated other comprehensive loss due to the strengthening of the U.S. dollar.

Litigation

See Part I, Item 1 "Financial Statements—Note 21 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q.

Application of Critical Accounting Policies and Estimates

Mattel considered the impacts of the COVID-19 pandemic on significant estimates and judgments used in applying its accounting policies for the first half of 2020. However, in light of the pandemic, there is a greater degree of uncertainty in applying these judgments and depending on the duration and severity of the pandemic, changes to its estimates and judgments could result in meaningful impacts to its financial statements in future periods.

Mattel concluded that the impact of COVID-19 did not result in a triggering event for goodwill during the second quarter of 2020. Mattel expects the performance of the American Girl and International reporting units to be less adversely affected by COVID-19 in the second half of 2020 than they were in the first half of 2020. The American Girl reporting unit demonstrated strong growth in its direct-to-consumer channel during the first half of 2020 and is further expected to benefit from the re-opening of retail stores in the second half of 2020. The substantial re-opening of retail in most international regions exiting the second quarter is expected to benefit the International reporting unit as compared to the first half of 2020. For the second half of 2020 and beyond, Mattel expects to continue to execute on its short-to-mid-term strategy to restore profitability and revenue growth. Given the current impact to Mattel's business, there is a higher degree of uncertainty as to the long-term impact to its discount rates and forecasts used for determining the recoverability of goodwill. Prolonged disruption to Mattel's customers, supply chain, or other critical operations would materially impact Mattel's results of operations and future period assumptions used in the determination of the estimated fair value for determining the recoverability of goodwill of Mattel's reporting units. While 2020 financial results represent a small portion of the estimated fair value of the American Girl and International reporting units, material downward revisions to expected growth in net sales or profitability for future periods may result in the impairment of goodwill for the American Girl and International reporting units. Refer to Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Update" and Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q for further discussion regarding the potential impact of COVID-19 on Mattel's business.

Mattel's critical accounting policies and estimates are included in the 2019 Annual Report on Form 10-K and did not materially change during the first half of 2020.

New Accounting Pronouncements

See Part I, Item 1 "Financial Statements—Note 23 to the Consolidated Financial Statements—New Accounting Pronouncements" of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

To supplement the financial results presented in accordance with U.S. GAAP, Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel presents include currency exchange rate impact and gross sales. Mattel uses these measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance, and each is discussed below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel's results. These measures are not, and should not be viewed as, substitutes for GAAP financial measures and may not be comparable to similarly-titled measures used by other companies.

Currency Exchange Rate Impact

The currency exchange rate impact reflects the portion (expressed as a percentage) of changes in Mattel's reported results that are attributable to fluctuations in currency exchange rates.

For entities reporting in currencies other than the U.S. dollar, Mattel calculates the percentage change of period-over-period results at constant currency exchange rates (established as described below) by translating current period and prior period results using these rates. Mattel then determines the currency exchange rate impact percentage by calculating the difference between the percentage change at such constant currency exchange rates and the percentage change at actual exchange rates.

The constant currency exchange rates are determined by Mattel at the beginning of each year and are applied consistently during the year. They are generally different from the actual exchange rates in effect during the current or prior period due to volatility in actual foreign exchange rates. Mattel considers whether any changes to the constant currency rates are appropriate at the beginning of each year. The exchange rates used for these constant currency calculations are generally based on prior year actual exchange rates.

Mattel believes that the disclosure of the percentage impact of foreign currency changes is useful supplemental information for investors to be able to gauge Mattel's current business performance and the longer-term strength of its overall business since foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage impact of foreign exchange allows investors to calculate the impact on a constant currency basis and also enhances their ability to compare financial results from one period to another.

Gross Sales

Gross sales represent sales to customers at invoice, excluding the impact of sales adjustments. Net sales, as reported, include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross sales as a measure for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross sales are discussed because, while Mattel records the details of sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products, making net sales less meaningful. Because sales adjustments are not allocated to individual products, net sales are only presented on a consolidated and segment basis and not on a categories or brand level.

Since sales adjustments are determined by customer rather than at the categories or brand level, Mattel believes that the disclosure of gross sales by categories and brand is useful supplemental information for investors to be able to assess the performance of its underlying categories and brands (e.g., Dolls, *Barbie*) and also enhances their ability to compare sales trends over time. Refer to Mattel's critical accounting policies and estimates included in the 2019 Annual Report on Form 10-K for further detail regarding sales adjustments.

A reconciliation from Mattel's consolidated net sales to its consolidated gross sales is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 732.1	\$ 860.1	-15 %	-2 %
Sales adjustments	82.4	102.2		
Gross sales	\$ 814.6	\$ 962.3	-15 %	-2 %

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 1,326.2	\$ 1,549.3	-14 %	-1 %
Sales adjustments	158.3	193.1		
Gross sales	\$ 1,484.5	\$ 1,742.4	-15 %	-2 %

A reconciliation from net sales to gross sales for the North America segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 432.9	\$ 422.9	2 %	— %
Sales adjustments	28.7	24.5		
Gross sales	\$ 461.5	\$ 447.4	3 %	— %

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 720.4	\$ 764.3	-6 %	— %
Sales adjustments	46.9	52.5		
Gross sales	\$ 767.3	\$ 816.7	-6 %	— %

A reconciliation from net sales to gross sales for the International segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 271.1	\$ 403.6	-33 %	-4 %
Sales adjustments	52.9	76.9		
Gross sales	\$ 323.9	\$ 480.5	-33 %	-5 %

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 540.4	\$ 707.1	-24 %	-4 %
Sales adjustments	109.6	138.6		
Gross sales	\$ 650.1	\$ 845.7	-23 %	-4 %

A reconciliation from net sales to gross sales for the American Girl segment is as follows:

	For the Three Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 28.2	\$ 33.5	-16 %	— %
Sales adjustments	0.9	0.9		
Gross sales	\$ 29.1	\$ 34.4	-16 %	— %

	For the Six Months Ended		% Change as Reported	Currency Exchange Rate Impact
	June 30, 2020	June 30, 2019		
	(In millions, except percentage information)			
Net sales	\$ 65.3	\$ 78.0	-16 %	— %
Sales adjustments	1.8	2.0		
Gross sales	\$ 67.2	\$ 80.0	-16 %	— %

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Rate Risk

Currency exchange rate fluctuations impact Mattel's results of operations and cash flows. Inventory transactions denominated in the Euro, Mexican peso, British pound sterling, Australian dollar, Canadian dollar, Brazilian real, and Russian ruble were the primary transactions that caused foreign currency transaction exposure for Mattel during the first half of 2020. Mattel seeks to mitigate its exposure to market risk by monitoring its foreign currency transaction exposure for the year and partially hedging such exposure using foreign currency forward exchange contracts primarily to hedge its purchase and sale of inventory and other intercompany transactions denominated in foreign currencies. These contracts generally have maturity dates of up to 18 months. For those intercompany receivables and payables that are not hedged, the transaction gains or losses are recorded in the consolidated statements of operations in the period in which the exchange rate changes as part of operating loss or other non-operating expense (income), net based on the nature of the underlying transaction. Transaction gains or losses on hedged intercompany inventory transactions are recorded in the consolidated statements of operations in the period in which the inventory is sold to customers. Mattel does not trade in financial instruments for speculative purposes.

Mattel's financial position is also impacted by currency exchange rate fluctuations on translation of its net investments in subsidiaries with non-U.S. dollar functional currencies. Assets and liabilities of subsidiaries with non-U.S. dollar functional currencies are translated into U.S. dollars at fiscal period-end exchange rates. Net income (loss) items are translated at weighted-average exchange rates prevailing during the fiscal period. The resulting currency translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity. Mattel's primary currency translation adjustments for the first half of 2020 were related to its net investments in entities having functional currencies denominated in the Mexican peso, Brazilian real, British pound sterling, and the Russian ruble.

There are numerous factors impacting the amount by which Mattel's financial results are affected by foreign currency translation and transaction gains and losses resulting from changes in currency exchange rates, including, but not limited to, the level of foreign currency forward exchange contracts in place at a given time and the volume of foreign currency-denominated transactions in a given period. However, assuming that such factors were held constant, Mattel estimates that a 1 percent change in the U.S. dollar Trade-Weighted Index would impact Mattel's second quarter net sales by approximately 0.4% and its second quarter loss per share by approximately \$0.00 to \$0.01.

United Kingdom Operations

During June 2016, the referendum by British voters to exit the European Union ("Brexit") adversely impacted global markets and resulted in a sharp decline of the British pound sterling against the U.S. dollar. In February 2017, the British Parliament voted in favor of allowing the British government to begin the formal process of Brexit and discussions with the European Union ("EU") began in March 2017. On January 29, 2020, the British Parliament approved a withdrawal agreement, and the United Kingdom ("U.K.") officially withdrew from the EU on January 31, 2020 and entered into the transition period. During the transition period, the U.K. will continue to be treated as a member of the single market and customs union and the EU has requested that states with EU trade agreements treat the U.K. as a member state until the end of transition. The transition period is through December 2020, with an option to extend an additional one to two years, to allow for businesses and individuals to adjust to its changes, during which all EU regulations will continue to apply to the U.K.

In the short-term, volatility in the British pound sterling could continue as the U.K. negotiates a new trade deal with the EU. In the longer term, any impact from Brexit on Mattel's U.K. operations will depend, in part, on the outcome of tariff, trade, regulatory, and other negotiations. Mattel's U.K. operations represented approximately 5% of Mattel's consolidated net sales for the first half of 2020.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2020, Mattel's disclosure controls and procedures were evaluated, with the participation of Mattel's principal executive officer and principal financial officer, to assess whether they are effective in providing reasonable assurance that information required to be disclosed by Mattel in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based on this evaluation, Ynon Kreiz, Mattel's principal executive officer, and Joseph J. Euteneuer, Mattel's principal financial officer, concluded that these disclosure controls and procedures were effective to provide reasonable assurance as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, Mattel's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The content of Part I, Item 1 "Financial Statements—Note 21 to the Consolidated Financial Statements—Contingencies" of this Quarterly Report on Form 10-Q is hereby incorporated by reference in its entirety in this Item 1.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in the 2019 Annual Report on Form 10-K, other than the risk factors presented below, the current effects of which are discussed in more detail in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. In addition, the known and unknown impacts caused by the COVID-19 pandemic and actions taken in response to it by governments, businesses, and individuals, may give rise to or amplify the risk factors disclosed in the 2019 Annual Report on Form 10-K.

Disruptions in Mattel's manufacturing operations, supply chain, distribution system, retail channels, or other aspects of Mattel's business due to political instability, civil unrest, or disease could adversely affect Mattel's business, financial position, sales, and results of operations.

Mattel owns, operates, and manages manufacturing facilities and utilizes third-party manufacturers and suppliers throughout Asia, primarily in China, Indonesia, Malaysia, Thailand, and in Canada and Mexico. The risk of political instability and civil unrest exists in certain of these countries, which could temporarily or permanently damage the manufacturing operations of Mattel or its third-party manufacturers located there. Outbreaks of communicable diseases have also been known to occur in certain of these countries. In the past, outbreaks of avian flu have been significantly concentrated in Asia, particularly in Hong Kong, and in the Guangdong province of China, where many of Mattel's manufacturing facilities and third-party manufacturers are located. More recently, a strain of coronavirus surfaced in Wuhan, Hubei Province, China, resulting in a public health crisis that has been characterized as a pandemic by the World Health Organization. This pandemic, and the actions taken by governments, businesses, and individuals in response to it, have resulted in significant global economic disruption, which has adversely affected Mattel's business, financial position, sales, and results of operations. Supply chain interruptions experienced by Mattel, its suppliers, and its customers have contributed to lower net sales and may continue to cause lower net sales to the extent they remain issues in the future. Other disruptions from public health crises such as these result from, among other things, workers contracting diseases, restrictions on factory openings, restrictions on travel, restrictions on shipping, and the closure of critical infrastructure. The design, development, and manufacture of Mattel's products could suffer if a significant number of Mattel's employees or the employees of its third-party manufacturers or their suppliers contract communicable diseases such as these, or if Mattel, Mattel's third-party manufacturers, or their suppliers are adversely affected by other impacts of such diseases. In addition, the contingency plans Mattel has developed to help mitigate the impact of disruptions in its manufacturing operations, may not prevent its business, financial position, sales, and results of operations from being adversely affected by a significant disruption to its manufacturing operations or suppliers.

Mattel also relies on a global distribution system and retail partners operating in many countries throughout the world. Political instability, civil unrest, or disease in any of these countries disrupt this system, negatively affecting the availability of Mattel's products. For example, COVID-19 has resulted in the closure of distribution centers and brick-and-mortar retailers throughout the world for both Mattel and its customers, including Mattel's brick-and-mortar American Girl retail stores, which has caused sales to decline and made it more difficult for Mattel to generate cash flow from operations. Forced or voluntary closures by retailers, particularly specialty retailers, may negatively affect the long-term viability of those retailers. The loss of these retailers could adversely affect Mattel's business, financial condition, and results of operations.

Mattel relies extensively on information technology in its operations, and any material failure, inadequacy, interruption, or security breach of that technology can have an adverse effect on its business, financial condition, and results of operations.

Mattel relies extensively on information technology systems across its operations, including for management of its supply chain, sale and delivery of its products and services, reporting its results of operations, collection and storage of consumer data, personal data of customers, employees and other stakeholders, and various other processes and transactions. Many of these systems are managed by third-party service providers. Mattel uses third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions. A small and growing volume of Mattel's consumer products and services are web-based, and some are offered in conjunction with business partners or such third-party service providers. Mattel and its business partners and third-party service providers collect, process, store, and transmit consumer data, including personal information, in connection with those products and services. Failure to follow applicable regulations related to those activities, or to prevent or mitigate data loss or other security breaches, including breaches of Mattel's business partners' technology and systems, can expose Mattel or its customers to a risk of loss or misuse of such information, which can adversely affect Mattel's operating results, result in regulatory enforcement, other litigation and potential liability for Mattel, and otherwise harm its business. Mattel's ability to effectively manage its business and coordinate the production, distribution, and sale of its products and services depends significantly on the reliability and capacity of these systems and third-party service providers.

Mattel has exposure to similar security risks faced by other large companies that have data stored on their information technology systems. As described in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cybersecurity Update," in July 2020, Mattel discovered that it was the victim of a ransomware attack on its information technology systems that caused data on a number of systems to be encrypted. Mattel believes it has contained the attack and, although some business functions were temporarily impacted, Mattel was able to restore its critical operations. However, a forensic investigation of the incident is being conducted, and until that investigation is completed, Mattel cannot be certain of the full impact of the incident.

The systems and processes that Mattel has developed to protect personal information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party provider as well as enhancements to the security of Mattel's systems and processes following the July 2020 ransomware attack, do not provide absolute security, and any failure or inadequacy of such systems or processes could have an adverse effect on Mattel's business, financial condition, and results of operations. While Mattel carries cyber and business continuity insurance commensurate with its size and the nature of its operations, there can be no guarantee that costs incurred as a result of cyber events will be covered completely.

If Mattel's or its third-party service providers' systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are future security breaches in these systems, any of which could occur as a result of natural disasters, software or equipment failures, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber-attacks, including denial-of-service attacks, Mattel could experience delays or decreases in product sales and reduced efficiency of its operations. Additionally, any of these types of events could lead to violations of privacy laws, loss of customers, or loss, misappropriation or corruption of confidential information, trade secrets, or data, which could expose Mattel to potential litigation, regulatory actions, sanctions, or other statutory penalties, any or all of which could adversely affect its business, and cause it to incur significant losses and remediation costs.

As a global company, Mattel is subject to a variety of continuously evolving and developing laws and regulations in the U.S. and abroad regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU General Data Protection Regulation, which greatly increases the jurisdictional reach of European Union law and became effective in May 2018, added a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, and imposes substantial penalties for non-compliance. Mattel's ongoing compliance with the EU General Data Protection Regulation and other privacy and data protection laws, such as the California Consumer Privacy Act, imposes significant costs and challenges that are likely to increase over time.

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

During the second quarter of 2020, Mattel did not sell any unregistered equity securities.

Issuer Purchases of Equity Securities

This table provides certain information with respect to Mattel's purchases of its common stock during the second quarter of 2020:

Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (b)
April 1—30	1,458	\$ 8.72	—	\$ 203,016,273
May 1—31	10,675	8.84	—	203,016,273
June 1—30	374	9.50	—	203,016,273
Total	12,507	\$ 8.84	—	\$ 203,016,273

- (a) The total number of shares purchased relates to 12,507 shares withheld from employees to satisfy minimum tax withholding obligations that occurred upon vesting of restricted stock units. These shares were not purchased as part of a publicly announced repurchase plan or program.
- (b) Mattel's share repurchase program was first announced on July 21, 2003. On July 17, 2013, the Board of Directors authorized Mattel to increase its share repurchase program by \$500.0 million. At June 30, 2020, share repurchase authorizations of \$203.0 million had not been executed. Repurchases under the program will take place from time to time, depending on market conditions. Mattel's share repurchase program has no expiration date.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3.0	Restated Certificate of Incorporation of Mattel, Inc.	8-K	001-05647	99.0	May 21, 2007
3.1	Amended and Restated Bylaws of Mattel, Inc.	8-K	001-05647	3.1	August 28, 2018
4.0	Specimen Stock Certificate with respect to Mattel, Inc.	10-Q	001-05647	4.0	August 3, 2007
10.1+	Fourth Amendment to Mattel, Inc. Amended and Restated 2010 Equity and Long-Term Compensation Plan	DEF 14A	001-05647	Appendix A	April 27, 2020
10.2+	Letter Agreement between Mattel, Inc. and Anthony P. DiSilvestro, dated June 19, 2020, regarding an offer of employment for the position of Executive Advisor and Chief Financial Officer	8-K	001-05647	10.1	June 23, 2020
10.3+	Participation Letter Agreement under the Mattel, Inc. Executive Severance Plan B between Mattel, Inc. and Anthony P. DiSilvestro, dated June 19, 2020	8-K	001-05647	10.2	June 23, 2020
10.4+	Separation Agreement between Mattel, Inc. and Joseph J. Euteneuer, dated June 22, 2020	8-K	001-05647	10.2	June 23, 2020
10.5**+	Amendment No. 4 to the Mattel, Inc. Deferred Compensation and PIP Excess Plan (Post-2004)				
31.0*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.1*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.0**	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
99.1*	Amended and Restated Mattel, Inc. Personal Investment Plan				
99.2*	Amendment One to the Mattel, Inc. Personal Investment Plan				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	The cover page from Mattel's Quarterly Report on Form 10-Q for the three months ended June 30, 2020, formatted in Inline XBRL.				

+ *Management contract or compensatory plan or arrangement.*

* *Filed herewith.*

** *Furnished herewith. This exhibit should not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934.*

AMENDMENT NO. 4
to the
MATTEL, INC.
DEFERRED COMPENSATION AND PIP EXCESS PLAN (POST-2004)

THIS AMENDMENT NO. 4 (this “Amendment”) is executed on May 3, 2020, by Mattel, Inc., a Delaware corporation (“Mattel”). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, Mattel maintains the Mattel, Inc. Deferred Compensation and PIP Excess Plan (Post-2004), (as amended, the “Plan”), for the benefit of eligible management employees of Mattel and its subsidiaries;

WHEREAS, Pursuant to Section 9.10(a) of the Plan, the Board of Directors of Mattel (the “Board”) or the Compensation Committee of the Board (the “Committee”) has the right to amend the Plan in whole or in part from time to time, provided, that no such action shall cancel or reduce the amount of a Participant’s previously accrued vested benefits; and

WHEREAS, the Committee desires to amend Section 3.2 of the Plan to suspend the “Company Automatic Contributions” to the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as set forth herein effective as of date hereof, as follows:

1. The last sentence of Section 3.2 of the Plan is hereby amended and restated in its entirety as follows:

“Notwithstanding the foregoing or any other provision of the Plan, all Company Automatic Contributions under this Section 3.2 shall be suspended and not made effective for all Payroll Dates occurring on or after May 4, 2020.”

2. Except as expressly or by necessary implication amended hereby, all terms and provisions of the Plan shall continue in full force and effect.

IN WITNESS WHEREOF, Mattel has caused this Amendment to be executed in its name and on its behalf by a duly authorized officer of Mattel on the day and year first above written.

MATTEL, INC.

By: /s/Amanda Thompson__

Name: Amanda Thompson

Title: Executive Vice President and Chief People Officer

CERTIFICATION

I, Ynon Kreiz, certify that:

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

Date: August 10, 2020

By: _____ /s/ Ynon Kreiz
Ynon Kreiz
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Joseph J. Euteneuer, certify that:

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

Date: August 10, 2020

By: _____ /s/ Joseph J. Euteneuer

Joseph J. Euteneuer
Chief Financial Officer
(Principal Financial Officer)

MATTEL, INC.

PERSONAL INVESTMENT PLAN

Amended and restated effective as of January 1, 2019

MATTEL, INC.
PERSONAL INVESTMENT PLAN
Amended and Restated effective as of January 1, 2019

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MATTEL, INC.

PERSONAL INVESTMENT PLAN

ARTICLE I

GENERAL

1.1 Plan Name.

This instrument evidences the terms of a tax-qualified retirement plan for the Eligible Employees of Mattel, Inc. and its participating affiliates to be known as the “Mattel, Inc. Personal Investment Plan” (“Plan”).

1.2 Plan Purpose.

This Plan is intended to qualify under Code Section 401(a) as a profit sharing plan, although contributions may be made to the Plan without regard to profits, and with respect to the portion hereof intended to qualify as a Qualified Cash or Deferred Arrangement, to satisfy the requirements of Code Section 401(k).

1.3 Effective Date.

The original effective date of this Plan is November 1, 1983. This amendment and restatement of the Plan reflects the provisions of the Plan in effect as of January 1, 2019, except as otherwise expressly provided herein.

1.4 Plan Mergers.

Appendix A describes the plans of predecessor employers that have been merged with and into this Plan.

ARTICLE II

DEFINITIONS

2.1 Accounts.

“Accounts” or “Participant’s Accounts” means the following Plan accounts maintained by the Committee for each Participant as required by Article VII. The Committee may maintain additional Accounts or subaccounts as necessary for the administration of the Plan:

(a) “Before-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Participant Before-Tax Contributions, and any earnings thereon, in accordance with Article V.

(b) “After-Tax Contributions Account” shall mean the account established and maintained for each Participant under Article VII to reflect amounts held in the Trust Fund on behalf of such Participant which are attributable to Participant After-Tax Contributions and any earnings thereon, in accordance with Article V.

(c) “Company Matching Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Company Matching Contributions, and any earnings thereon, pursuant to Section 6.1(c).

(d) “Company Contributions Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Company Contributions, and any earnings thereon, pursuant to Section 6.1(a).

(e) “Transfer/Rollover Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to amounts distributed to the Participant from any other plan qualified under Code Section 401(a), or from an Individual Retirement Account attributable to employer contributions under another plan qualified under Code Section 401(a), and any earnings on such amounts, as provided in Section 5.8. The Committee may create additional accounts or subaccounts as it deems necessary to hold and account for Roth elective deferral accounts transferred to the Plan in accordance with Section 5.8.

(f) “HiT Matching Contribution Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to matching contributions to the HiT Entertainment, Inc. 401(k) Plan, and any earnings thereon.

(g) “Roth Contribution Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to Roth Contributions, and any earnings thereon.

(h) “MEGA Company Account” shall mean the account established and maintained for each Participant under Article VII for purposes of holding and accounting for amounts held in the Trust Fund which are attributable to matching contributions and profit sharing contributions to The MEGA Brands America, Inc. 401(k) Savings Plan, and any earnings thereon.

(i) "Prior Employer Account" shall mean the account established and maintained for each affected Participant under Article VII for purposes of holding and accounting for any amounts held in the Trust Fund which is attributable to matching and/or profit sharing contributions to the plan of an acquired company that are merged into or otherwise transferred to this Plan.

(j) "Qualified Non-elective Contribution or QNEC Account" shall mean the account established and maintained for a Participant for the purpose of holding and accounting for any Qualified Non-elective Contributions made by a Participating Company on the Participant's behalf.

2.2 Affiliated Company.

"Affiliated Company" shall mean:

(a) Any corporation that is included in a controlled group of corporations, within the meaning of Section 414(b) of the Code, that includes the Company,

(b) Any trade or business that is under common control with the Company within the meaning of Section 414(c) of the Code,

(c) Any member of an affiliated service group, within the meaning of Section 414(m) of the Code, that includes the Company, and

(d) Any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.

2.3 After-Tax Contributions.

"After-Tax Contributions" shall mean those contributions by a Participant to the Trust Fund in accordance with Article V which do not qualify as Before-Tax Contributions or Roth Contributions.

2.4 American Girl Retail Store Employee.

"American Girl Retail Store Employee" shall mean an Employee at any American Girl store.

2.5 Before-Tax Contributions.

"Before-Tax Contributions" shall mean those amounts contributed to the Plan as a result of a salary or wage reduction election made by the Participant in accordance with Article V, to

the extent such contributions qualify for treatment as contributions made under a “qualified cash or deferred arrangement” within the meaning of Section 401(k) of the Code.

2.6 Beneficiary.

“Beneficiary” or “Beneficiaries” shall mean the person or persons last designated by a Participant as set forth in Section 8.9 or, if there is no designated Beneficiary or surviving Beneficiary, the person or persons designated in Section 8.9 to receive the interest of a deceased Participant in such event.

2.7 Board of Directors.

“Board of Directors” shall mean the Board of Directors of Mattel, Inc. (or its delegate) as it may from time to time be constituted.

2.8 Code.

“Code” shall mean the Internal Revenue Code of 1986, as in effect on the date of execution of this Plan document and as thereafter amended from time to time.

2.9 Committee.

“Committee” shall mean the Administrative Committee described in Article IX hereof.

2.10 Company.

“Company” shall mean Mattel, Inc., or any successor thereof, if its successor shall adopt this Plan.

2.11 Company Contributions.

“Company Contributions” shall mean amounts paid by a Participating Company into the Trust Fund in accordance with Section 6.1(a).

2.12 Company Matching Contributions.

“Company Matching Contributions” shall mean amounts paid by a Participating Company into the Trust Fund in accordance with Section 6.1(c).

2.13 Company Stock.

“Company Stock” shall mean whichever of the following is applicable:

- (a) So long as the Company has only one class of stock, that class of stock.

(b) In the event the Company at any time has more than one class of stock, the class (or classes) of the Company's stock constituting "employer securities" as that term is defined in Section 409(1) of the Code.

2.14 Compensation.

(a) "Compensation" shall mean the full salary and wages (including overtime, shift differential, tips and holiday, vacation and sick pay) and other compensation paid by a Participating Company during a Plan Year by reason of services performed by an Employee, including amounts deducted pursuant to authorization by an Employee or pursuant to requirements of law (including amounts of salary or wages deferred in accordance with the provisions of Section 5.1 and which qualify for treatment under Code Section 401(k) or amounts deducted pursuant to Code Section 125, 129 or 132(f) (4)) except as specifically provided to the contrary elsewhere in this Plan. Compensation shall not include any of the following:

(i) Fringe benefits and contributions by the Participating Company to, and benefits under, any employee benefit plan;

(ii) Amounts paid or payable by reason of services performed during any period in which an Employee is not a Participant under the Plan;

(iii) Amounts deferred by the Employee pursuant to non-qualified deferred compensation plans, regardless of whether such amounts are includable in the Employee's gross income for his current taxable year;

(iv) Amounts included in any Employee's gross income with respect to life insurance as provided by Code Section 79; and

(v) Amounts paid to Employees as "bonuses."

(b) To the extent permitted by Code Section 415(c)(3), in the case of a Participant who ceases actively to perform services for a Participating Company prior to January 1, 1989 because such person has sustained a Total and Permanent Disability, such Participant shall be deemed to have "Compensation" to the extent provided in the provisions of Section 8.16(d), for the limited purposes of determining the amount of certain contributions to this Plan.

(c) The term "Compensation," for purposes of Article XIV of this Plan shall be as defined in this subsection (c) and shall mean wages as defined in Section 3401(a) and all other payments of compensation to an Employee by the Company (in the course of the Company's trade or business) for which the Company is required to furnish the Employee a written statement under Code Sections 6041(d), 6051(a)(3) and 6052. Compensation for purposes of this subsection (c) shall be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the

exception for agricultural labor in Code Section 3401(a)(2)). “Compensation” for purposes of this subsection (c), shall include any elective deferral (as defined in Code Section 402(g)) and any amount which is contributed or deferred by a Participating Company at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125 or 132(f)(4). Effective for Plan Years beginning on and after January 1, 2008, Compensation for purposes of this subsection (c) shall include Compensation paid after the date of the Employee’s severance from employment with the Company, provided such Compensation is paid by the later of (i) 2-1/2 months after the date of the Employee’s severance from employment, or (ii) the last day of the Plan Year that includes such date of severance from employment, to the extent required by Treasury Regulation Section 1.415(c)-2(e)(3).

(d) In the event that this Plan is deemed a Top-Heavy Plan as set forth in Article XVII, the term “Compensation” shall not include amounts excluded by reason of and to the extent provided by Sections 17.1 and 17.2.

(e) Effective for Plan Years commencing on and after January 1, 2002, the “Compensation” of any Employee taken into account under the Plan for any Plan Year shall not exceed \$200,000 (or such adjusted amount as may be prescribed for such Plan Year pursuant to Section 401(a)(17) of the Code which amount is equal to \$280,000 for the Plan Year beginning January 1, 2019).

2.15 Deferral Contributions.

“Deferral Contributions” means the sum of Before-Tax Contributions and Roth Contributions.

2.16 Deferral Limitation.

“Deferral Limitation” shall mean the dollar limitation on the exclusion of elective deferrals from a Participant’s gross income under Section 402(g) of the Code, as in effect with respect to the taxable year of the Participant, or such greater limitation on the exclusion of elective deferrals permitted under Section 5.2(d) and Section 414(v) of the Code, if applicable.

2.17 Distributable Benefit.

“Distributable Benefit” shall mean the vested interest of a Participant in this Plan which is determined and distributable in accordance with the provisions of Article VIII.

2.18 Early Retirement Date.

“Early Retirement Date” shall mean the later of the Participant’s 55th birthday or the date on which the Participant completes three Years of Service.

2.19 Effective Date.

“Effective Date” shall mean November 1, 1983, which shall be the original effective date of this Plan. The effective date of this amendment and restatement is January 1, 2019.

2.20 Eligible Employee.

“Eligible Employee” shall include any individual who is at least age twenty (20) and is employed by a Participating Company, except as otherwise provided in this paragraph. The following individuals shall not be Eligible Employees under the Plan:

(a) effective as of April 1, 2011, any Employee of American Girl, Inc. who is designated on the payroll system in the separate employment classification (distinct from regular full-time or part-time), of “Temporary Variable,” which designation applies to Employees who are members of the substitute workforce of American Girl, Inc.

(b) any Employee who is covered by a collective bargaining agreement to which a Participating Company is a party if there is evidence that retirement benefits were the subject of good faith bargaining between the Participating Company and the collective bargaining representative, unless the collective bargaining agreement provides for coverage under this Plan,

(c) any Employee who is a Leased Employee,

(d) any Employee who is an intern, toy tester, department aide or associate retail services, or

(e) any Employee who is employed outside of the United States who has been transferred to the United States for a period of less than twelve (12) months, or

(f) any person who is classified by a Participating Company as being in one or more of the following ineligible categories, even if the Participating Company’s classification is incorrect or the person is otherwise determined to be a common law employee of the Participating Company:

(i) Project Employees - persons who the Participating Company classifies as employed to work on discrete projects or creative matters, or the equivalent (such as students or interns), except to the extent the Participating Company, by written notice, elects to extend Plan participation to them;

(ii) Persons Waiving Participation - persons to whom the Participating Company did not extend the opportunity of participating in this Plan, and who, as determined by the Participating Company, agreed to such nonparticipation status;

(iii) Persons Not Classified As Employees for Tax Purposes - persons who the Participating Company does not classify as Employees for federal tax purposes, as evidenced by its failure to withhold employment and income taxes from their compensation, including, without limitation, independent contractors,

consultants, persons working for a nonparticipating employer that provides goods or services (including temporary employee services) to the Participating Company, and persons working for an entity for whom the Participating Company provides goods or services;

(iv) Non-Employees Taken into Account for Discrimination Testing or Other Statutory Purposes - persons who are not classified by the Participating Company as its Employees, but who must be taken into account in testing this Plan for discrimination or for other statutory purposes; or

(v) Employees on Terminal Leave - persons who the Participating Company has determined to have permanently ceased to render active services but who it continues to treat as employees for certain purposes, except to the extent the Participating Company, by written notice, elects to extend Plan participation to them.

(g) any Employee employed by a division, organizational unit or classification of employees of a Participating Company to which the Plan has not been extended.

(h) effective as of December 31, 2014, any Employee who is subject to the provisions of Appendix D regarding special rules for Employees in Puerto Rico.

2.21 Employee.

(a) “Employee” shall mean each person currently employed in any capacity by the Company or Affiliated Company any portion of whose income is subject to withholding of income tax and/or for whom Social Security contributions are made by the Company. The term “Employee” also includes a Leased Employee to the extent required by Code Section 414(n).

(b) Although Eligible Employees are the only class of Employees eligible to participate in this Plan, the term “Employee” is used to refer to persons employed in a non-Eligible Employee capacity as well as Eligible Employee category. Thus, those provisions of this Plan that are not limited to Eligible Employees, such as those relating to Hours of Service, apply to both Eligible and non-Eligible Employees.

2.22 Employment Commencement Date.

“Employment Commencement Date” shall mean each of the following:

(a) The date on which an Employee first performs an Hour of Service in any capacity for the Company or an Affiliated Company with respect to which the Employee is compensated or is entitled to compensation by the Company or the Affiliated Company.

(b) In the case of an Employee who has a one-year Period of Severance and who is subsequently reemployed by the Company or an Affiliated Company, the term

“Employment Commencement Date” shall also mean the first day following such one-year Period of Severance on which the Employee performs an Hour of Service for the Company or an Affiliated Company with respect to which he is compensated or entitled to compensation by the Company or Affiliated Company.

2.23 ERISA.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.24 Governance Committee.

“Governance Committee” shall mean the Governance and Social Responsibility Committee of the Board of Directors.

2.25 Highly Compensated Employee.

(a) “Highly Compensated Employee” shall mean any Employee who performs services for the Company or an Affiliated Company during the Determination Year (as defined below) and who:

(i) was at any time during the Determination Year or the Look Back Year a five percent (5%) owner as defined in Section 17.2; or

(ii) for the Look Back Year:

(A) received Compensation from the Company or an Affiliated Company in excess of eighty thousand dollars (\$80,000) (adjusted for any cost-of-living increase as permitted by Section 414(q) of the Code, equal to \$125,000 in 2019); and

(B) was in the “top-paid group.”

The determination of which Employees are Highly Compensated Employees shall be made in accordance with the provisions of Section 414(q) of the Code.

(b) Determination of a Highly Compensated Employee shall be in accordance with the following definitions and special rules:

(i) “Determination Year” means the Plan Year for which the determination of Highly Compensated Employee is being made.

(ii) “Look Back Year” is the twelve (12) month period preceding the Determination Year.

(iii) An Employee shall be treated as a 5% owner for any Determination Year or Look Back Year if at any time during such year such Employee was a 5% owner (as defined in Section 17.2).

(iv) An Employee is in the “top-paid group” of Employees for any Determination Year or Look Back Year if such Employee is in the group consisting of the top twenty percent (20%) of the Employees when ranked on the basis of Compensation paid during such Year.

(v) For purposes of this Section the term “Compensation” means Compensation as defined in Code Section 415(c)(3), as set forth in Section 2.14(c), without regard to the limitations of Section 2.14(e); provided, however, the determination under this Paragraph (v) shall be made without regard to Code Sections 125, 132(f)(4), 402(a)(8), and 401(h)(1)(B), and in the case of Participant contributions made pursuant to a salary reduction agreement, without regard to Code Section 403(b).

(vi) For purposes of determining the number of Employees in the “top-paid” group under this Section, the following Employees shall be excluded:

(A) Employees who have not completed six (6) months of service,

(B) Employees who normally work less than 17½ hours per week,

(C) Employees who normally work not more than six (6) months during any Plan Year, and

(D) Employees who have not attained age 21,

(E) Except to the extent provided in Treasury Regulations, Employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between Employee representatives and the Company, and

(F) Employees who are nonresident aliens and who receive no earned income (within the meaning of Code Section 911(d)(2)) from the Company which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

The Company may elect to apply Subparagraphs (A) through (D) above by substituting a shorter period of service, smaller number of hours or months, or lower age for the period of service, number of hours or months, (as the case may be) than as specified in such Subparagraph.

(vii) A former Employee shall be treated as a Highly Compensated Employee if

(A) such Employee was a Highly Compensated Employee when such Employee separated from service, or

(B) such Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(viii) Code Sections 414(b), (c), (m) and (o) shall be applied before the application of this Section. Also, the term “Employee” shall include Leased Employees unless such Leased Employee is covered under a “safe harbor” plan of the leasing organization and not covered under a qualified plan of the Affiliated Company.

(c) To the extent permissible under Code Section 414(q), the Committee may determine which Employees shall be categorized as Highly Compensated Employees by applying a simplified method and calendar year election prescribed by the Internal Revenue Service.

2.26 Hour of Service.

(a) “Hour of Service” of an Employee shall mean the following:

(i) Each hour for which the Employee is paid by the Company or an Affiliated Company or entitled to payment for the performance of services as an Employee.

(ii) Each hour in or attributable to a period of time during which the Employee performs no duties (irrespective of whether he has terminated his Employment) due to a vacation, holiday, illness, incapacity (including pregnancy or disability), layoff, jury duty, military duty or an authorized leave of absence, for which he is paid or entitled to payment, whether direct or indirect. However, no such hours shall be credited to an Employee if such Employee is directly or indirectly paid or entitled to payment for such hours and if such payment or entitlement is made or due under a plan maintained solely for the purpose of complying with applicable workmen’s compensation, unemployment compensation or disability insurance laws or is a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

(iii) Each hour for which he is entitled to back pay, irrespective of mitigation of damages, whether awarded or agreed to by the Company or an Affiliated Company, provided that such Employee has not previously been credited with an Hour of Service with respect to such hour under paragraphs (i) or (ii) above.

(b) Hours of Service under Subsections (a)(ii) and (a)(iii) shall be calculated in accordance with Department of Labor Regulation 29 C.F.R. § 2530.200b-2(b). Hours

of Service shall be credited to the appropriate computation period according to the Department of Labor Regulation § 2530.200b-2(c). However, an Employee will not be considered as being entitled to payment until the date when the Company or the Affiliated Company would normally make payment to the Employee for such Hour of Service.

2.27 Investment Manager.

“Investment Manager” means the one or more Investment Managers, if any, that are appointed pursuant to Section 9.3.

2.28 Leased Employee.

“Leased Employee” means any individual who is not an employee of any Affiliated Company but who performs services for an Affiliated Company, where:

(a) such services are provided pursuant to an agreement between the member and any other person (the “leasing organization”);

(b) the individual has performed such services for the Affiliated Company, or for the Affiliated Company and any “related persons” determined under Section 414(n)(6) of the Code, on a substantially full-time basis for a period of at least one (1) year; and

(c) such services are performed under the primary direction or control of the recipient.

2.29 Normal Retirement.

“Normal Retirement” shall mean a Participant’s termination of employment on or after attaining the Plan’s Normal Retirement Date.

2.30 Normal Retirement Date.

“Normal Retirement Date” shall be the Participant’s sixty-fifth birthday.

2.31 Participant.

“Participant” shall mean any Eligible Employee who has satisfied the participation eligibility requirements set forth in Section 3.1 and has begun participation in this Plan in accordance with the provisions of Section 3.2.

2.32 Participation Commencement Date.

“Participation Commencement Date” shall mean the day on which an Employee’s participation in this Plan may commence in accordance with the provisions of Article III.

2.33 Participating Company.

“Participating Company” shall mean Mattel, Inc., Mattel Sales, Corp. and each other Affiliated Company (or similar entity) that has been granted permission by the Board of Directors to participate in this Plan, provided that contributions are being made hereunder for the Employees of such Participating Company. Permission to become a Participating Company shall be granted under such conditions and upon such conditions as the Board of Directors deems appropriate. Appendix B lists some of the Participating Companies and the dates they became Participating Companies under the Plan. Until otherwise determined by the Company, Sproutling, Inc. will not be a Participating Company under the Plan and employees of Sproutling, Inc. will not be eligible to participate in the Plan.

2.34 Period of Severance.

“Period of Severance” shall mean the period of time commencing on the Participant’s Severance Date and continuing until the first day, if any, on which the Participant completes one or more Hours of Service following such Severance Date.

2.35 Plan.

“Plan” shall mean the Mattel, Inc. Personal Investment Plan herein set forth, and as it may be amended from time to time.

2.36 Plan Administrator.

“Plan Administrator” shall mean the administrator of the Plan, within the meaning of Section 3(16)(A) of ERISA. The Plan Administrator shall be Mattel, Inc.

2.37 Plan Year.

“Plan Year” shall mean the twelve consecutive month period ending each December 31.

2.38 Roth Contributions.

“Roth Contributions” shall mean those amounts contributed to the Plan as a result of a salary or wage reduction election made by the Participant in accordance with Section 5.2(e).

2.39 Severance Date.

“Severance Date” shall mean the earlier of (a) the date on which an Employee quits, retires, is discharged, or dies; or (b) the first anniversary of the first date of a period in which an

Employee remains absent from service (with or without pay) with the Company or an Affiliated Company for any reason other than quit, retirement, discharge or death (such as vacation, holiday, sickness, disability, leave of absence or layoff).

In the case of an Employee who has a maternity or paternity absence described in Code Sections 410(a)(5)(E) and 411(a)(6)(E), the Employee's Period of Severance will begin on the second anniversary of the date the Employee is first absent for a maternity or paternity leave, provided the Employee does not perform an Hour of Service during such period. The first one-year period of the absence will be included in the Employee's period of service and the second one-year period is neither part of the period of service nor part of the Period of Severance. The Committee may require that the Employee furnish such timely information as the Committee may reasonably require to establish that the absence from work is for such a maternity or paternity absence, and the number of days for which there was such an absence.

2.40 Spouse.

"Spouse" means the person to whom the Participant is legally married under the laws of any state, territory or possession of the United States or of any foreign country including a same-sex spouse or common law spouse if permitted under state law.

2.41 Total and Permanent Disability.

Effective on and after January 1, 2011, an individual shall be considered to be suffering from a Total and Permanent Disability (a) if he is "disabled" or suffering a "disability" as defined in the long-term disability plan or program maintained by the Company and in which the Participant is eligible to participate or, (b) if the Participant is not eligible to participate in the long-term disability plan or program maintained by the Company, as determined by the Committee, in accordance with the definition of "disability" under the Company's long-term disability plan. The rules of this Section shall be applied by the Committee in accordance with Treasury Regulations, if any, promulgated under Code Section 415 or Code Section 22(e)(3) on a nondiscriminatory basis to all participants.

2.42 Trust or Trust Fund.

"Trust" or "Trust Fund" shall mean the one or more trusts created for funding purposes under the Plan.

2.43 Trustee.

“Trustee” shall mean the corporation appointed by the Company to act as Trustee of the Trust Fund, or any successor or other corporation acting as a trustee of the Trust Fund.

2.44 Valuation Date.

“Valuation Date” shall mean each day on which the United States financial markets are open for the normal transaction of business.

2.45 Year of Service.

“Year of Service” means three hundred sixty five (365) days included in a period of service recognized under this Section.

(a) Subject to the succeeding provisions of this Section, a Participant shall be credited with a period of service equal to the elapsed time between his Employment Commencement Date and his subsequent Severance Date.

(b) A Participant additionally shall receive credit for a Period of Severance in computing his service hereunder if such Participant completes an Hour of Service prior to the first anniversary of his Severance Date. Except as provided in this subparagraph (b), a Period of Severance shall not be included in a Participant’s period of service hereunder.

(c) An individual who has a Period of Severance shall be given credit for Periods of Service prior to such Period of Severance upon rehire with the Company or an Affiliated Company for the purpose of determining such Participant’s nonforfeitable right to benefits accrued after such rehire in accordance with the vesting provisions of Section 8.1. Nothing in this paragraph shall affect any amounts that were forfeited in accordance with Section 8.5(d) following five consecutive one-year Periods of Severance or a Participant’s ability to have such forfeiture restored in accordance with Section 8.14.

(d) The number of a Participant’s Years of Service for vesting shall be determined by reference to each three hundred sixty five day period of service recognized under this Section, whether or not consecutive.

(e) Notwithstanding any other provision of this Plan, service performed by Employees for employers other than the Company or Affiliated Companies may be taken into account in computing service for any purpose of this Plan to the extent and in the manner determined by resolution of the Committee in its sole discretion.

(f) Notwithstanding any other provision of this Plan, service performed for an Affiliated Company prior to such entity becoming an Affiliated Company may be taken into account for purposes of computing service for any purpose of this Plan to the extent and in the manner determined by resolution of the Board of Directors of the Company, or its delegate, in its sole discretion. In accordance with this provision, service performed

by a Participant for the following Affiliated Companies, prior to such entity becoming an Affiliated Company, may be taken into account for purposes of determining a Participant's vested interest in his Accounts under the Plan for each Participant who was actively employed by the acquired company or its affiliates on the acquisition date: Tyco Toys, Inc., PrintPaks, Inc., Pleasant Company, HiT Entertainment, Inc. and MEGA Brands America, Inc. Service performed by a Participant for Fuhu, Inc. shall not be taken into account for any purposes under the Plan.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility to Participate.

(a) Every Eligible Employee who is not an American Girl Retail Store Employee shall be eligible to participate in the Plan on the date he becomes an Eligible Employee. Every Eligible Employee who is an American Girl Retail Store Employee shall be eligible to participate in the Plan on the later of (i) the date he becomes an Eligible Employee and (ii) the date he completes a period of service, recognized under the definition of "Year of Service," of ninety (90) days.

(b) If a Participant ceases to be an Eligible Employee, he shall again become eligible to participate in the Plan on the date he again becomes an Eligible Employee.

(c) Notwithstanding the preceding rules of this Section 3.1, the actual date upon which an Employee will commence participation will be determined pursuant to the rules of Section 3.2.

3.2 Commencement of Participation.

(a) Each Eligible Employee who had become a Participant in the Plan prior to the Effective Date of this restatement shall continue to participate in the Plan from and after such date.

(b) Each Eligible Employee shall be entitled to commence participation in this Plan with respect to Company Contributions, Before-Tax Contributions, Company Matching Contributions and After-Tax Contributions as of the date he satisfies the eligibility requirements of Section 3.1. Each Eligible Employee shall be entitled to commence participation in this Plan with respect to Roth Contributions as of the later of January 1, 2013 and the date he satisfies the eligibility requirements of Section 3.1.

(c) The Committee may prescribe such rules as it deems necessary or appropriate regarding times and procedures for Participants to make elections to contribute a portion of Compensation as provided in Section 5.1.

3.3 Former Participants in Participating Company Plans.

Notwithstanding anything in this Article to the contrary, any individual who was a participant in a plan sponsored by a Participating Company shall automatically become a Participant in this Plan as described in Appendix C.

ARTICLE IV

TRUST FUND

4.1 Trust Fund.

(a) The Company has entered into a Trust Agreement for the establishment of a Trust to hold the assets of the Plan.

(b) The Trust Fund is authorized to invest in either Company Stock or such other assets as the Committee or the Investment Manager (if applicable) may direct. Participants may direct the investment of the assets in their Accounts in the Trust Fund from among the acceptable investment alternatives which the Committee may from time to time make available. The Committee shall provide Participants with such alternative investment election options and such information regarding the investment alternatives available under the Plan as shall be necessary to comply with the regulations issued by the Department of Labor pursuant to ERISA Section 404(c).

(c) The Committee shall not be required to engage in any transaction, including without limitation, directing the purchase or sale of Company Stock, which it determines in its sole discretion, might tend to subject itself, its members, the Plan, the Company, or any Participant to liability under federal or state securities law.

4.2 Investment and Application of Plan Contributions.

(a) Subject to the provisions of Section 4.1(b), all contributions to the Trust Fund under Section 6.1 (including Before-Tax and Roth Contributions) and Participant After-Tax Contributions under Section 5.1 shall be invested as provided in this Section 4.2, subject to such rules as the Committee may adopt, in its sole discretion, to implement the provisions of this Section 4.2. The Committee may establish a choice of investment alternatives for Accounts from which each Participant may select in determining the manner in which his Account will be invested. In its sole discretion, the Committee may establish an investment alternative consisting of Company Stock.

(b) If investment alternatives are established in accordance with this Section 4.2, the following provisions of this Section 4.2 shall apply, including, in the event the Committee establishes a Company Stock alternative, the limitations of (iv) below and the provisions of Article X relating to investments in Company Stock.

(i) A Participant may elect at any time to change an investment election with respect to the allocation of future contributions made by him or on his behalf (such election to apply to all such contributions without regard to any distinction between Company contributions or Participant contributions) among the investment alternatives. The Committee may require at least thirty (30) days notice prior to the commencement of the payroll period for which such change is to be effective. Any such election shall be made in any whole percentage, subject to the provisions of Subsection (iv) below.

(ii) Separate Trust Fund subaccounts shall be established for each investment alternative selected by a Participant, and each such subaccount shall be valued separately.

(iii) A Participant may elect at any time to change the investment of his Accounts and reallocate such Accounts among the investment alternatives in any whole percentage, subject to the limitations of this paragraph and (iv) below. Subject to such rules as the Committee may prescribe, any such election to change shall be effective as soon as practical following receipt of the Participant's election. Any such change shall be implemented by the Committee in accordance with practices and procedures established by the Committee to provide for the orderly liquidation and/or purchase of investments. Notwithstanding the foregoing, the Company may restrict the frequency or timing of trades in or out of one or more investment alternatives by a Participant, to the extent the Committee deems necessary or appropriate.

(iv) If a Company Stock alternative is established by the Committee, each Participant may elect to invest up to a maximum of twenty-five percent (25%) (fifty percent (50%) prior to April 3, 2006) of contributions made by him or on his behalf (such limitation to apply to all contributions without regard to any distinction between Company contributions and Participant contributions) in the Company Stock alternative in accordance with this Section 4.2. Such a Participant may also elect to transfer amounts from his Accounts held in other investment alternatives to the Company Stock alternative in accordance with this Section 4.2, provided, however, that no such transfer shall be implemented to the extent that such transfer would result in the value of the Participant's interest in the Company Stock Fund exceeding twenty-five percent (25%) (fifty percent (50%) prior to April 3, 2006) of the value of his interest in all investment alternatives held under the Plan. Notwithstanding the preceding sentence, neither the Company nor the Committee, nor any representative of the Company, the Committee or of the Plan shall have any obligation to monitor the value of a Participant's interest in the Company Stock Fund, or to manage said fund, and no person shall or shall have any authority to dispose of any Participant's interest in the Company Stock Fund except in accordance with a Participant's valid election or otherwise in accordance with express provisions of this Plan.

(v) In the case of a Participant who fails to make an effective election, for any reason whatsoever, as to how all or any portion of his interest therein shall be invested, the Committee shall prescribe rules which shall require that the Accounts of such Participant be invested in a default fund selected by the Committee for such purpose.

4.3 Irrevocability.

A Participating Company shall have no right or title to, nor interest in, the contributions made to the Trust Fund, and no part of the Trust Fund shall revert to the Participating Company except that on and after the Effective Date funds may be returned to a Participating Company as follows:

(a) In the case of a Participating Company contribution which is made by a mistake of fact, that contribution may be returned to the Participating Company within one (1) year after it is made.

(b) All contributions to the Trust Fund are conditioned on deductibility under Code Section 404. In the event deduction is disallowed for any such contribution, such contribution may be returned to the Participating Company.

4.4 Company, Committee and Trustee Not Responsible for Adequacy of Trust Fund.

The Company, Committee and Trustee shall not be liable or responsible for the adequacy of the Trust Fund to meet and discharge any or all payments and liabilities hereunder. All Plan benefits will be paid only from the Trust assets, and neither the Company, the Committee nor the Trustee shall have any duty or liability to furnish the Trust with any funds, securities or other assets except as expressly provided in the Plan. Except as required under the Plan or Trust or under Part 4 of Title I of ERISA, the Company shall not be responsible for any decision, act or omission of the Trustee, the Committee, or the Investment Manager (if applicable), and shall not be responsible for the application of any moneys, securities, investments or other property paid or delivered to the Trustee.

ARTICLE V

EMPLOYEE CONTRIBUTIONS

5.1 Employee Contributions.

(a) General. In accordance with rules which the Committee shall prescribe from time to time, each Participant shall be given an opportunity to elect to have a

percentage of his or her Compensation contributed to the Plan. A contribution election by a Participant shall remain in effect from year to year (notwithstanding salary or wage rate changes) until changed by the Participant. Effective January 1, 2013, at the election of the Participant, contributions shall be made as Before-Tax Contributions, After-Tax Contributions, Roth Contributions or a combination thereof.

(b) Automatic Enrollment. Except as provided in Section 5.1(d), a Participant who has not elected to have Compensation reduced in accordance with Section 5.1(a) shall be deemed to have elected under Section 5.1(a) to have Compensation reduced by two percent (2%) beginning as soon as administratively practicable following the date the Eligible Employee becomes a Participant. Each affected Participant may elect at any time, in accordance with procedures established by the Committee or its designee, not to have Compensation so reduced, or to have Compensation reduced by a different percentage allowed under Section 5.2, which election shall become effective as soon as administratively practicable following receipt of the Participant election. Before-Tax Contributions made pursuant to this automatic election shall be invested in a default investment fund designated for such purpose by the Committee, unless the Participant elects to have such contributions invested otherwise in accordance with Article IV.

(c) Automatic Escalation. Unless a Participant elects otherwise and except as provided in Section 5.1(d), any affirmative election or deemed election to have Compensation reduced by less than six percent (6%) shall be automatically increased by two percent (2%) (one percent (1%) for Plan Years prior to January 1, 2013), effective as of such date in the month of April as specified by the Committee, which date shall be at least 90 days after such initial affirmative or deemed deferral election, and during each April thereafter until such election has been increased to a deemed deferral election of six percent (6%) of Compensation.

(d) Exceptions to Automatic Provisions. The Committee may provide that certain divisions, organizational units or classifications of Employees will not be subject to the automatic enrollment provisions of Section 5.1(b) or the automatic escalation provisions of Section 5.1(c) and shall establish rules and procedures regarding such designations, which rules and related procedures shall be binding upon Participants.

5.2 Amount Subject to Election.

(a) Permitted Deferral Percent. Subject to the limitations of Article V, the amount of a Participant's Compensation that may be contributed subject to the election provided in Section 5.1 shall be a whole percentage of the Participant's Compensation, which percentage is not less than one percent (1%) nor more than, in the case of a Participant who is not a Highly Compensated Employee, eighty percent (80%) and in the case of a Highly Compensated Employee, twenty percent (20%).

(b) Effect of Deferral Limitation. No Participant shall be permitted to make Before-Tax Contributions or Roth Contributions combined in excess of the Deferral Limitation. Any election by a Participant to make Before-Tax Contributions or Roth

Contributions shall be deemed to include an election to automatically substitute After-Tax Contributions for such Before-Tax Contributions or Roth Contributions, effective for the period starting on the date immediately following the date the Participant's Before-Tax Contributions and Roth Contributions for a calendar year equal the Deferral Limitation and ending on the immediately following December 31. In the event a Participant's Before-Tax Contributions and Roth Contributions exceed the Deferral Limitation, excess contributions shall be subject to the provisions of Section 5.6.

(c) Limitations Prescribed by the Committee. For purposes of satisfying one of the tests described under Section 5.4 and Section 6.3, the Committee may prescribe such rules as it deems necessary or appropriate regarding the maximum amount that a Participant may elect to contribute and the timing of such an election. These rules may prescribe a maximum percentage of Compensation that may be contributed, or may provide that the maximum percentage of Compensation that a Participant may contribute will be a lower percentage of his Compensation above a certain dollar amount of Compensation than the maximum deferral percentage below that dollar amount of Compensation. These rules shall apply to all individuals eligible to make the election described in Section 5.1, except to the extent that the Committee prescribes special or more stringent rules applicable only to Highly Compensated Employees.

(d) Catch-Up Contributions. Notwithstanding the foregoing, all Participants who are eligible to make Before-Tax Contributions under this Plan and who have attained age fifty (50) before the close of a Plan Year shall be eligible to make catch-up contributions during such Plan Year in accordance with, and subject to the limitations of, Code Section 414(v). Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Section 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b) or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

(e) Roth Contributions. Effective for Plan Years beginning on and after January 1, 2013, a Participant may elect to designate any portion of such Participant's Compensation that is reduced in accordance with Section 5.1 as a Roth elective deferral. If a Participant elects to designate a portion of such Participant's reduced Compensation as a Roth elective deferral under this Section, then the Participating Employers shall make a Roth Contribution to the Trust pursuant to Section 6.1(b) for the Participant equal to the amount so designated by the Participant. It is intended that the Compensation reductions and corresponding Roth Contributions under this Section shall be made pursuant to a "qualified Roth contribution program" within the meaning of Section 402A of the Code. Unless specifically stated otherwise in the Plan, a Roth elective deferral will be treated as a Before-Tax Contribution under Section 5.1(a) for all purposes of the Plan.

5.3 Termination of, Change in Rate of, or Resumption of Deferrals.

(a) A Participant may at any time submit a request to the Committee to terminate his contributions, alter the rate of his contributions, or resume his contributions made pursuant to this Article V.

(b) A request for termination, alteration, or resumption or alteration of the rate of contributions shall be in a form satisfactory to the Committee and will be effective as soon as administratively possible. The Committee may require at least thirty (30) days notice prior to commencement of the payroll period for which such change is to be effective.

5.4 Limitation on Deferral Contributions by Highly Compensated Employees.

With respect to each Plan Year, Participant Deferral Contributions under the Plan for the Plan Year shall not exceed the limitations on contributions on behalf of Highly Compensated Employees under Section 401(k) of the Code, as provided in this Section. In the event that Deferral Contributions under this Plan on behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess contributions and any income allocable thereto shall be returned to the Participant or recharacterized as Participant After-Tax Contributions, as provided in Section 5.5.

(a) The Deferral Contributions by a Participant for a Plan Year shall satisfy the Average Deferral Percentage test set forth in (i) below, or the alternative Average Deferral Percentage test set forth in (ii) below.

(i) The “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Actual Deferral Percentage” of all other Eligible Employees for the Comparison Year multiplied by 1.25, or

(ii) The excess of the “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year over the “Actual Deferral Percentage” for all other Eligible Employees for the Comparison Year shall not be more than two (2) percentage points, and the “Actual Deferral Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Actual Deferral Percentage” of all other Eligible Employees for the Comparison Year multiplied by 2.00.

The “Comparison Year” is the Plan Year being tested.

(b) For the purposes of the limitations of this Section 5.4, the following definitions shall apply:

(i) “Actual Deferral Percentage” means, with respect to Eligible Employees who are Highly Compensated Employees and all other Eligible

Employees for a Plan Year, the average of the ratios, calculated separately for each Eligible Employee in such group, of the amount of Deferral Contributions under the Plan allocated to each Eligible Employee for such Plan Year to such Employee's "Compensation" for such Plan Year. An Eligible Employee's Deferral Contributions may be taken into account for purposes of determining his Actual Deferral Percentage for a particular Plan Year only if such Deferral Contributions relate to Compensation that either would have been received by the Eligible Employee in the Plan Year (but for the deferral election), or is attributable to services performed in the Plan Year and would have been received by the Eligible Employee within two and one-half (2½) months after the close of the Plan Year (but for the deferral election), and such Deferral Contributions are allocated to the Eligible Employee as of a date within that Plan Year. For purposes of this rule, an Eligible Employee's Deferral Contributions shall be considered allocated as of a date within a Plan Year only if (A) the allocation is not contingent upon the Eligible Employee's participation in the Plan or performance of services on any date subsequent to that date, and (B) the Deferral Contribution is actually paid to the Trust no later than the end of the twelve month period immediately following the Plan Year to which the contribution relates. To the extent determined by the Committee and in accordance with regulations issued by the Secretary of the Treasury, contributions on behalf of an Eligible Employee that satisfy the requirements of Code Section 401(k)(3)(D)(ii) may also be taken into account for the purpose of determining the Actual Deferral Percentage of such Eligible Employee.

(ii) "Compensation" means Compensation determined by the Committee in accordance with the requirements of Section 414(s) of the Code, including, to the extent elected by the Committee, amounts deducted from an Employee's wages or salary that are excludable from income under Sections 125, 129, 132(f)(4) or 402(e)(3) of the Code.

(c) In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans which include arrangements under Code Section 401(k), then this Section 5.4 shall be applied by determining the Actual Deferral Percentages of Eligible Employees as if all such plans were a single plan, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(d) For the purposes of this Section, the Actual Deferral Percentage for any Highly Compensated Employee who is a participant under two or more Code Section 401(k) arrangements of the Company or an Affiliated Company shall be determined by taking into account the Highly Compensated Employee's Compensation under each such arrangement and contributions under each such arrangement which qualify for treatment under Code Section 401(k), in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(e) For purposes of this Section, the amount of Deferral Contributions by a Participant who is not a Highly Compensated Employee for a Plan Year shall be reduced by any Deferral Contributions in excess of the Deferral Limitation which have been distributed to the Participant under Section 5.6, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(f) The determination and treatment of Deferral Contributions and the Actual Deferral Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury. The Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies such requirements of Code Section 401(k) and the regulations thereunder.

(g) If on account of administrative error or otherwise any limitation of this Section 5.4 may be exceeded, the Committee shall cause to be taken such of the actions permitted by Section 5.5 and Section 5.6 as, and to the extent, it determines necessary so that the limitation shall be satisfied, which actions shall not include the contribution of qualified non-elective contributions.

5.5 Provisions for Disposition of Excess Deferral Contributions by Highly Compensated Employees.

(a) The Committee shall determine, as soon as is reasonably possible following the close of each Plan Year, the extent, if any, to which deferral treatment under Code Section 401(k) may not be available for Deferral Contributions by Highly Compensated Employees. If, pursuant to the determination by the Committee, any or all of a Participant's Deferral Contributions are not eligible for tax-deferral treatment, then any excess Deferral Contributions and any income for that Plan Year (and to the extent required by the Code, gains and income for the Plan Year in which distributed) allocable thereto shall be disposed of in accordance with (i) or (ii) below.

(i) To the extent permissible under Section 6.3, excess Deferral Contributions by the Highly Compensated Employee in a Plan Year may be recharacterized as After-Tax Contributions for the Plan Year not later than two and one-half (2-1/2) months following the close of the Plan Year. Any recharacterization shall be effective retroactive to the date of the Highly Compensated Employee's earliest Deferral Contributions during the Plan Year in which the excess Deferral Contributions were made. To the extent required by Treas. Reg. Section 1.401(k)-2(b)(3), Deferral Contributions recharacterized as After-Tax Contributions shall continue to be treated as Deferral Contributions for purposes of Article VIII.

(ii) To the extent a Participant's Deferral Contributions cannot be recharacterized in accordance with (i) above, any excess Deferral Contributions (and any income allocable thereto) in a Plan Year shall, if administratively feasible, be distributed to the Participant not later than two and one-half (2-1/2) months following the close of the Plan Year in which such excess Deferral

Contributions were made, but in any event no later than the close of the first Plan Year following the Plan Year in which such excess Deferral Contributions were made after withholding any applicable income taxes due on such amounts.

(b) For purposes of this Section, the amount of excess Deferral Contributions to be distributed to a Participant for a Plan Year or recharacterized shall be reduced by the amount of any Deferral Contributions in excess of the Deferral Limitation (for the Participant's taxable year that ends with or within the Plan Year) which have been distributed to the Participant under Section 5.6, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(k) of the Code.

(c) The Committee shall determine the aggregate amount of any excess Deferral Contributions by Highly Compensated Employees for a Plan Year by application of the leveling method set forth in Treasury Regulation Section 1.401(k)-2(b)(2)(ii) under which the Deferral Percentage of the Highly Compensated Employee who has the highest Deferral Percentage for such Plan Year is reduced to the extent required (i) to enable the Plan to satisfy the Actual Deferral Percentage test, or (ii) to cause such Highly Compensated Employee's Deferral Percentage to equal the Deferral Percentage of the Highly Compensated Employee with the next highest Deferral Percentage. The recharacterization or distribution (as the case may be) of any excess Deferral Contributions shall be made on the basis of the dollar amounts (rather than the individual Deferral Percentages) of the Deferral Contributions by Highly Compensated Employees, beginning with the highest such amount.

(d) For purposes of satisfying the Actual Deferral Percentage test, income allocable to a Participant's excess Deferral Contributions, as determined under (b) above, shall be determined in accordance with any reasonable method used by the Plan for allocating income to Participant Accounts, provided such method does not discriminate in favor of Highly Compensated Employees and is consistently applied to all Participants for all corrective distributions or recharacterizations under the Plan for a Plan Year. The Committee shall not be liable to any Participant (or his Beneficiary, if applicable) for any losses caused by misestimating the amount of any Deferral Contributions in excess of the limitations of this Article V and any income allocable to such excess.

(e) To the extent required by regulations under Section 401(k) or 415 of the Code, any excess Deferral Contributions with respect to a Highly Compensated Employee shall be treated as Annual Additions under Article XIV for the Plan Year for which the excess Deferral Contributions were made, notwithstanding the distribution or recharacterization of such excess in accordance with the provisions of this Section.

5.6 Provisions for Return of Annual Deferral Contributions in Excess of the Deferral Limitation.

(a) In the event that due to error or otherwise, a Participant's Deferral Contributions under this Plan exceed the Deferral Limitation for any calendar year (but without regard to amounts of compensation deferred under any other plan), excess

Deferral Contributions for the Plan Year, if any, together with any income allocable to such amount for such Plan Year (and to the extent required by the Code, gains and income for the Plan Year in which distributed) shall be distributed to the Participant on or before the first April 15 following the close of the calendar year in which such excess contribution is made. The amount of excess Deferral Contributions that may be distributed to a Participant under this Section for any taxable year shall be reduced by any excess Deferral Contributions previously distributed or recharacterized in accordance with Section 5.5 for the Plan Year beginning with or within such taxable year. The Committee shall not be liable to any Participant or his Beneficiary, if applicable, for any losses caused by misestimating the amount of any Deferral Contributions in excess of the limitations of this Article V and any income allocable to such excess.

(b) If in any calendar year a Participant makes Deferral Contributions under this Plan and additional elective deferrals, within the meaning of Code Section 402(g)(3), under any other plan maintained by the Company or an Affiliated Company, and the total amount of the Participant's elective deferrals under this Plan and all such other plans exceed the Deferral Limitation, the Company and each Affiliated Company maintaining a plan under which the Participant made any elective deferrals shall notify the affected plans in writing, and corrective distributions of the excess elective deferrals, and any income allocable to such amount for such Plan Year (and, to the extent required by the Code, income allocable to such amount for the Plan Year in which distributed) shall be made from one or more such plans, to the extent determined by the Company and each Affiliated Company. The determination of the amount of a Participant's elective deferrals for any calendar year shall be made after applying the provisions of Article XIV relating to certain limits on Annual Additions under Section 415 of the Code. All corrective distributions of excess elective deferrals shall be made on or before the first April 15 following the close of the calendar year in which the excess elective deferrals were made.

(c) In accordance with rules and procedures as may be established by the Committee, a Participant may submit a claim to the Committee in which he certifies in writing the specific amount of his Deferral Contributions for the preceding calendar year which, when added to amounts deferred for such calendar year under any other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code (other than a plan maintained by the Company or an Affiliated Company), will cause the Participant to exceed the Deferral Limitation for the calendar year in which the deferral occurred. Any such claim must be submitted to the Committee no later than the March 1 of the calendar year following the calendar year of deferral. To the extent the amount specified by the Participant does not exceed the amount of the Participant's Deferral Contributions under the Plan for the applicable calendar year, the Committee shall treat the amount specified by the Participant in his claim as a Deferral Contribution in excess of the Deferral Limitation for such calendar year and return such excess and any income allocable thereto to the Participant, as provided in (a) above. In the event that for any reason such Participant's Deferral Contributions in excess of the Deferral Limitation for any calendar year are not distributed to the Participant by the time prescribed in (a) above, such excess

shall be held in the Participant's Before-Tax Contribution Account or Roth Contribution Account until distribution can be made in accordance with the provisions of this Plan.

(d) To the extent required by regulations under Section 402(g) or 415 of the Code, Deferral Contributions with respect to a Participant in excess of the Deferral Limitation shall be treated as Annual Additions under Article XIV for the Plan Year for which the excess contributions were made, notwithstanding the distribution of such excess in accordance with the provisions of this Section.

5.7 Character of Amounts Contributed as Before-Tax Contributions.

Unless otherwise specifically provided to the contrary in this Plan, amounts deferred pursuant to a Participant's election to make Before-Tax Contributions in accordance with Section 5.1 (and which qualify for treatment under Code Section 401(k) and are contributed to the Trust Fund pursuant to Article VI) shall be treated, for federal and state income tax purposes, as Participating Company contributions.

5.8 Rollover Contributions.

Effective as of an Eligible Employee's Employment Commencement Date, or such later date as may be determined by the Committee, amounts, if any, distributed to such Eligible Employee or payable to such Eligible Employee from another plan that satisfies the requirements of Code Section 401(a), or held in an individual retirement account which is attributable solely to a rollover contribution within the meaning of Code Section 408(d)(3), may be transferred to this Plan, including by direct rollover from another plan that satisfies the requirements of Code Section 401(a), and credited to the Participant's Transfer/Rollover Account in accordance with Code Section 402 and rules which the Committee shall prescribe from time to time; provided, however, the Committee determines that the continued qualification of this Plan under Code Section 401(a) or 401(k) would not be adversely affected by such transfer, or would cause this Plan to become a "transferee plan," within the meaning of Code Section 401(a)(11). Amounts, if any, distributed to such Eligible Employee or payable to such Eligible Employee from (i) a qualified plan described in Section 401(a) or 403(a) of the Code (including after-tax employee contributions), (ii) an annuity contract described in Section 403(b) of the Code (excluding after-tax employee contributions), (iii) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, and (iv) an individual retirement account or annuity described

in Section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includable in gross income, may be transferred to this Plan and credited to the Participant's Transfer/Rollover Account in accordance with Code Section 402 and rules which the Committee shall prescribe from time to time. Any amounts transferred in accordance with this Section 5.8, which shall be in cash, shall not be subject to distribution to the Participant except as expressly provided under the terms of this Plan. The Plan will accept rollover contributions to the Plan from Roth elective deferral accounts under another qualified plan described in Code Section 401(a) or 403(a) but will not accept rollover contributions from an individual retirement account or annuity describe in Code Section 408(a) or 408(b).

ARTICLE VI

COMPANY CONTRIBUTIONS

6.1 General.

Subject to the requirements and restrictions of this Article VI and Article XIV, and subject also to the amendment or termination of the Plan or the suspension or discontinuance of contributions as provided herein, a Participating Company shall contribute for each Participant who is an Employee of such Participating Company, as follows:

(a) Company Automatic Contributions.

(i) On and after July 6, 2015. In the case of a Participating Company, for each pay period of each Plan Year commencing on and after July 6, 2015 (including Employees of Fisher-Price Inc.), an amount to the Participant's Company Contributions Account equal to a percentage of the Participant's Compensation during such pay period according to the Participant's attained age as of the last day of the preceding month, as follows:

Age as of Last Day
of Preceding Month Percentage of Compensation

Under 40 3%
40 – 44 4%
45 – 49 5%
50 – 54 6%
55+ 7%

(ii) Prior to July 6, 2015. In the case of a Participating Company other than Fisher-Price, Inc. (except as provided below with regard to former

Kransco employees), for each month of each Plan Year commencing on and after April 1, 1997 (July 1, 2003 for Employees of the American Girl, Inc. Participating Company) and prior to July 6, 2015, an amount to the Participant's Company Contributions Account equal to a percentage of the Participant's Compensation during such month according to the Participant's attained age as of the last day of the preceding month, as follows:

Age as of Last Day
of Preceding Month Percentage of Compensation

Under 30	3%
30 – 39	4%
40 – 44	5%
45 – 49	6%
50 – 54	7%
55+	8%

Individuals who were employees of Kransco at the time the Company acquired Kransco and who worked at the Fort Wayne location or worked remotely and reported into the Fort Wayne location and who participate in the Plan in accordance with Article III are eligible for Company Automatic Contributions in accordance with this Section if employed by any Participating Company.

Notwithstanding the foregoing, effective on and after January 1, 2012, an Eligible Employee of Fisher Price Inc. who is not permitted to participate in the Fisher Price Pension Plan (or any successor plan) on or after January 1, 2012 due to the freezing of participation under that plan, shall be eligible to receive a Company Contribution allocation in accordance with this Section 6.1(a) which contribution shall be allocated to Participant Accounts as soon as administratively practicable following the end of the month for which such Company Contribution is due. An Eligible Employee of Fisher Price Inc. who is eligible to receive Company Contributions as of January 1, 2012 and whose hire date is between July 2, 2010 and December 31, 2011 shall receive a Company Contribution allocation no later than March 31, 2012 equal to the sum of the monthly Company Contributions that would have been earned from the date such Eligible Employee became a Participant in the Plan through December 31, 2011 if such Participant had been eligible to receive Company Contributions for such period, adjusted for interest at a rate of 4% per annum from the date the Company Contribution would have been allocated to the Participant's Account to the date the Company Contribution is actually allocated to the Participant's Account.

(b) Employee Before-Tax Contributions and Roth Contributions. An amount to the Participant's Before-Tax Contributions Account that is equal to the amount of the Participant's Before-Tax Contributions pursuant to Section 5.1 and that qualifies for tax treatment under Code Section 401(k), and an amount to the Participant's Roth Contribution Account that is equal to the amount of the Participant's Roth Contributions pursuant to Section 5.2(e) and that qualifies for tax treatment under Code Section 402A.

The Committee shall establish rules and procedures in accordance with Code Section 402A for the administration of Roth Contributions.

(c) Company Matching Contributions Prior to July 6, 2015. For each pay period of each Plan Year commencing prior to July 6, 2015, an amount to the Participant's Company Matching Account that is the sum of the amounts in (i) and (ii) below:

(i) A dollar amount equal to 100% of the first 2% of Compensation the Participant elects to contribute to the Plan as Before-Tax, After-Tax and Roth Contributions pursuant to Section 5.1.

(ii) A dollar amount equal to 50% of the next 4% of Compensation the Participant elects to contribute to the Plan as Before-Tax, After-Tax and Roth Contributions pursuant to Section 5.1.

The maximum Company Matching Contribution pursuant to this Section 6.1(c) shall be 4% of the Participant's Compensation (such Compensation to be determined prior to reduction for contributions pursuant to Section 5.1).

(d) Company Matching Contributions on and after July 6, 2015. For each pay period of each Plan Year commencing on and after July 6, 2015, an amount to the Participant's Company Matching Account that is the dollar amount equal to 50% of the first 6% of Compensation the Participant elects to contribute to the Plan as Before-Tax, After-Tax and Roth Contributions pursuant to Section 5.1.

The maximum Company Matching Contribution pursuant to this Section 6.1(d) shall be three percent (3%) of the Participant's Compensation (such Compensation to be determined prior to reduction for contributions pursuant to Section 5.1).

6.2 Requirement for Net Profits.

Contributions by a Participating Company shall be made without regard to current or accumulated profits for the year; provided, however, that the Plan is intended to be designed to qualify as a profit sharing plan for purposes of Sections 401(a) et. seq. of the Code.

6.3 Special Limitations on After-Tax Contributions and Company Matching Contributions.

With respect to each Plan Year, After-Tax Contributions and Company Matching Contributions under the Plan for the Plan Year shall not exceed the limitations on contributions on behalf of Highly Compensated Employees under Section 401(m) of the Code, as provided in this Section. For purposes of this Section, excess Deferral Contributions recharacterized as After-Tax Contributions after the close of a Plan Year shall be treated as After-Tax Contributions

in a Plan Year as provided in Section 5.5(a)(i). In the event that After-Tax Contributions and Company Matching Contributions under this Plan on behalf of Highly Compensated Employees for any Plan Year exceed the limitations of this Section for any reason, such excess contributions and any income allocable thereto shall be disposed of in accordance with Section 6.4. For purposes of this Section 6.3, the meaning of the term “Compensation” shall be as defined in Section 5.4(b).

(a) After-Tax Contributions and Company Matching Contributions on behalf of Participants under Section 6.1(c) for a Plan Year shall satisfy the Average Contribution Percentage test set forth in (i) below, or the Average Contribution Percentage test set forth in (ii) below:

(i) The “Average Contribution Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Average Contribution Percentage” of all other Eligible Employees for the Comparison Year multiplied by 1.25, or

(ii) The excess of the “Average Contribution Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year over the “Average Contribution Percentage” for all other Eligible Employees for the Comparison Year shall not be more than two (2) percentage points, and the “Average Contribution Percentage” for Eligible Employees who are Highly Compensated Employees for a Plan Year shall not be more than the “Average Contribution Percentage” of all other Eligible Employees for the Comparison Year multiplied by 2.00.

The “Comparison Year” is the Plan Year being tested.

(b) For purposes of this Section, “Average Contribution Percentage” means, with respect to a group of Eligible Employees for a Plan Year, the average of the “Contribution Percentage,” calculated separately for each Eligible Employee in such group. The “Contribution Percentage” for any Eligible Employee is determined by dividing the sum of After-Tax Contributions during the Plan Year and Company Matching Contributions under the Plan on behalf of each Eligible Employee for such Plan Year, by such Eligible Employee’s Compensation for such Plan Year. “Company Matching Contributions” for purposes of the Average Contribution Percentage test shall include a Company Matching Contribution only if it is allocated to the Participant’s Company Matching Contributions Account during the Plan Year and is paid to the Trust Fund by the end of the twelfth month following the close of the Plan Year. To the extent determined by the Committee and in accordance with regulations issued by the Secretary of the Treasury under Code Section 401(m)(3), the Before-Tax Contributions and Roth Contributions on behalf of an Eligible Employee and any “qualified nonelective contributions,” within the meaning of Code Section 401(m)(4)(c), on behalf of an Eligible Employee may also be taken into account for purposes of calculating the

Contribution Percentage of such Eligible Employee, but shall not otherwise be taken into account. However, any Company Matching Contributions taken into account for purposes of determining the Actual Deferral Percentage of an Eligible Employee under Section 5.4(a) shall not be taken into account under this Section 6.3.

(c) In the event that as of the last day of a Plan Year this Plan satisfies the requirements of Section 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Section 410(b) of the Code only if aggregated with this Plan, then this Section 6.3 shall be applied by determining the Contribution Percentages of Eligible Employees as if all such plans were a single plan, in accordance with regulations prescribed by the Secretary of the Treasury under Section 401(m) of the Code.

(d) For the purposes of this Section, the Contribution Percentage for any Eligible Employee who is a Highly Compensated Employee under two or more Code Section 401(a) plans of the Company or an Affiliated Company to the extent required by Code Section 401(m), shall be determined in a manner taking into account the participant contributions and matching contributions for such Eligible Employee under each of such plans.

(e) The determination of the Contribution Percentage of any Participant shall be made after first applying the provisions of Article XIV relating to certain limits on Annual Additions under Section 415 of the Code, then applying the provisions of Section 5.6 relating to the return of Deferral Contributions in excess of the Deferral Limitation, then applying the provisions of Section 5.5 relating to certain limits under Section 401(k) of the Code imposed on Deferral Contributions of Highly Compensated Employees, and last, applying the provisions of Section 6.5 relating to the forfeiture of Company Matching Contributions attributable to excess Before-Tax, Roth or After-Tax Contributions.

(f) The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury. The Committee shall keep or cause to have kept such records as are necessary to demonstrate that the Plan satisfies the requirements of Code Section 401(m) and the regulations thereunder, in accordance with such regulations.

(g) If on account of administrative error or otherwise any limitation of this Section 6.3 may be exceeded, the Committee shall cause to be taken such of the actions permitted by Section 6.4 as, and to the extent, it determines necessary so that the limitation shall be satisfied, which actions shall not include the contribution of qualified non-elective contributions.

6.4 Provision for Return of Excess After-Tax Contributions and Company Matching Contributions on Behalf of Highly Compensated Employees.

(a) The Committee shall determine, as soon as is reasonably possible following the close of the Plan Year, the extent (if any) to which After-Tax and Company Matching Contributions on behalf of Highly Compensated Employees may cause the Plan to exceed the limitations of Section 6.3 for such Plan Year. If, pursuant to the determination by the Committee, After-Tax and Company Matching Contributions on behalf of a Highly Compensated Employee may cause the Plan to exceed such limitations, then the Committee shall take the following steps:

(i) First, any excess After-Tax Contributions that were not matched by Company Matching Contributions, and any income allocable thereto, shall be distributed to the Highly Compensated Employee (after withholding any applicable income taxes on such amounts).

(ii) Second, if any excess remains after the provisions of (i) above are applied, to the extent necessary to eliminate the excess, any excess After-Tax Contributions that were matched by Company Matching Contributions, and any income allocable thereto, shall be distributed to the Highly Compensated Employee (after withholding any applicable income taxes on such amounts). Any corresponding Company Matching Contributions on such refunded After-Tax Contributions shall be forfeited.

(iii) Third, if any excess remains after the provisions of (i) and (ii) above are applied, to the extent necessary to eliminate the excess, Company Matching Contributions on behalf of the Highly Compensated Employee, and any income allocable thereto, shall be forfeited, to the extent forfeitable under the Plan, or distributed to the Highly Compensated Employee, to the extent non-forfeitable under the Plan (after withholding any applicable income taxes on such amounts).

(iv) If administratively feasible, excess After-Tax Contributions and Company Matching Contributions which are nonforfeitable under the Plan, including any income allocable thereto, shall be distributed to Highly Compensated Employees, or, to the extent forfeitable, forfeited, within two and one-half (2-1/2) months following the close of the Plan Year for which the excess Contributions were made, but in any event no later than the end of the first Plan Year following the Plan Year for which the excess Contributions were made, notwithstanding any other provision in this Plan. Amounts of excess Company Matching Contributions forfeited by Highly Compensated Employees under this Section, including any income allocable thereto, shall be applied, to the maximum extent practicable, to reduce Company Matching Contributions for the Plan Year for which such excess Contributions were made and thereafter shall be applied as soon as possible to reduce Company Matching Contributions for succeeding Plan Years.

(b) The Committee shall determine the amount of any excess After-Tax Contributions and Company Matching Contributions made by or on behalf of Highly

Compensated Employees for a Plan Year by application of the leveling method set forth in Treasury Regulation Section 1.401(m)-2(b)(2) under which the Contribution Percentage of the Highly Compensated Employee who has the highest such Contribution Percentage for such Plan Year is reduced, to the extent required (i) to enable the Plan to satisfy the Average Contribution Percentage test, or (ii) to cause such Highly Compensated Employee's Contribution Percentage to equal the Contribution Percentage of the Highly Compensated Employee with the next highest Contribution Percentage. The distribution or forfeiture (as the case may be) of any excess After-Tax Contributions or Company Matching Contributions shall be made on the basis of dollar amounts (rather than the individual Contribution Percentages) of the After-Tax Contributions and Company Matching Contributions by Highly Compensated Employees beginning with the highest such amounts.

(c) For purposes of satisfying the Average Contribution Percentage test, income allocable to a Participant's excess After-Tax Contributions or Company Matching Contributions, as determined under (b) above, shall be determined by applying procedures comparable to those provided under Section 5.5. Any distribution of an excess contribution pursuant to this Section 6.4 shall include any Trust gains or other income allocable to the distributed contribution while held in the Trust (but need not include Trust gains and income for the Plan Year in which distributed except to the extent required by the Code).

(d) To the extent required by regulations under Section 414(m) or 415 of the Code, any excess After-Tax Contributions or Company Matching Contribution forfeited by or distributed to a Highly Compensated Employee in accordance with this Section shall be treated as an Annual Addition under Article XIV for the Plan Year for which the excess contribution was made, notwithstanding such forfeiture or distribution.

6.5 Forfeiture of Company Matching Contributions Attributable to Excess Deferrals or Contributions.

To the extent any Company Matching Contributions allocated to a Participant's Company Matching Contributions Account are attributable to excess Deferral Contributions required to be distributed to the Participant in accordance with Section 5.5 or 5.6, or excess After-Tax Contributions required to be distributed to the Participant in accordance with Section 6.4, such Company Matching Contributions, including any income allocable thereto, shall be forfeited, notwithstanding that such Company Matching Contributions may otherwise be nonforfeitable under the terms of the Plan. Any Company Matching Contributions forfeited by a Participant in accordance with this Section 6.5 shall be applied to reduce Company Matching Contributions.

ARTICLE VII

PARTICIPANT ACCOUNTS AND ALLOCATIONS

7.1 General.

All contributions under this Plan shall be held in the Trust Fund. All gains, losses, dividends and other property acquisitions and/or transfers that occur with respect to the Trust Fund shall be held, charged, credited, debited or otherwise accounted for under said fund on an unallocated basis until allocated to Participants' Accounts as of a Valuation Date as provided under this Plan or otherwise used or applied in accordance with the provisions of this Plan.

7.2 Participants' Accounts.

In order to account for the allocated interest of each Participant in the Trust Fund, there shall be established and maintained separate Accounts.

7.3 Revaluation of Participants' Accounts.

As of each Valuation Date, the Accounts of each Participant shall be revalued so as to reflect a proportionate share in any increase or decrease in the fair market value of the assets in the Trust Fund as of that date as compared with the value of the assets in the Trust Fund as of the immediately preceding Valuation Date. The valuation and allocation provisions of this Section 7.3 shall be applied and implemented in accordance with the following rules:

(a) As of each Valuation Date the Accounts holding such assets shall be revalued so as to reflect to each such Account a proportionate share in the net income or loss of the assets since the immediately preceding Valuation Date.

(b) The Company, Committee and Trustee do not in any manner or to any extent whatsoever warrant, guarantee or represent that the value of a Participant's Accounts shall at any time equal or exceed the amount previously contributed thereto.

7.4 Treatment of Accounts Following Termination of Employment.

Following a Participant's termination of employment, pending distribution of the Participant's Distributable Benefit pursuant to the provisions of Article VIII below, the Participant's Plan Accounts shall continue to be maintained and accounted for in accordance with all applicable provisions of this Plan.

7.5 Accounting Procedures.

The Committee and the Trustee shall establish accounting procedures for the purpose of making the allocations, valuations and adjustments to Participants' Accounts provided for in this Article VII. From time to time the Committee and Trustee may modify such accounting procedures for the purpose of achieving equitable, nondiscriminatory, and administratively feasible allocations among the Accounts of Participants in accordance with the general concepts of the Plan and the provisions of this Article VII.

ARTICLE VIII

VESTING; PAYMENT OF PLAN BENEFITS

8.1 Vesting.

Each Participant's vested interest in his Accounts shall be determined as follows:

(a) Fully Vested Accounts. Each Participant shall at all times be one hundred percent (100%) vested in his Before-Tax Contributions Account, his After-Tax Contributions Account, his Roth Contributions Account, his Transfer/Rollover Account and any Qualified Non-elective Contributions ("QNEC") Account established under the Plan.

(b) Company Matching and Company Contributions Accounts.

(i) Three-Year Vesting Schedule. Except as otherwise provided in this Section 8.1, each Participant shall become vested in his Company Matching Account and his Company Contributions Account as follows (the "3-Year Vesting Schedule"):

Number of Vesting Years of Service	Percentage
Less than 3	0%
3 or more	100%

provided, however, if the Participant was eligible to participate in the Plan before April 1, 2000 and had two (2) Years of Service as of April 1, 2000, the 3-Year Vesting Schedule shall be modified as follows:

Number of Vesting Years of Service	Percentage
Less than 2	0%
2	25%
3 or more	100%

(ii) Five-Year Vesting Schedule Prior to April 1, 2000. Notwithstanding the foregoing, if the Participant participated in the Plan before April 1, 2000 and was not an Employee on April 1, 2000, the Participant's vested interest (if any) in his Company Matching Account and his Company Contributions Account shall be determined under the following table (the "5-Year Vesting Schedule"):

<u>Number of Vesting</u>	<u>Years of Service</u>	<u>Percentage</u>
Less than 2	0	0%
2	25	%
3	50	%
4	75	%
5 or more		100%

The 3-Year Vesting Schedule shall not apply to such Participant until such Participant resumes employment as an Employee after April 1, 2000, in which event:

(A) The 3-Year Vesting Schedule shall apply to the portion of his Company Matching Account and his Company Contributions Account that is attributable to his post-March 31, 2000 participation in the Plan (if any); and

(B) The 3-Year Vesting Schedule shall apply to the remainder of his Company Matching Account and his Company Contributions Account only (A) if the 5-Year Vesting Schedule had not been applied to forfeit any of his Company Matching Account or his Company Contributions Account prior to his resumption of employment or (B) if the 5-Year Vesting Schedule had been so applied, there has been a restoration of the resulting forfeited amount pursuant to Section 8.14 following his resumption of employment.

(iii) One Hundred Percent Vesting.

Notwithstanding the foregoing, each Participant shall be one hundred percent (100%) vested in certain Accounts as follows:

(A) Each Participant who completed an Hour of Service prior to July 1, 1989 shall at all times be one hundred percent (100%) vested in his Company Contributions Account.

(B) A Participant shall become one hundred percent (100%) vested in his Company Matching Account and his Company Contributions Account upon attainment of Normal Retirement Date while an Employee,

or in the event of death or Total and Permanent Disability while an Employee.

(C) Each Participant shall at all times be one hundred percent (100%) vested in the account(s) noted in the following chart if the Participant was eligible to participate in the corresponding plan (or was employed at the corresponding division or facility) as of the corresponding date:

<u>Plan Name/Division Location</u>	<u>Date</u>	<u>Account</u>
Fisher-Price, Inc. Matching Savings Plan	3/31/97	Company Matching Account
Tyco Toys, Inc. 401(k) Savings Plan	1/1/98	Tyco Before-Tax Contributions Account Tyco Matching Contributions Account
Print Paks, Inc. 401(k) Plan	1/31/99	Print Paks Before-Tax Contributions Account Print Paks Matching Contributions Account
Mattel-Fort Wayne Hourly 401(k) Plan	12/14/00	Fort Wayne Before-Tax Contributions Account Fort Wayne Matching Account Fort Wayne Nonelective Account
Pleasant Company Retirement Savings Plan	9/30/01	Pleasant Plan Matching Contributions Account
Mattel-Customer Care Center; Phoenix, Arizona division	3/27/01	Company Matching Account Company Contributions Account
Mattel operations-Murray division	4/3/01	Company Matching Account Company Contributions Account
Mattel-Hebron, Kentucky division	4/24/01	Company Matching Account Company Contributions Account
Eau Claire, Wisconsin facility of American Girl, Inc.	1/1/04	Company Matching Account Company Contributions Account
Mount Laurel, NJ facility	1/1/04	Company Matching Account Company Contributions Account
Tyco Manufacturing Retirement Plan	1/1/07	Tyco Retirement Account
HiT Entertainment, Inc. 401(k) Plan	2/1/12	HiT Matching Contribution Account
The MEGA Brands America, Inc. 401(k) Savings Plan	12/31/14	MEGA Company Account

(D) All former participants in the HiT Entertainment, Inc. 401(k) Plan who were not actively employed by HiT Entertainment, Inc. as of February 1, 2012 who (1) are hired by the Company after February 1, 2012, or (2) have a HiT Matching Contribution Account that has not been forfeited or that has been reinstated under the terms of the Plan, shall be

fully vested in their HiT Employer Matching Contribution Account as of the later of the date of rehire or the date the account is reinstated.

8.2 Distribution Upon Retirement.

(a) Normal and Late Retirement. A Participant may retire from the employment of the Company on his Normal Retirement Date. Subject to the required distribution rules under (b) below, if the Participant continues in the service of the Company beyond his Normal Retirement Date, he shall continue to participate in the Plan in the same manner as Participants who have not reached their Normal Retirement Dates. At the subsequent termination of the Participant's employment on his late retirement date, his Distributable Benefit shall be based upon the value of his Accounts as of the applicable Valuation Date determined with reference to the date of distribution. After a Participant has reached his Normal Retirement Date, any termination of the Participant's employment (other than by reason of death or disability) shall be deemed a Normal Retirement.

(b) Timing of Distribution. Upon Normal Retirement a Participant shall be entitled to a distribution of his Distributable Benefit in the Trust Fund. Subject to the provisions of Section 8.17 (regarding the cash out of small amounts), such distribution shall be made or commence to be made as soon as practicable following the date specified by the Participant in a written election filed with the Plan Administrator; provided that, in no event shall distribution be delayed beyond the time specified in Section 8.5(a) in accordance with the requirements of Code Section 401(a)(9).

(c) Minimum Distributable Amount. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in U.S. Treasury Regulations section 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the first distribution calendar year; or

(ii) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in U.S. Treasury Regulations section 1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the first distribution year.

Required minimum distributions will be determined under this Section 8.2(c) beginning with the first distribution calendar year and continue through the end of the distribution calendar year that includes the Participant's date of death; provided that life expectancies shall not be recalculated each year but shall be determined by taking the life

expectancy in the first distribution calendar year reduced by one for each subsequent year.

8.3 Distribution Upon Death Prior to Termination of Employment.

(a) Distribution Upon Death. Upon the death of a Participant during his employment, the Committee shall direct the Trustee to make a distribution of the Participant's Distributable Benefit in the Trust Fund in a single lump sum to the Beneficiary designated by the deceased Participant, or as otherwise determined under Section 8.9. A Participant who dies on or after January 1, 2007 while performing qualified military service, as defined in Code Section 414(u), shall be deemed to have died during his employment for purposes of this subparagraph.

(b) Timing of Payment to Beneficiary. If the Participant's Beneficiary is not the Participant's surviving Spouse, such death benefits shall be distributed to the non-spouse Beneficiary as soon as administratively feasible following the Participant's death. If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, such death benefits shall be distributed to the surviving Spouse Beneficiary at such time as the Beneficiary elects, but not later than December 31 of the calendar year immediately following the calendar year in which the Participant died, or if later, December 31 of the calendar year in which the Participant would have attained age 70½.

If there is no designated Beneficiary of a deceased Participant as of September 30 of the year following the year of the Participant's death, all death benefits payable with respect to the deceased Participant shall be distributed no later than December 31 of the calendar year containing the fifth anniversary of the Participant's death. The "designated Beneficiary" of a Participant for purposes of this Section 8.3 and Section 8.4 shall mean the individual who is designated as the Participant's Beneficiary under Section 8.9 and who satisfies the requirements to constitute a designated beneficiary under Code Section 401(a)(9) and U.S. Treasury Regulations section 1.401(a)(9)-1, Q&A-4.

8.4 Death After Termination of Employment.

(a) Upon the death of a former Participant after his retirement or other termination of employment, but prior to the distribution of the Participant's Distributable Benefit in the Trust Fund to which he is entitled, the balance of the Distributable Benefit to which the Participant was entitled shall be distributed to the Participant's Beneficiary as provided in Section 8.3.

(b) If the Participant dies on or after the date distributions begin, all death benefits calculated in accordance with Section 8.4(a) shall be paid to the designated Beneficiary, or as otherwise determined under Section 8.9, as soon as administratively practicable following the Participant's death.

8.5 Termination of Employment.

(a) Subject to the provisions of Section 8.5(b) and Section 8.17 (regarding the cash out of small amounts), if a Participant's employment for the Company and all Affiliated Companies terminates prior to his Normal Retirement Date, his Distributable Benefit in the Trust Fund shall be paid as soon as administratively feasible following any date specified by the Participant in a written election filed with the Plan Administrator; provided that, distribution shall begin to be made in accordance with Section 8.2(c) to a Participant who is not a "5-percent owner" (within the meaning of Section 401(a)(9) of the Code) no later than April 1 of the calendar year following the later of the calendar year in which the Participant (i) attains age seventy and one-half (70-1/2) or (ii) separates from service with the Company or an Affiliated Company. Notwithstanding the foregoing, in the case of a Participant who is a "5-percent owner" (within the meaning of Section 401(a)(9) of the Code) distribution shall be made or commence to be made not later than April 1 following the calendar year in which such Participant attains age 70-1/2, whether or not the Participant's employment has terminated.

Notwithstanding the foregoing, a Participant or Beneficiary who would have been required to receive required minimum distributions for a year as described in this Section 8.5(a) but for the enactment of Code Section 401(a)(9)(H) ("Waived Distributions"), and who would have satisfied that requirement by receiving such Waived Distributions, will not receive those distributions for any calendar year in which such distributions are waived pursuant to Code Section 401(a)(9)(H) unless the Participant or Beneficiary chooses to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to receive the Waived Distributions. Participants and Beneficiaries may not elect to receive Waived Distributions in a direct rollover as described in Section 8.8.

(b) If the Participant makes a valid written election in accordance with (c) below, payment of his Distributable Benefit pursuant to this Section 8.5 may be made on any date which is not later than sixty (60) days after the close of the Plan Year in which occurs the later of (i) the Participant's termination of employment with the Company and all Affiliated Companies, or (ii) a date specified by the Participant in the valid written election filed by the Participant, to the extent administratively feasible. For purposes of Section 72(t) of the Code, any distribution to a Participant in accordance with this Section 8.5 during or following the year in which he attains age fifty-five (55) shall be deemed to be on account of an event enumerated in Code Section 72(t)(2).

(c) Any written election by a Participant to receive payment of his Distributable Benefit shall not be valid unless such election is made both (i) after the Participant receives a written notice advising him of his right to defer payment and (ii) within the ninety (90) day period ending on the Participant's "Benefit Starting Date." The notice to the Participant advising him of his right to defer payment shall be given no less than thirty (30) nor more than ninety (90) days prior to the Participant's Benefit Starting Date. For purposes of this Subsection (c), "Benefit Starting Date" shall mean the first day of the first period for which the Participant's Distributable Benefit is paid. Notwithstanding the foregoing, payment of the Participant's Distributable Benefit may

commence less than thirty (30) days after receipt of the notice, provided that the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect to receive payment and the Participant, after receiving the notice, affirmatively elects to receive payment.

(d) In the event a Participant is not fully vested in all of his Company Contributions Account or Company Matching Account under the Plan, the portion of such Accounts which is not vested shall be forfeited as of the earlier of the date the vested portion of such Accounts is completely distributed to him or the date he incurs five (5) consecutive one-year Periods of Severance.

(e) Notwithstanding the foregoing, if a Participant ceases to be an Employee by reason of the disposition by the Company or an Affiliated Company of either (i) substantially all of the assets used by the Company or an Affiliated Company, as the case may be, in a trade or business, or (ii) the interest of the Company or an Affiliated Company, as the case may be, in a subsidiary, such Participant shall be entitled to distribution of his Distributable Benefit as if, for purposes of this Plan only, such event constitutes a termination of employment.

8.6 Withdrawals.

(a) General. While he is still an Employee, a Participant may withdraw amounts from his Accounts under the Plan in accordance with rules of uniform application which the Committee may from time to time prescribe consistent with the provisions of this Section 8.6; provided, however, except as otherwise provided in this Section, a withdrawal must be for at least \$200 (or the entire amount available for withdrawal, if less). A withdrawal shall be made from the Participant's Accounts in the following order, in each case up to the amount available for withdrawal in such Accounts: (i) After-Tax Contributions Account; (ii) Transfer/Rollover Account; (iii) HiT Matching Contribution Account; (iv) Mega Company Account; (v) Prior Employer Account (vi) Company Matching Account, (vii) Company Contributions Account; (viii) Before-Tax Contributions Account; and (ix) QNEC Account. A Participant may make a separate election to withdraw from his Roth Contribution Account in accordance with rules established by the Committee. Disbursement of withdrawals shall be as soon as administratively practicable after the submission of a request for withdrawal in a form satisfactory to the Committee. Payment of a withdrawal shall be made in cash and shall be allocated pro rata among the Participant's investment fund subaccounts, including any Company Stock subaccount. In no event may any amount be withdrawn by a Participant in accordance with this Section 8.6 after he ceases to be an Employee.

(b) Withdrawals Following Total and Permanent Disability. A Participant who is determined to have a Total and Permanent Disability and who is ineligible to make further contributions under Section 5.1 shall be eligible to receive a withdrawal of all or any portion of the Participant's vested Accounts at any time.

(c) Withdrawals from Transfer/Rollover Account. A Participant shall be eligible to receive a withdrawal from the Participant's Transfer/Rollover Account at any time.

(d) Withdrawals from After-Tax Account A Participant shall be eligible to receive a withdrawal from the Participant's After-Tax Contribution Account at any time; provided that After-Tax Contributions made within the preceding six months to the Plan which were matched by Company Matching Contributions may not be withdrawn from such Account.

(e) Withdrawals from Before-Tax Account. A Participant may make a withdrawal from his Before-Tax Contributions Account after attaining age 59-1/2 or following a determination by the Committee that the withdrawal is necessary to relieve a hardship of the Participant or his family as described in this Section 8.6(e). A Participant may receive a withdrawal due to hardship only if the withdrawal both is made due to an immediate and heavy financial need of the Participant within the meaning of (i) below and is necessary to satisfy such financial need within the meaning of (ii) below.

(i) Immediate and Heavy Financial Need. For purposes of this Section 8.6(e), a withdrawal will be considered to be on account of an immediate and heavy financial need of the Participant only if the withdrawal is for:

(A) Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) for the Participant, or the Participant's Spouse, primary beneficiaries or dependents (as defined in Section 152 of the Code);

(B) Costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

(C) Payment of tuition, related educational fees, and room and board expenses for up to the next 12 months of post-secondary education for the Participant, or his Spouse, primary beneficiaries, children, or dependents (as defined under Code Section 152 without regard to Section 152(b)(1), (b)(2) and (d)(1)(B));

(D) Payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage on such residence;

(E) Payments for burial or funeral expenses for the Participant's deceased parent, Spouse, children or dependents (as defined in Code Section 152 without regard to Section 152(d)(1)(B));

(F) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); or

(G) Such other deemed immediate and heavy financial needs as are set forth by the Internal Revenue Service through the publication of revenue rulings, notices, and other documents of general applicability.

(ii) Necessary to Satisfy a Financial Need. For purposes of this Section 8.6(e), a distribution shall be considered to be necessary to satisfy an immediate and heavy financial need of the Participant only if all of the following conditions are satisfied:

(A) the distribution is not in excess of the amount of the immediate and heavy financial need of the Participant, which may include amounts necessary to pay federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution;

(B) the Participant has obtained all distributions (other than hardship distributions) and all non-taxable loans (at the time of the loan) currently available under all plans maintained by the Company; provided that, effective as of January 1, 2019 a Participant is not required to obtain all non-taxable loans available under the Plan before taking a hardship withdrawal; and

(C) for hardship distributions requested prior to January 1, 2019, the Participant's Before-Tax Contributions, Roth Contributions and After-Tax Contributions to the Plan are suspended for six (6) months following the receipt of the hardship distribution; and

(D) the Committee receives a written representation from the Participant that the Participant's financial need cannot reasonably be relieved (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Participant's assets, (3) by cessation of Before-Tax Contributions, Roth Contributions and After-Tax Contributions under the Plan, (4) by other currently available distributions and nontaxable (at the time of the loan) loans under plans maintained by the employer or by any other employer; or (5) by borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

Notwithstanding the foregoing, the amount of any hardship withdrawal shall not exceed a Participant's 'distributable amount,' which consists of the total of such Participant's Before-Tax Contributions as of the date of the hardship withdrawal,

including earnings credited thereon before December 31, 1988 (if any), reduced by the amount of any previous hardship withdrawals. The Committee will determine whether a hardship withdrawal satisfies the foregoing standards in a uniform and nondiscriminatory manner consistent with Code Section 401(k) and the regulations promulgated thereunder.

(f) Withdrawal from Company Contributions Account. A Participant may receive a withdrawal from the vested portion of his Company Contributions Account after attaining age 59-1/2 or a determination by the Committee that the withdrawal is necessary to relieve a hardship of the Participant or his family within the meaning of Section 8.6(e) of the Plan.

(g) Withdrawal from Company Matching Account. A Participant may receive a withdrawal from the vested portion of his Company Matching Account (i) at any time, provided that, the withdrawal must be attributable to Company Matching Contributions made more than two (2) years preceding the withdrawal, or (ii) after the Participant has completed an aggregate of at least sixty (60) months of participation in this Plan and a predecessor plan as of the date of withdrawal, or (iii) after the Participant has attained age 59½.

(h) Withdrawal Following Age 70½. Notwithstanding anything in this Article to the contrary, a Participant can elect to receive all or any portion of his vested Accounts once such Participant attains age 70½.

(i) Withdrawal for Participant in the Uniformed Services. During any period the Participant is performing service in the uniformed services described in Code Section 3401(h)(2)(A), such Participant shall be eligible to elect to receive a withdrawal from the Participant's Before-Tax Contributions Account or Roth Contribution Account prior to attaining age 59½. Such distribution shall be limited to the amount credited to the Participant's Before-Tax Contributions Account plus the Participant's Roth Contributions Account minus any earnings credited to such accounts after December 31, 1988 and is not limited by the \$200 minimum in Section 8.6(a). If a Participant elects to receive a distribution in accordance with this subparagraph, the Participant may not make Before-Tax Contributions, Roth Contributions or After-Tax Contributions during the 6-month period beginning on the date of distribution.

(j) Qualified Reservist Distribution. Effective on and after January 1, 2011, pursuant to Code Section 401(k)(2)(B)(i)(V), an individual who is a member of a reserve component who is called to active duty either for a period in excess of 179 days or for an indefinite period of time may elect to receive a "qualified reservist distribution" as defined in Code Section 72(t)(2)(G)(iii) which distribution shall not be subject to the otherwise applicable 10-percent excise tax of Code Section 72(t)(1) on early distributions and is not limited by the \$200 minimum in Section 8.6(a).

(k) Withdrawals from Roth Contribution Account. A Participant may receive a withdrawal of all or any portion of the Participant's Roth Contribution Account after attaining age 59-1/2 or a determination by the Committee that the withdrawal is necessary

to relieve a hardship of the Participant or his family within the meaning of Section 8.6(e) of the Plan. Any distribution due to hardship may not include any earnings in a Participant's Roth Contribution Account.

(l) Withdrawal from Other Accounts: A Participant may receive a withdrawal from his MEGA Company Account, HiT Matching Contribution Account, Prior Employer Contribution Account or QNEC Account after attaining age 59-1/2. Hardship withdrawals are not permitted from the MEGA Company Account.

8.7 Form of Distribution.

(a) Single Sum Payment. Unless a Participant makes a written election in accordance with Section 8.7(c) or 8.8 below, a Participant's Distributable Benefit shall be payable in the form of a single sum distribution. Except for any portion of such Distributable Benefit that is payable in the form of Company Stock in accordance with Section 8.12, such distribution shall be in cash.

(b) In the case of any cash disbursement from a Participant's Accounts, such disbursement shall be made ratably from such investment funds or investment vehicles in which such Participant's Accounts affected by such disbursement are invested.

(c) Installment Payments. Subject to Section 8.17 regarding the payment of small Accounts, effective April 1, 1997, a Participant who terminates employment on or after his Normal Retirement Date, Early Retirement Date or by reason of Total and Permanent Disability and, effective January 1, 2007, any Participant whose vested Account at the time of termination of employment exceeds fifty thousand dollars (\$50,000), may elect to receive his benefit in installments payable monthly, quarterly or annually for a period of five, ten or fifteen years (but no longer than the Participant's life expectancy determined as of his Benefit Starting Date). All such installments shall be paid in cash.

(d) Partial Distributions. A Participant may elect to receive a distribution of the portion of the Participant's Distributable Benefit attributable to Roth Contributions at a different time than the portion of such Participant's Distributable Benefit not attributable to Roth Contributions. Effective on and after January 1, 2016, a Participant may elect to receive a partial distribution of any portion of the Participant's Distributable Benefit, including separate elections applicable to the portion of a Distributable Benefit attributable to Roth Contributions and the portion of a Distributable Benefit attributable to non-Roth Contributions. The Committee, or its delegate, may adopt a policy regarding partial distributions imposing a reasonable minimum distribution amount, frequency limitations or other reasonable administrative conditions; provided that, former participants in The MEGA Brands America, Inc. 401(k) Savings Plan are not limited in the number of partial distributions they may elect in any calendar year under the Plan. All partial distributions shall be paid in cash.

(e) Managed Distributions. Effective as of January 1, 2016 and subject to the minimum distribution provisions of Section 8.2(c), a Participant may elect to receive a distribution of the Participant's Distributable Benefit under a managed account distribution option that seeks to provide monthly installment payments intended to last for the Participant's lifetime. The managed account distribution option shall require the Participant to enroll in professional investment management of the Participant's account by an Investment Manager appointed by the Committee. All managed distributions shall be paid in cash.

8.8 Election for Direct Rollover of Distributable Benefit to Eligible Retirement Plan.

(a) General. To the extent required by Section 401(a)(31) of the Code, a Participant who is eligible to receive payment of his Distributable Benefit shall be entitled to elect a direct rollover of all or part of his Distributable Benefit to an eligible retirement plan. For purposes of this Section, an "eligible retirement plan" shall mean any plan described in Code Section 402(c)(8)(B), which, effective for distributions on and after December 31, 2007 shall include a Roth IRA described in Code Section 408A(b), the terms of which permit the acceptance of a direct rollover from a qualified plan.

(b) Rollover of After-Tax Portion of Account. The portion of a Participant's Distributable Benefit consisting of after-tax contributions which are not includible in income shall be eligible for a direct rollover to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, to a qualified defined contribution or defined benefit plan described in Section 401(a) or 403(a) of the Code, or to an annuity contract described in Code Section 403(b). Notwithstanding the foregoing, a direct rollover of a Participant's Distributable Benefit consisting of after-tax contributions which are not includible in income may be made only to an account or plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such Distributable Benefit which is includible in gross income and the portion of such Distributable Benefit which is not so includible in gross income. A direct rollover of the portion of a distribution from a Participant's Roth Contribution Account will be made only to another Roth IRA described in Section 408A or, except with respect to a beneficiary who is not the surviving Spouse of the Participant, to a Roth elective deferral account under an applicable retirement plan described in Code Section 402A(e) (1) and only to the extent the rollover is permitted under the rules of Section 402(c).

(c) Rollover Procedures. A Participant's direct rollover election under this Section shall be in writing and shall be made in accordance with rules and procedures established by the Committee. Such election shall specify the dollar or percentage amount of the Distributable Benefit to be rolled over, the name of the eligible retirement plan selected by the Participant, and such additional information as the Committee deems necessary or appropriate in order to implement the election. It shall be the Participant's responsibility to confirm that the eligible retirement plan designated in his direct rollover

election will accept the direct rollover of his Distributable Benefit. The Committee shall be entitled to direct the rollover based on its reasonable reliance on information provided by the Participant, and shall be not required to independently verify such information, unless it is clearly unreasonable not to do so.

(d) Notice. At least thirty (30) days, but not more than ninety (90) days, prior to the date a Participant's Distributable Benefit becomes payable, the Participant shall be given written notice of any right he may have to elect a direct rollover of his Distributable Benefit to an eligible retirement plan. Notwithstanding the foregoing, a direct rollover of the Participant's Distributable Benefit may be made less than thirty (30) days after receipt of the notice, provided that the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a direct rollover and the Participant, after receiving the notice, affirmatively elects a direct rollover.

(e) Company Stock. If a Participant has made a direct rollover election with respect to any portion of his Distributable Benefit that is payable in Company Stock, as provided in Section 8.12, unless the eligible retirement plan specified by the Participant will accept a direct rollover of such Stock, the Stock will be distributed to the Participant, notwithstanding the Participant's direct rollover election.

(f) Payment to Spouse. To the extent required by Section 401(a)(31) of the Code, if all or a portion of a Participant's Distributable Benefit is payable to the Participant's surviving Spouse, or to a former Spouse in accordance with a "qualified domestic relations order," such surviving Spouse or former Spouse shall be entitled to elect a direct rollover of all or a portion of such distribution in accordance with the provisions of this Section.

(g) No Rollover of Hardship Withdrawal. Notwithstanding the foregoing, a Participant's direct rollover shall not include any hardship withdrawal described in Section 8.6(e) of the Plan and Code Section 401(k)(2)(B), and the Participant may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

(h) Payment to Non-Spouse Beneficiary. A non-spouse beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) and the regulations thereunder may elect a direct rollover, of all or any portion of an eligible rollover distribution within the meaning of Code Section 402(c)(4) to such non-spouse beneficiary, to an individual retirement account established for this purpose. A non-spouse beneficiary who receives a distribution from the Plan is not eligible for a 60-day rollover.

(i) Direct Rollover to Cash Balance Plan. Any withdrawal or distribution payable to a Participant (other than a withdrawal or distribution of After-Tax Contributions which are not includible in income) shall be eligible for direct rollover from the Plan to the Mattel Cash Balance Plan (formerly known as the Fisher-Price Pension Plan) in accordance with the foregoing provisions of this Section 8.8; provided that such distribution must be in cash and must be made during a limited period

established by the Committee. From and after the date of such rollover, neither the Participant for whom the rollover is made, nor any Beneficiary or other person claiming through or with respect to the Participant, shall be entitled to any benefits under the Plan with respect to the rollover amount, and all benefits with respect to the rollover amount shall be determined solely under the provisions of the Mattel Cash Balance Plan (and any successor plan) in effect from time to time. Such rollover shall be treated as a “direct rollover” under Treas. Reg. § 1.411(d)-4, Q&A 3, and as a result, no optional forms of benefit provided under this Plan and no other Code Section 411(d)(6) "protected benefits" (including the "separate account feature" of the Participant's benefit under this Plan) (as such terms are defined in Treas. Reg. § 1.411(d)-4, Q&A 2 & 3) will be preserved or otherwise provided under the Mattel Cash Balance Plan from and after such direct rollover. The Committee, or its delegate, shall establish rules and procedures for the administration of this paragraph which rules and procedures may include a period of time during which an election to roll over must be made, a minimum rollover amount, and allowing Participants who have separated from service to elect to roll over a portion of their distributable Plan benefit. Any direct rollover made in accordance with this paragraph must comply with such rules and procedures.

8.9 Designation of Beneficiary and Documentation Related to Death of Participant.

(a) Subject to the provisions of Section 8.11, each Participant shall have the right to designate a Beneficiary or Beneficiaries to receive his interest in the Trust Fund in the event of his death before receipt of his entire interest in the Trust Fund. The designation shall be made on a form prescribed by and delivered to the Committee. Subject to the provisions of Section 8.11, a Participant shall have the right to change or revoke any such Beneficiary designation by filing a new designation or notice of revocation with the Committee. Subject to the provisions of Section 8.11, no notice to any Beneficiary nor consent by any Beneficiary shall be required to effect any such change or revocation.

(b) Effect of Divorce or Dissolution. If (i) a Participant who is married designates the Participant’s Spouse as the Participant’s Beneficiary or (ii) a Participant who is registered as a domestic partner or has obtained a civil union license with another individual (in either event, such individual is hereafter referred to as the Participant’s “Domestic Partner”) designates the Participant’s Domestic Partner as the Participant’s Beneficiary, and subsequent to such designation the Participant and the Participant’s Spouse are divorced or the relationship between the Participant and the Participant’s Domestic Partner is legally dissolved, the designation of the Participant’s Spouse or Domestic Partner as the Participant’s Beneficiary (as the case may be) shall remain in effect from and after such divorce or dissolution unless the Participant completes a new Beneficiary designation form changing the Beneficiary designation.

(c) No Beneficiary. If a deceased Participant shall have failed to designate a Beneficiary, the Company shall be unable to locate a designated Beneficiary after

reasonable efforts have been made, for any reason the designation shall be legally ineffective, or the Participant's Beneficiary shall have predeceased the Participant, then and in such event, the deceased Participant's surviving Spouse shall be the Participant's Beneficiary. If there is no surviving Spouse, the Participant's estate shall be the deceased Participant's Beneficiary. Notwithstanding the foregoing, however, if the Committee in its discretion determines that it is not administratively feasible for the Participant's estate to be the Participant's Beneficiary (for example, because of no estate administration), then the Committee may direct the Trustee to distribute the amount payable under the Plan with respect to the deceased Participant to a "living" or inter vivos trust established by the Participant or to or among the Participant's descendants (including adopted descendants) and other heirs at law in such shares or proportions (including to the total exclusion of all but one of such beneficiaries) as the Committee shall determine in its discretion.

(d) Additional Documents. The Committee or Trustee, or both, may require the execution and delivery of such documents, papers and receipts as the Committee or Trustee may determine necessary or appropriate in order to establish the fact of death of the deceased Participant and of the right and identity of any Beneficiary or other person or persons claiming any benefits under this Article VIII. The Committee or the Trustee, or both, may, as a condition precedent to the payment of death benefits hereunder, require an inheritance tax release and/or such security as the Committee or Trustee, or both, may deem appropriate as protection against possible liability for state or federal death taxes attributable to any death benefits.

(e) Non-California Resident. In the event that the deceased Participant was not a resident of California at the date of his death, the Committee, in its discretion, may require the establishment of ancillary administration in California.

8.10 Facility of Payment.

If any payee under the Plan is a minor or if the Committee reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him, the Committee may have the payment, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting the payee, unless it has received due notice of claim therefor from a duly appointed guardian or committee of the payee. Any payment shall be a payment from the Accounts of the payee and shall, to the extent thereof, be a complete discharge of any liability under the Plan to the payee.

8.11 Requirement of Spousal Consent.

Notwithstanding any Beneficiary designation submitted by a Participant, any distribution required to be made under the terms of the Plan by reason of the death of the Participant shall be

paid in full to the Participant's surviving Spouse, unless there is no surviving Spouse or the Spouse consents in writing to the beneficiary designation, acknowledging the effect of the election. Any such spousal consent, to be valid, must be witnessed by a plan representative or a notary public. The spousal consent requirement of this Section 8.11 shall be waived and the Participant's Beneficiary designation shall be made effective if the Participant establishes to the satisfaction of the Committee that the required consent cannot be obtained because there is no Spouse or the Spouse cannot be located.

8.12 Company Stock Distribution.

Payment of any portion of a Participant's Distributable Benefit held in his Company Stock subaccount shall be paid in cash, unless the Participant elects in writing in accordance with procedures established by the Committee that payment shall be made in Company Stock in lieu of cash (which election may apply to a payment to the trustee of an "eligible retirement plan" in accordance with Section 8.8 but may not apply with respect to a withdrawal in accordance with Section 8.6). Within a reasonable period of time prior to the date such Participant's Distributable Benefit is to be paid, the Committee shall notify the Participant of his right to elect to have payment of the value of his Company Stock subaccount made in the form of a Company Stock distribution in lieu of a cash distribution. Upon being so notified, the Participant shall have a reasonable time (at least thirty (30) days) in which to file a written election to have such payment made in Company Stock. Any such election shall be irrevocable. If a Participant fails to file a written election to receive an in kind payment of the value of the portion of his Distributable Benefit attributable to his Company Stock subaccount within thirty (30) days of receiving notification, payment shall be made in cash based on the value of such Company Stock as of the immediately following Valuation Date at the then prevailing purchase price. Neither the Company, the Committee, nor the Trustee shall be required to time the distribution or sale of Company Stock to anticipate fluctuations in the purchase price.

8.13 Valuation of Accounts.

(a) Account Valuation. For purposes of determining a Participant's Distributable Benefit under this Plan, the value of a Participant's Accounts shall be determined in accordance with rules prescribed by the Committee, subject, however, to the following provisions:

(i) Application Required. Unless the provisions of (ii) below apply, if a Participant's employment terminates for any reason other than death, the value of a Participant's Accounts shall be determined as of the Valuation Date coinciding with or next following the date on which a properly completed application for payment or transfer of the Participant's Distributable Benefit, and such other forms as may be required by the Committee in order to process the distribution or transfer, are received by the Committee.

(ii) Exception for Small Payments. If a Participant's employment terminates for any reason other than death and the Committee does not receive the Participant's properly completed application for the payment or transfer of the Participant's Distributable Benefit, and such other forms as may be required by the Committee to process the payment or transfer, and the vested value of such Participant's Accounts at the applicable Valuation Date does not exceed \$1,000, including that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account, or, prior to March 28, 2005, such value does not exceed \$5,000 excluding that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account, then, in either of such events, the applicable Valuation Date shall be the Valuation Date coinciding with or next following the expiration of a reasonable period of time after the Participant is furnished with such application and forms, including any tax notice required under Code Section 402(f).

(iii) In the Event of Death. In the case of a Participant's death, the value of a Participant's Accounts for purposes of determining the Participant's Distributable Benefit shall be determined as of the Valuation Date coinciding with or next following the date on which the Committee has been furnished with all documents and information (including but not limited to proof of death, facts demonstrating the identity and entitlement of any Beneficiary or other payee, and any and all releases) necessary to distribute such Participant's Accounts.

(iv) Withdrawals and Loans. In the case of any withdrawal or loan, the value of a Participant's Accounts under the Plan shall be determined as of the Valuation Date coinciding with or next following the date on which the Participant submits a request for such withdrawal or loan in a form satisfactory to the Committee and the withdrawal or loan is approved.

(v) Adjustment to Account. The value of a Participant's Accounts shall be increased or decreased (as appropriate) by any contributions, forfeitures, or distributions properly allocable under the terms of this Plan to his Accounts that occurred on or after the most recent Valuation Date or for any other reason were not otherwise reflected in the valuation of his Accounts on such Valuation Date.

(b) No Adjustment after Valuation Date. Neither the Committee, the Company, nor the Trustee shall have any responsibility for any increase or decrease in the

value of a Participant's Accounts as a result of any valuation made under the terms of this Plan after the date of his termination of employment and before the date of the distribution of his Accounts to him. Also, neither the Committee, the Company, nor the Trustee shall have any responsibility for failing to make any interim valuation of a Participant's Accounts between the date of distribution to the Participant of his Accounts and the applicable Valuation Date, even though the Plan assets may have been revalued in that interim for a purpose other than to revalue the Accounts under this Plan.

8.14 Forfeitures; Repayment.

Amounts forfeited in accordance with Section 8.5(d) shall be applied as soon as possible to reduce future Company Contributions and Company Matching Contributions, to pay Plan expenses, or to make corrective contributions and earnings to the Plan to the extent that such contributions are not qualified non-elective contributions. A Participant who elects to receive a distribution pursuant to Section 8.5(b) may, in the case of his reemployment as an Eligible Employee, repay the total amount distributed and shall in such case be fully restored in amounts forfeited in accordance with Section 8.5(d); provided, however, that no such repayment shall be permitted unless such repayment is made prior to the earlier of (i) the date the Participant incurs five (5) consecutive one-year Periods of Severance and (ii) the fifth anniversary of his Employment Commencement Date following the Period of Severance.

8.15 Loans.

(a) General. From time to time, the Committee may adopt procedures whereby a Participant (including on and after January 1, 2011 a Participant who is an Employee paid on a United States payroll but who no longer is an Eligible Employee) may borrow from his Accounts under the Plan; provided that, effective as of December 31, 2014 loans shall not be available from Plan assets that are tax-qualified under the provisions of Appendix D. In no event may any amount be borrowed by a Participant who is not paid on a United States payroll. In addition to such other requirements as may be imposed by applicable law, any such loan shall bear a reasonable rate of interest, shall be adequately secured by proper collateral, and shall be repaid within a specified period of time according to a written repayment schedule that calls for substantially level amortization over the term of the loan. To the extent required to comply with the requirements of Section 401(a)(4) of the Internal Revenue Code, loans hereunder shall be made in a uniform and non-discriminatory manner.

(b) Interest Rate, Security and Repayment. In connection with the requirements set forth in Subsection (a) above, the Committee shall establish the applicable interest rate, which shall be reasonably equivalent to interest rates available

commercially with respect to similar loans. Without prejudice to the right of any Participant and the Trustee to enter into other appropriate arrangements to secure repayment of a loan pursuant to this Section 8.15, any loan made to a Participant shall be secured by a pro rata portion of his vested investment fund subaccounts, including any Company Stock subaccount. Any loan shall by its terms require repayment within five (5) years in substantially level payments made no less frequently than quarterly, except that the repayment period may be up to a maximum of fifteen (15) years in the case of a loan certified by the Participant to be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence of the Participant. Repayments of a loan by a Participant shall be invested among the Participant's investment fund subaccounts in accordance with the Participant's investment election then in effect under Section 4.2.

(c) Amount of Loan. In no event shall the principal amount of a loan hereunder, at the time the loan is made, together with the outstanding balance of all other loans to the Participant under this Plan, exceed the lesser of:

(i) fifty percent (50%) of the value of the Participant's vested interest in his Accounts under this Plan, or

(ii) fifty thousand dollars (\$50,000), reduced by the highest outstanding loan balance of the Participant from the Plan during the 1-year period ending on the day before the date on which such loan was made.

No loan less than two thousand dollars (\$2,000) will be made. Unless otherwise determined by the Committee, no Participant may have more than one loan outstanding under this Plan on any date.

(d) Procedure. Each Participant desiring to enter into a loan arrangement pursuant to this Section 8.15 shall apply for a loan by submitting a loan request in form satisfactory to the Committee. The Committee shall notify the Participant within a reasonable time whether the request is approved or denied. Upon approval of the request by the Committee, the Participant shall enter into a loan agreement with the Trustee. Such a Participant shall execute such further written agreements as may be necessary or appropriate to establish a bona fide debtor-creditor relationship between such Participant and the Trustee and to protect against the impairment of any security for said loan.

(e) Loan Repayment. Loans shall be repaid in accordance with the repayment schedule provided under the terms of the loan agreement. Notwithstanding the repayment schedule provided in a loan agreement, however, the amount of any outstanding loan shall be due and payable on the date on which distribution is made or commences to be made of the participant's vested interest under the Plan. Following a Participant's Severance Date, the Participant may continue to make loan repayments under the terms of the loan agreement until a distribution is made. Loan repayments may be suspended while a Participant is performing service in the uniformed services as

permitted under Code Section 414(u)(4) or while a Participant is on a leave of absence as permitted under Treasury Regulation Section 1.72(p)-1.

(f) Loan Default. In the event a Participant fails to repay a loan in accordance with the terms of a loan agreement, such loan shall be treated as in default. The date of the enforcement of the security interest due to a loan in default shall be determined by the Committee, provided no loss of principal or income shall result due to any delay in the enforcement of the security interest due to the default. Following the Participant's Severance Date, the Participant's Distributable Benefit shall be reduced by the outstanding amount of a loan which is then in default, including any accrued interest thereon, that is secured by the Participant's vested interest in his Accounts. Any reasonable costs related to collection of a loan made hereunder shall be borne by the Participant.

8.16 Special Rule for Disabled Employees.

(a) Applicability of This Section. Section 8.16(b) shall apply to any Participant whose active performance of services for a Participating Company has ceased by reason of disability, and who has not subsequently resumed the active performance of such services. Sections 8.16(c) and (d) shall apply only to a Participant whose active performance of services for a Participating Company ceases prior to January 1, 1989 by reason of disability, and who has not subsequently resumed the active performance of such services.

(b) Disability on or after January 1, 1989. In the case of a Participant to whom this Section 8.16(b) applies, so long as such Participant continues to receive Compensation from a Participating Company, but in no event for longer than a period of six (6) months commencing with the date of such Participant's cessation of active service, such Participant may continue to participate in this Plan in the same manner as any other Participant.

(c) Disability prior to January 1, 1989. In the case of a Participant to whom this Section 8.16 applied by reason of a disability prior to January 1, 1989 and who, on or after expiration of the period described in Section 8.16(b) above, commences to receive payments under the long term disability benefit coverage provided by a Participating Company and who also is determined to be suffering from a Total and Permanent Disability, contributions shall be made by the Participating Company pursuant to Section 6.1(a) (relating to contributions to Participants' Company Contributions Accounts) with respect to the Participant's "Compensation" as defined in Subsection 8.16(d) below, but the Participant shall not be eligible to make any contributions with respect to his own Compensation, and shall not be entitled to share in any other Participating Company contributions to the Plan (including but not limited to contributions to the Company Matching Account). Contributions by a Participating Company pursuant to this Section 8.16(c) shall be subject to amendment or termination of the Plan or other suspension or discontinuance of contributions, and in any event shall cease to be made with respect to any Participant after the earlier to occur of such

Participant's death or termination of employment for any other reason, cessation of Total and Permanent Disability, or attainment of age sixty-five (65).

(d) Definition of Compensation under Section 8.16(c). In the case of a Participant to whom Section 8.16 applied by reason of a disability prior to January 1, 1989 and who is eligible to share in contributions of a Participating Company as provided in Section 8.16(c) above, the Compensation of such Participant for a Plan Year shall be deemed to equal the amount of Compensation which the Participant was paid (and which was taken into account for purposes of Sections 5.1 and 6.1 hereof) immediately before sustaining such Total and Permanent Disability, provided, however, that such amounts shall be included in Compensation only upon the following conditions:

(i) the Participant is not an officer, owner, or highly compensated individual (within the meaning of such terms under Code Section 415(c)(3));

(ii) the payments to such Participant under such long term disability benefit coverage shall be treated as "Compensation" only to the extent that such payments do not exceed the Participant's wage or salary rate paid immediately before becoming disabled to an extent constituting a Total and Permanent Disability; and

(iii) the Participant's accounts under the Plan, to the extent attributable to contributions made during a period of Total and Permanent Disability shall be nonforfeitable.

(e) Time of Termination of Employment. For purposes of this Plan, a Participant shall not be deemed to have terminated employment prior to his ceasing to be eligible for contributions under this Section 8.16, and upon such cessation of eligibility shall be deemed to have terminated employment only if he did not then begin or recommence employment for the Company or an Affiliated Company.

8.17 Provision for Small Benefits.

Notwithstanding anything in this Article to the contrary, a Participant who terminates employment with the Company and all Affiliated Companies shall receive a distribution of his Distributable Benefit in a single lump sum payment no later than sixty (60) days after the close of the Plan Year in which the Participant's termination of employment occurs to the extent administratively feasible, provided that the value of such Distributable Benefit (including that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account) is equal to or less than \$1,000, or for distributions made before March 28, 2005, the value of such Distributable Benefit (excluding that portion of the Participant's Distributable Benefit that is attributable to the Participant's Transfer/Rollover Account) is equal

to or less than \$5,000, determined as of the Valuation Date coincident with or immediately preceding his termination of employment. Such distribution shall be made directly to the Participant after withholding applicable income taxes unless the Participant elects a direct rollover to an “eligible retirement plan” as provided in Section 8.8. If a Participant fails to file a direct rollover election with the Committee within ninety (90) days after notice is given, or if the Committee cannot effect the direct rollover election within a reasonable time after the election is filed due to the failure of the Participant to take such actions as may be required by the eligible retirement plan before it will accept the direct rollover, the Participant’s Distributable Benefit shall be paid to him after withholding applicable income taxes.

8.18 Special Provisions for Prior Plan Accounts.

The Committee shall adopt procedures applicable to Participant accounts transferred from a plan that has been merged into this Plan in order to comply with the requirements of Code Section 411(d)(6).

ARTICLE IX

OPERATION AND ADMINISTRATION OF THE PLAN

9.1 Plan Administration.

(a) Authority to control and manage the operation and administration of the Plan shall be vested in a committee (“Committee”) as provided in this Article IX.

(b) The members of the Committee shall be appointed by the Governance Committee and shall hold office until resignation, death or removal by the Governance Committee.

(c) For purposes of ERISA Section 402(a), the members of the Committee shall be named fiduciaries of this Plan.

(d) The Secretary of the Committee shall cause to be attached to the copy of the Plan maintained in the office of the Committee for the purpose of inspection an accurate schedule listing the names of all persons from time to time serving as the members of the Committee.

(e) Notwithstanding the foregoing, a Trustee with whom Plan assets have been placed in trust or an Investment Manager appointed pursuant to Section 9.3 may be granted exclusive authority and discretion to manage and control all or any portion of the assets of the Plan.

9.2 Committee Powers.

The Committee shall have all powers and discretion necessary to provide overall guidance with respect to the maintenance and administration of the Plan and control its operations. In addition to any powers and authority conferred on the Committee elsewhere in the Plan or by law, the Committee shall have, by way of illustration but not by way of limitation, the following powers and authority:

(a) To allocate fiduciary responsibilities (other than trustee responsibilities) among the Committee members and to designate one or more other persons to carry out fiduciary responsibilities (other than trustee responsibilities). However, no allocation or delegation under this Section 9.2(a) shall be effective until the person or persons to whom the responsibilities have been allocated or delegated agree to assume the responsibilities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. The term "trustee responsibilities" as used herein shall have the meaning set forth in Section 405(c) of ERISA. The preceding provisions of this Section 9.2(a) shall not limit the authority of the Committee to appoint one or more Investment Managers in accordance with Section 9.3.

(b) To appoint agents, who need not be members of the Committee, as it may deem necessary for the effective performance of its duties, and delegate to such agents such powers and duties, whether ministerial or discretionary as the Committee may deem expedient or appropriate.

(c) To employ such legal, actuarial, medical, accounting, clerical and other assistance as it may deem appropriate in carrying out the provisions of this Plan, including one or more persons to render advice with regard to any responsibility any members of the Committee or any other fiduciary may have under the Plan.

(d) To review and approve the appointment and removal of Trustees, Custodians and Investment Managers for the Plan.

(e) To establish rules and regulations from time to time for the conduct of the Committee's business and the administration and effectuation of this Plan.

(f) To administer, interpret, construe and apply this Plan in its discretion and to decide all questions which may arise or which may be raised under this Plan by any Employee, Participant, former Participant, Beneficiary or other person whatsoever, including but not limited to all questions relating to eligibility to participate in the Plan, the amount of service of any Participant, and the amount of benefits to which any Participant or his Beneficiary may be entitled by reason of his service prior to or after the Effective Date hereof.

(g) To determine the manner in which the assets of this Plan, or any part thereof, shall be disbursed.

(h) To direct the Trustee, in writing, from time to time, to invest and reinvest the Trust Fund, or any part thereof, or to purchase, exchange, or lease any property, real or personal, which the Committee may designate. This shall include the right to direct the investment of all or any part of the Trust in any one security or any one type of securities permitted hereunder. Among the securities which the Committee may direct the Trustee to purchase are “employer securities” as defined in Code Section 409(1) or any successor statute thereto.

(i) To take such action as is necessary to have the Plan comply with Section 414(u) of the Code (regarding the reemployment of military veterans), and in such regard, and notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided no less favorably than is required by Section 414(u) of the Code.

(j) To adopt and implement such rules regarding a Participant’s ability to direct the investment, reinvestment and transfer of his Account among the investment alternatives available under the Plan, including but not limited to restricting the frequency or timing of trades in or out of one or more investment alternatives by a Participant, to the extent the Committee deems necessary or appropriate to limit or prevent harm to other Participant Accounts, to comply with the policies and procedures of the investment alternatives, to ensure that the Plan and Participant transactions thereunder are administered in compliance with applicable laws (including insider trading, market timing and related rules) or to otherwise provide for the efficient and effective administration of the Plan.

(k) To establish rules and procedures relating to Participant elections under the Plan, including Compensation reduction elections under Article V, distributions elections under Article VIII and investment elections under Article IV, and the Committee in its discretion may employ one or more persons or entities to provide advice or other assistance to Participants in making their said investment elections.

(l) To ensure that contributions (and the allocations thereof) do not exceed the limitations thereon set forth in the Plan.

(m) To authorize all disbursements by the Trustee except for the ordinary expenses of administration of the Trust.

(n) To take such action as it deems necessary and administratively feasible, including the prosecution of lawsuits, to collect from any Participant, Beneficiary or other person or entity (including without limitation the estate or heirs of a deceased Participant) any erroneous benefit payments or other amounts paid by the Plan in excess of the benefits provided for in the Plan.

(o) With respect to any Participant who is or may become subject to the reporting and short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934, to take any action necessary or appropriate to ensure that any transaction with respect to the portion of the Participant's Accounts invested in Common Stock complies with all applicable conditions of Rule 16b-3 promulgated under Section 16 (or its successor), including modifying or limiting the Participant's elections under the Plan that directly or indirectly affect Account investments or other transactions in Common Stock.

(p) To modify or supplement any Plan accounting method, practice or procedure, make any adjustments to Accounts, authorize special contributions, or modify or supplement any other aspect of the operation or administration of the Plan in such manner and to such extent consistent with and permitted by the Act and the Code that the Committee deems necessary or appropriate to correct errors and mistakes, to effect proper and equitable Account adjustments or otherwise to ensure the proper and appropriate administration and operations of the Plan.

Any action taken in good faith by the Committee in the exercise of authority conferred upon it by this Plan shall be conclusive and binding upon the Participants and their Beneficiaries. All discretionary powers conferred upon the Committee shall be absolute.

9.3 Investment Manager.

The Committee, by action reflected in the minutes thereof, may appoint one or more Investment Managers, as defined in Section 3(38) of ERISA, to manage all or a portion of the assets of the Plan. An Investment Manager shall discharge its duties in accordance with applicable law and in particular in accordance with Section 404(a)(1) of ERISA. An Investment Manager, when appointed, shall have full power to manage the assets of the Plan for which it has responsibility, and neither the Company nor the Committee shall thereafter have any responsibility for the management of those assets. The Committee shall monitor the performance of any Investment Manager.

9.4 Periodic Review.

If deemed appropriate by the Committee, the Committee shall adopt an investment policy statement for the investment and reinvestment of the assets of the Plan. All actions taken by the Committee with respect to the investment policy of the Plan, including the reasons therefor, shall be fully reflected in the minutes of the Committee.

9.5 Committee Procedure.

(a) Quorum. A majority of the members of the Committee as constituted at any time shall constitute a quorum, and any action by a majority of the members present at any meeting, or authorized by a majority of the members in writing without a meeting, shall constitute the action of the Committee.

(b) Signing Authority. The Committee may designate certain of its members as authorized to execute any document or documents on behalf of the Committee, in which event the Committee shall notify the Trustee of this action and the name or names of the designated members. The Trustee, Company, Participants, Beneficiaries, and any other party dealing with the Committee may accept and rely upon any document executed by the designated members as representing action by the Committee until the Committee shall file with the Trustee a written revocation of the authorization of the designated members.

9.6 Compensation of Committee.

Members of the Committee shall serve without compensation unless the Board of Directors shall otherwise determine. However, in no event shall any member of the Committee who is an Employee receive compensation from the Plan for his services as a member of the Committee. All members shall be reimbursed for any necessary or appropriate expenditures incurred in the discharge of duties as members of the Committee. The compensation or fees, as the case may be, of all officers, agents, counsel, the Trustee, or other persons retained or employed by the Committee shall be fixed by the Committee.

9.7 Resignation and Removal of Members.

Any member of the Committee may resign at any time by giving written notice to the other members and to the Governance Committee effective as therein stated. Any member of the Committee may, at any time, be removed by the Governance Committee.

9.8 Appointment of Successors.

Upon the death, resignation, or removal of any Committee member, the Governance Committee may appoint a successor. Notice of appointment of a successor member shall be given in writing to the Trustee and to the members of the Committee. Upon termination, for any reason, of a Committee member's status as a member of the Committee, the member's status as a named fiduciary shall concurrently be terminated, and upon the appointment of a successor Committee member the successor shall assume the status of a named fiduciary as provided in Section 9.1.

9.9 Records.

The Committee shall keep a record of all its proceedings and shall keep, or cause to be kept, all such books, accounts, records, or other data as may be necessary or advisable in its judgment for the administration of the Plan and to properly reflect the affairs thereof. Nothing in this Section 9.9 shall require the Committee or any member thereof to perform any act which, pursuant to law or the provisions of this Plan, is the responsibility of the Plan Administrator, nor shall this Section relieve the Plan Administrator from such responsibility.

9.10 Reliance Upon Documents and Opinions.

(a) The members of the Committee, the Board of Directors, the Governance Committee, the Company and any person delegated under the provisions hereof to carry out any fiduciary responsibilities under the Plan (“delegated fiduciary”), shall be entitled to rely upon any tables, valuations, computations, estimates, certificates and reports furnished by any consultant, or firm or corporation which employs one or more consultants, upon any opinions furnished by legal counsel, and upon any reports furnished by the Trustee. The members of the Committee, the Board of Directors, the Governance Committee, the Company and any delegated fiduciary shall be fully protected and shall not be liable in any manner whatsoever for anything done or action taken or suffered in reliance upon any such consultant or firm or corporation which employs one or more consultants, Trustee, or counsel.

(b) Any and all such things done or actions taken or suffered by the Committee, the Board of Directors, the Governance Committee, the Company and any delegated fiduciary shall be conclusive and binding on all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

(c) The Committee and any delegated fiduciary may, but are not required to, rely upon all records of the Company with respect to any matter or thing whatsoever, and may likewise treat those records as conclusive with respect to all Employees, Participants, Beneficiaries, and any other persons whomsoever, except as otherwise provided by law.

9.11 Requirement of Proof.

The Committee or the Company may require satisfactory proof of any matter under this Plan from or with respect to any Employee, Participant, or Beneficiary, and no person shall acquire any rights or be entitled to receive any benefits under this Plan until the required proof shall be furnished.

9.12 Reliance on Committee Memorandum.

Any person dealing with the Committee may rely on and shall be fully protected in relying on a certificate or memorandum in writing signed by any Committee member or other person so authorized, or by the majority of the members of the Committee, as constituted as of the date of the certificate or memorandum, as evidence of any action taken or resolution adopted by the Committee.

9.13 Limitation on Liability.

Except as provided in Part 4 of Title I of ERISA, no person shall be subject to any liability with respect to his duties under the Plan unless he acts fraudulently or in bad faith. No person shall be liable for any breach of fiduciary responsibility resulting from the act or omission of any other fiduciary or any person to whom fiduciary responsibilities have been allocated or delegated, except as provided in Part 4 of Title I of ERISA. No action or responsibility shall be deemed to be a fiduciary action or responsibility except to the extent required by ERISA.

9.14 Indemnification.

To the extent permitted by law, the Company shall indemnify each member of the Board of Directors, the Governance Committee and the Committee, and any other Employee of the Company with duties under the Plan, against expenses (including any amount paid in settlement) reasonably incurred by him in connection with any claims against him by reason of his conduct in the performance of his duties under the Plan, except in relation to matters as to which he acted fraudulently or in bad faith in the performance of such duties. The preceding right of indemnification shall pass to the estate of such a person. The preceding right of indemnification shall be in addition to any other right to which the Board member or Committee member or other person may be entitled as a matter of law or otherwise.

9.15 Allocation of Fiduciary Responsibility.

Part 4 of Title I of ERISA permits the division, allocation and delegation between Plan fiduciaries of the fiduciary responsibilities owed to the Plan Participants. Under this concept, each fiduciary, including a Named Fiduciary, is accountable only for his own functions, except to the extent of his co-fiduciary liability under Section 405 of ERISA. In accordance with Part 4 of

Title I of ERISA, the day-to-day operational, administrative and investment aspects of the Plan have been delegated to the Committee. Except to the extent expressly provided to the contrary in the Plan document, the responsibilities delegated to the Committee include, by way of illustration but not by way of limitation, such matters as:

- (i) Satisfying accounting and auditing requirements;
- (ii) Satisfying insurance and bonding requirements;
- (iii) Administering the Plan's claims procedure; and
- (iv) Appointing Investment Managers.

9.16 Bonding.

Except as is prescribed by the Board of Directors, as provided in Section 412 of ERISA, or as may be required under any other applicable law, no bond or other security shall be required by any member of the Committee, or any other fiduciary under this Plan. Notwithstanding the foregoing, for purposes of satisfying its indemnity obligations under Section 9.14, the Company may (but need not) purchase and pay premiums for one or more policies of insurance which insurance shall not release the Company of its liability under the indemnification provisions.

9.17 Prohibition Against Certain Actions.

(a) To the extent prohibited by law, in administering this Plan the Committee shall not discriminate in favor of any class of Employees and particularly it shall not discriminate in favor of highly compensated Employees, or Employees who are officers or shareholders of the Company.

(b) The Committee shall not cause the Plan to engage in any transaction that constitutes a nonexempt prohibited transaction under Section 4975(c) of the Code or Section 406(a) of ERISA.

(c) All individuals who are fiduciaries with respect to the Plan (as defined in Section 3(21) of ERISA) shall discharge their fiduciary duties in accordance with applicable law, and in particular, in accordance with the standards of conduct contained in Section 404 of ERISA.

9.18 Plan Expenses.

All expenses incurred in the establishment, administration and operation of the Plan, including but not limited to the expenses incurred by the members of the Committee in

exercising their duties, shall be charged to the Trust Fund and allocated to Participants Accounts as determined by the Committee, but shall be paid by the Company if not paid by the Trust Fund. The Committee may charge Participant Accounts a flat fee quarterly, or at other times as determined by the Committee, to cover all or a portion of such expenses. Notwithstanding the foregoing, the cost of interest and normal brokerage charges which are included in the cost of securities purchased by the Trust Fund (or charged to proceeds in the case of sales) or other charges relating to specific assets of the Plan shall be charged and allocated in a fair and equitable manner to the Accounts to which the securities (or other assets) are allocated.

9.19 Right of Recovery for Overpayment or Payment Made in Error.

If the Plan erroneously makes distributions or other payments that exceed the amount to which a Participant or Beneficiary is entitled at any time under the Plan, the Plan shall have the right to recover the excess amount from any persons to, or for, or with respect to whom such excess payments were made. As a condition of receiving benefits under the Plan, each Participant agrees and understands that they have an obligation to pay to the Plan any payments that exceed the amount to which the Participant is entitled. The Plan has an equitable lien on the amount paid in excess of the amount to which a Participant is entitled, and the equitable lien shall also attach to any money or property that is obtained with amounts paid in excess of the amount to which a participant is entitled. The recovery of excess payments may also include a reduction of future benefit payments available to the Participant or Beneficiary under the Plan. The Plan's right to recover excess payments includes the right to initiate legal action. If the Plan takes legal action to enforce its right to reimbursement of excess payments, the Plan shall be entitled to recover its attorneys' fee and costs.

ARTICLE X

SPECIAL PROVISIONS

CONCERNING COMPANY STOCK

10.1 Securities Transactions.

Subject to the limitations of Section 4.2(b)(iv), the Trustee shall acquire Company Stock in the open market or from the Company or any other person, including a party in interest,

pursuant to a Participant's election to invest any Company Contributions, Company Matching Contributions, Before-Tax Contributions, Roth Contributions or After-Tax Contributions, in the Company Stock alternative established by the Committee in accordance with Section 4.2, or to transfer amounts held in other investment alternatives to such Company Stock alternative. No commission will be paid in connection with the Trustee's acquisition of Company Stock from a party in interest. Pending acquisition of Company Stock and pursuant to a Participant's investment election, elected amounts shall be allocated to the Participant's Company Stock subaccount in cash and may be invested in any short-term interest fund of the Trustee. Neither the Company, nor the Committee, nor any Trustee have any responsibility or duty to time any transaction involving Company Stock in order to anticipate market conditions or changes in Company Stock value. Neither the Company, nor the Committee nor any Trustee have any responsibility or duty to sell Company Stock held in the Trust Fund in order to maximize return or minimize loss.

10.2 Valuation of Company Securities.

When it is necessary to value Company Stock held by the Plan, the value will be the current fair market value of the Company Stock, determined in accordance with applicable legal requirements.

If the Company Stock is publicly traded, fair market value will be based on the most recent closing price in public trading, as reported in The Wall Street Journal or any other publication of general circulation designated by the Committee, unless another method of valuation is required by the standards applicable to prudent fiduciaries.

If the Company Stock cannot be valued on the basis of its closing price in recent public trading, fair market value will be determined by the Company in good faith based on all relevant factors for determining the fair market value of securities. Relevant factors include an independent appraisal by a person who customarily makes such appraisals, if an appraisal of the fair market value of the Company Stock as of the relevant date was obtained.

In the case of a transaction between the Plan and a party in interest, the fair market value of the Company Stock must be determined as of the date of the transaction rather than as of some other Valuation Date occurring before or after the transaction. In other cases, the fair market value of the Company Stock will be determined as of the most recent Valuation Date.

10.3 Allocation of Stock Dividends and Splits.

Company Stock received by the Trust as a result of a Company Stock split or Company Stock dividend on Company Stock held in Participants' Accounts will be allocated as of the Valuation Date coincident with or following the date of such split or dividend, to each Participant who has such an Account. The amount allocated will bear substantially the same proportion to the total number of shares received as the number of shares in the Participant's Account bears to the total number of shares allocated to such Accounts of all Participants immediately before the allocation. The shares will be allocated to the nearest thousandth of a share.

10.4 Reinvestment of Dividends.

Upon direction of the Committee, cash dividends may be reinvested as soon as practicable by the Trustee in shares of Company Stock for Participants' Accounts. Cash dividends may be reinvested in Company Stock purchased as provided in Section 10.1 or purchased from the Accounts of Participants who receive cash distributions of a fractional share or a fractional interest therein.

10.5 Voting of Company Stock.

The Trustee shall have no discretion or authority to vote Company Stock held in the Trust on any matter presented for a vote by the stockholders of the Company except in accordance with timely directions received by the Trustee from Participants, unless otherwise required by applicable law.

(a) Each Participant shall be entitled to direct the Trustee as to the voting of all Company Stock allocated and credited to his Account.

(b) All Participants entitled to direct such voting shall be notified by the Company, pursuant to its normal communications with shareholders, of each occasion for the exercise of such voting rights within a reasonable time before such rights are to be exercised. Such notification shall include all information distributed to shareholders either by the Company or any other party regarding the exercise of such rights. If a Participant shall fail to direct the Trustee as to the exercise of voting rights arising under any Company Stock credited to his Accounts, or if any Company Stock held in the Plan has not been allocated to Participants' Accounts, the Trustee shall not be required to vote such Company Stock except as otherwise required by applicable law. The Trustee shall maintain confidentiality with respect to the voting directions of all Participants.

(c) Each Participant shall be a Named Fiduciary (as that term is defined in ERISA Section 402(a)(2)) with respect to Company Stock for which he has the right to direct the voting under the Plan but solely for the purpose of exercising voting rights pursuant to this Section 10.5.

10.6 Confidentiality Procedures.

The Committee shall establish procedures intended to ensure the confidentiality of information relating to Participant transactions involving Company Stock, including the exercise of voting, tender and similar rights. The Committee shall also be responsible for ensuring the adequacy of the confidentiality procedures and monitoring compliance with such procedures. The Committee may, in its sole discretion, appoint an independent fiduciary to carry out any activities that it determines involve a potential for undue Company influence on Participants with respect to the exercise of their rights as shareholders.

10.7 Securities Law Limitation.

Neither the Committee nor the Trustee shall be required to engage in any transaction, including, without limitation, directing the purchase or sale of Company Stock, which it determines in its sole discretion might tend to subject itself, its members, the Plan, the Company, or any Participant or Beneficiary to a liability under federal or state securities laws.

ARTICLE XI

MERGER OF COMPANY; MERGER OF PLAN

11.1 Effect of Reorganization or Transfer of Assets.

In the event of a consolidation, merger, sale, liquidation, or other transfer of the operating assets of the Company to any other company, the ultimate successor or successors to the business of the Company shall automatically be deemed to have elected to continue this Plan in full force and effect, in the same manner as if the Plan had been adopted by resolution of its board of directors, unless the successor(s), by resolution of its board of directors, shall elect not to so continue this Plan in effect, in which case the Plan shall automatically be deemed terminated as of the applicable effective date set forth in the board resolution.

11.2 Merger Restriction.

Notwithstanding any other provision in this Article, this Plan shall not in whole or in part merge or consolidate with, or transfer its assets or liabilities to any other plan unless each affected Participant in this Plan would receive a benefit immediately after the merger, consolidation, or transfer (if the Plan then terminated) which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

ARTICLE XII
PLAN TERMINATION AND
DISCONTINUANCE OF CONTRIBUTIONS

12.1 Plan Termination.

(a) **General.** Subject to the following provisions of this Section 12.1, the Company may terminate the Plan and the Trust Agreements at any time, following authorization from the Board of Directors or any committee delegated such authority by the Board, by an instrument in writing executed in the name of the Company by an officer or officers duly authorized to execute such an instrument, and delivered to the Trustee. The Plan and Trust Agreements may terminate if the Company merges into any other corporation, if as the result of the merger the entity of the Company ceases, and the Plan is terminated pursuant to the rules of Section 11.1.

(b) **No Further Contributions.** Upon and after the effective date of the termination, the Company shall not make any further contributions under the Plan and no contributions need be made by the Company applicable to the Plan year in which the termination occurs, except as may otherwise be required by law.

(c) **Full Vesting.** The rights of all affected Participants to benefits accrued to the date of termination of the Plan, to the extent funded as of the date of termination, shall automatically become vested as of that date.

12.2 Discontinuance of Contributions.

(a) **General.** In the event the Company decides it is impossible or inadvisable for business reasons to continue to make contributions under the Plan, the Company by resolution of the Board of Directors or any committee delegated such authority by the Board of Directors, may discontinue contributions to the Plan. Upon and after the effective date of this discontinuance, no Participating Company or Participant shall make any further contributions under the Plan and no contributions need to be made by a Participating Company with respect to the Plan Year in which the discontinuance occurs, except as may otherwise be required by law. A Participant shall be released from any

salary reduction agreement under the Plan as of the effective date of a discontinuance of contributions.

(b) No Acceleration of Distributions. The discontinuance of contributions on the part of the Company shall not terminate the Plan as to the funds and assets then held by the Trustee, or operate to accelerate any payments of distributions to or for the benefit of Participants or Beneficiaries, and the Trustee shall continue to administer the Trust Fund in accordance with the provisions of the Plan until all of the obligations under the Plan shall have been discharged and satisfied; provided that, if this discontinuance of contributions shall cause the Plan to lose its status as a qualified plan under Code Section 401(a), the Plan shall be terminated in accordance with the provisions of this Article XII.

(c) Full Vesting. On and after the effective date of a discontinuance of contributions, the rights of all affected Participants to benefits accrued to that date, to the extent funded as of that date, shall automatically become fully vested as of that date.

12.3 Rights of Participants.

In the event of the termination of the Plan, for any cause whatsoever, all assets of the Plan, after payment of expenses, shall be used for the exclusive benefit of Participants and their Beneficiaries and no part thereof shall be returned to the Company, except as provided in Section 4.3 of this Plan.

12.4 Trustee's Duties on Termination.

(a) On or before the effective date of termination of this Plan, the Trustee shall proceed as soon as possible, but in any event within six months from the effective date, to reduce all of the assets of the Trust Fund to cash and other securities in such proportions as the Committee shall determine (after approval by the Internal Revenue Service, if necessary or desirable, with respect to any portion of the assets of the Trust Fund held in common stock or securities of the Company).

(b) After first deducting the estimated expenses for liquidation and distribution chargeable to the Trust Fund, and after setting aside a reasonable reserve for expenses and liabilities (absolute or contingent) of the Trust, the Committee shall make required allocations of items of income and expense to the Accounts.

(c) Following these allocations, the Trustee shall promptly, after receipt of appropriate instructions from the Committee, distribute in accordance with Section 8.7 to each former Participant in Company Stock or cash an amount equal to the amount credited to his Accounts as of the date of completion of the liquidation.

(d) The Trustee and the Committee shall continue to function as such for such period of time as may be necessary for the winding up of this Plan and for the making of distributions in accordance with the provisions of this Plan.

(e) Notwithstanding the foregoing, distributions to Participants upon Plan termination in accordance with this Section 12.4 shall only be made if a “successor plan,” within the meaning of regulations under Code Section 401(k)(10), is not established. In the event a “successor plan” is established prior to or subsequent to the termination of the Plan, the Committee shall direct the Trustee to continue to hold any assets of the Trust Fund not payable upon the termination until such assets may, at the direction of the Committee, be transferred to and held in the successor plan until distributable under the terms of that successor plan.

12.5 Partial Termination.

In the event of a partial termination of the Plan within the meaning of Code Section 411(d)(3), the interests of affected Participants in the Trust Fund, as of the date of the partial termination, shall become nonforfeitable as of that date. That portion of the assets of the Plan affected by the partial termination shall be used exclusively for the benefit of the affected Participants and their Beneficiaries, and no part thereof shall otherwise be applied. With respect to Plan assets and Participants affected by a partial termination, the Committee and the Trustee shall follow the same procedures and take the same actions prescribed in this Article XII in the case of a total termination of the Plan.

12.6 Failure to Contribute.

The failure of a Participating Company to contribute to the Trust in any year, if contributions are not required under the Plan for that year, shall not constitute a complete discontinuance of contributions to the Plan.

ARTICLE XIII

APPLICATION FOR BENEFITS

13.1 Application for Benefits.

The Committee may require any person claiming benefits under the Plan to submit an application therefor, together with such documents and information as the Committee may require. In the case of any person suffering from a disability which prevents the claimant from making personal application for benefits, the Committee may, in its discretion, permit another person acting on his behalf to submit the application.

13.2 Action on Application.

(a) Within ninety days (forty-five days for a disability determination) following receipt of an application and all necessary documents and information, the Committee's authorized delegate reviewing the claim shall furnish the claimant with written notice of the decision rendered with respect to the application unless an extension of time is needed for an additional 90 days (30 days in the case of a disability determination).

(b) In the case of a denial of the claimant's application, the written notice shall set forth:

(i) The specific reasons for the denial, with reference to the Plan provisions upon which the denial is based;

(ii) A description of any additional information or material necessary for perfection of the application (together with an explanation why the material or information is necessary); and

(iii) An explanation of the Plan's claim review procedure and the claimant's right to bring civil action under federal law following a denial on appeal.

(c) In the case of a denial of the claimant's application that involves a disability determination, effective as of April 1, 2018 the written notice shall include:

(i) a statement that the claimant is entitled to receive upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's benefit;

(ii) an explanation of the basis for disagreeing with or not following, (A) views presented by the claimant to the Plan of health care professionals or vocational professionals who treated or evaluated the claimant, (B) views of medical or vocational experts whose advice was obtained on behalf of the Plan with respect to the claim or appeal without regard to whether the Plan relied on that advice, and (C) a disability determination presented by the claimant to the Plan made by the Social Security Administration;

(iii) a statement of the claimant's right to bring a civil action under ERISA section 502(a) following any denial on appeal and also any contractual limitations period that applies to the claimant's right to bring such an action;

(iv) an explanation of any internal rule, guideline, protocol, standard or other similar criterion relied upon in making the adverse determination or a statement that such rules, guidelines, protocols, standards or other similar criteria do not exist; and

(v) a statement that the claimant is entitled to receive upon request and free of charge, reasonable access to, or copies of, all documents, records or other information relevant to the claimant's claim for benefits.

(d) A claimant who wishes to contest the denial of his application for benefits or to contest the amount of benefits payable to him shall follow the procedures for an appeal of benefits as set forth in Section 13.3 below, and shall exhaust such administrative procedures prior to seeking any other form of relief.

13.3 Appeals.

A claimant who does not agree with the decision rendered with respect to his application may appeal the decision to the Committee. The appeal shall be made, in writing, within sixty days (180 days for a disability claim) after the date of notice of the decision with respect to the application. If the application has neither been approved nor denied within the ninety day period (45 day period for a disability determination) provided in Section 13.2 above, then the appeal shall be made within sixty days after the expiration of the ninety day period (or within 180 days of the expiration of the 45 day period for a disability claim). The claimant may request that his application be given full and fair review by the Committee. The claimant may review all pertinent documents and submit issues and comments in writing in connection with the appeal.

The decision of the Committee shall be made promptly, and not later than sixty days (forty-five days for a disability claim) after the Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty days (ninety days for a disability claim) after receipt of a request for review. Effective April 1, 2018, during the appeal process, a claimant will be provided, free of charge, with any new or additional evidence or any new or additional rationale considered, relied upon or generated by the Committee in connection with a disability claim in sufficient time to permit the claimant a reasonable opportunity to respond before any decisions on the appeal is made. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant with specific reference to the pertinent Plan provisions upon which the decision is based and shall include a statement that the claimant is entitled to receive upon request and free of charge, reasonable access to, or copies of, all documents, records or other information relevant to the Committee's decision and a statement of

the claimant's right to bring civil action. After exhausting the remedies and procedures detailed in this Section 13.3 for a review of claims, a Participant may elect to file a legal claim for action in federal court. A Participant must take all legal action pertaining to a claim within one (1) year after the date the Committee has made a final determination of the claim in accordance with the applicable claims review procedures in this Section 13.3. Effective April 1, 2018 the decision on appeal must include not only a statement of the claimant's right to bring a civil action under ERISA section 502(a) but also any contractual limitations period that applies to the claimant's right to bring such an action.

Notwithstanding anything in the Plan to the contrary, the Committee shall follow procedures which conform to the requirements of Department of Labor Regulation Section 2560.503-1.

ARTICLE XIV

LIMITATIONS ON CONTRIBUTIONS

14.1 General Rule.

(a) Except to the extent permitted under Section 5.2(d) of the Plan and Section 414(v) of the Code, the total Annual Additions under this Plan to a Participant's Plan Accounts shall not exceed the lesser of:

(i) Forty Thousand Dollars (\$40,000) (as adjusted for increases in the cost-of-living under Section 415(d) of the Code), or

(ii) one hundred percent (100%) of the Participant's total Compensation from the Company and any Affiliated Companies for the year, excluding amounts otherwise treated as Annual Additions under Section 14.2.

The limitation in Section 14.1(a)(ii) shall not apply to any contribution for medical benefits after separation from Service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

(b) For purposes of this Article XIV, the Company has elected a "Limitation Year" corresponding to the Plan Year.

14.2 Annual Additions.

For purposes of Section 14.1, the term “Annual Additions” shall mean, for any Limitation Year, the sum of:

- (a) the amount credited to the Participant’s Accounts from Company contributions for such Limitation Year;
- (b) any Employee contributions for the Limitation Year; and
- (c) any amounts described in Section 415(1)(1) or 419(A)(d)(2) of the Code.

14.3 Other Defined Contribution Plans.

If the Company or an Affiliated Company is contributing to any other defined contribution plan (as defined in Section 415(k) of the Code) for its Employees, some or all of whom may be Participants in this Plan, then contributions to the other plan shall be aggregated with contributions under this Plan for the purposes of applying the limitations of Section 14.1.

14.4 Affiliated Company.

For purposes of this Article XIV, the status of an entity as an Affiliated Company shall be determined by reference to the percentage tests set forth in Code Section 415(h).

ARTICLE XV

RESTRICTION ON ALIENATION

15.1 General Restrictions Against Alienation.

The interest of any Participant or Beneficiary in the income, benefits, payments, claims or rights hereunder, or in the Trust Fund shall not in any event be subject to sale, assignment, hypothecation, or transfer. Each Participant and Beneficiary is prohibited from anticipating, encumbering, assigning, or in any manner alienating his or her interest under the Trust Fund, and is without power to do so, except as may otherwise be provided for in the Trust Agreement. The interest of any Participant or Beneficiary shall not be liable or subject to his debts, liabilities or obligations, now contracted, or which may be subsequently contracted. The interest of any Participant or Beneficiary shall be free from all claims, liabilities, bankruptcy proceedings, or other legal process now or hereafter incurred or arising; and the interest or any part thereof, shall not be subject to any judgment rendered against the Participant or Beneficiary. In the event any

person attempts to take any action contrary to this Article XV, that action shall not be effective, and all Participants and their Beneficiaries, may disregard that action and shall not suffer any liability for any disregard of that action, and shall be reimbursed on demand out of the Trust Fund for the amount of any loss, cost or expense incurred as a result of disregarding or of acting in disregard of that action. The preceding provisions of this Section shall be interpreted and applied by the Committee in accordance with the requirements of Code Section 401(a)(13) as construed and interpreted by authoritative judicial and administrative rulings and regulations. The provisions of this Section are expressly subject to qualified domestic relations orders, as provided in Code Section 401(a)(13)(B).

15.2 Qualified Domestic Relations Orders.

(a) General. In the event that a court with jurisdiction over the Plan and the Trust Fund shall issue an order or render a judgment requiring that all or part of a Participant's interest under the Plan and in the Trust Fund be paid to a Spouse, former Spouse and/or children of the Participant by reason of or in connection with the marital dissolution and/or marital separation of the Participant and the Spouse, and/or some other similar proceeding involving marital rights and property interests, then notwithstanding the provisions of Section 15.1 the Committee may, in its absolute discretion, direct the applicable Trustee to comply with that court order or judgment and distribute assets of the Trust Fund in accordance therewith. Pending distribution to an alternate payee of any portion of a Participant's vested interest in the Trust Fund, pursuant to a court order or judgment, such portion shall be segregated and invested in accordance with rules prescribed by the Committee.

(b) Order Must be a Qualified Order. The Committee's decision with respect to compliance with any such court order or judgment shall be made in its absolute discretion and shall be binding upon the Trustee and all Participants and their Beneficiaries; provided, however, that the Committee in the exercise of its discretion shall not make payments in accordance with the terms of an order which is not a qualified domestic relations order or which the Committee determines would jeopardize the continued qualification of the Plan and Trust under Section 401 of the Code. Notwithstanding the foregoing, the Committee may make a distribution to an alternate payee prior to the date the Participant attains age fifty (50), if such distribution is required by a qualified domestic relations order. Neither the Plan, the Company, the Committee nor the Trustee shall be liable in any manner to any person, including any Participant or Beneficiary, for complying with any such court order or judgment.

(c) No Obligation to Comply. Nothing in this Section 15.2 shall be interpreted as placing upon the Company, the Committee or any Trustee any duty or obligation to comply with any such court order or judgment. The Committee may, if in its absolute discretion it deems it to be in the best interests of the Plan and the

Participants, determine that any such court order or judgment shall be resisted by means of judicial appeal or other available judicial remedy, and in that event the Trustee shall act in accordance with the Committee's directions.

(d) Procedures. The Committee shall adopt procedures and provide notifications to a Participant and alternate payees in connection with a qualified domestic relations order, to the extent required under Code Section 414(p).

ARTICLE XVI

PLAN AMENDMENTS

16.1 Amendments.

The Committee may at any time, and from time to time, amend the Plan; provided that, the Board of Directors, or any committee delegated such authority by the Board of Directors, must approve any significant changes in the Plan design and any amendments to the Plan that are likely to result in a significant cost increase to the Company or that will provide supplemental or disproportionately more favorable benefits to officers of the Company. Any amendment shall be documented by an instrument in writing executed in the name of the Company by an officer or officers duly authorized to execute such instrument, and delivered to the applicable Trustee. However, to the extent required by law, no amendment shall be made at any time, the effect of which would be:

(a) To cause any assets of the Trust Fund to be used for or diverted to purposes other than providing benefits to the Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, except as provided in Section 4.3;

(b) To have any retroactive effect so as to deprive any Participant or Beneficiary of any accrued benefit to which he would be entitled under this Plan, in contravention of Code Section 411(d)(6), if his employment were terminated immediately before the amendment;

(c) To eliminate or reduce an optional form of benefit to the extent so doing would contravene Code Section 411(d)(6); or

(d) To increase the responsibilities or liabilities of a Trustee or an Investment Manager without his written consent.

16.2 Retroactive Amendments.

Notwithstanding any provisions of this Article XVI to the contrary, the Plan may be amended prospectively or retroactively (as provided in Section 401(b) of the Code) to make the Plan conform to any provision of ERISA, any Code provisions dealing with tax-qualified employees' trusts, or any regulation under either.

16.3 Amendment of Vesting Provisions.

If the Plan is amended in any way that directly or indirectly adversely affects the computation of a Participant's vested interest in his Accounts, each Participant who has completed at least three (3) Years of Service may elect, within a reasonable time after the adoption of the amendment, to continue to have his vested interest computed under the Plan without regard to such amendment. The period during which the election may be made shall commence when the date of the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment is effective; or (iii) 60 days after the Participant is issued written notice of the amendment.

In the event that the Plan's vesting schedule is amended, the nonforfeitable percentage of every Employee who is a Participant on the date the amendment is adopted, or the date the amendment is effective, if later, in his Company Matching Account and/or Company Contributions Account shall be not less than his percentage computed under the Plan without regard to the amendment.

ARTICLE XVII

TOP-HEAVY PROVISIONS

17.1 Minimum Company Contributions.

In the event that this Plan is deemed a Top-Heavy plan with respect to any Plan Year, each Non-Key Employee who is a Participant shall receive Company contributions that in the aggregate are at least equal to the lesser of three percent (3%) of Compensation or the percentage at which Company contributions are made for the Key Employee (under any plan required to be included in an Aggregation Group) for whom such percentage is the highest for the Plan Year, regardless of whether the Non-Key Employee elected to make Before-Tax Contributions to the

Plan for the Plan Year, completed less than 1,000 Hours of Service during such Plan Year, or the Non-Key Employee's level of Compensation. For purposes of this Section 17.1, (A) Company contributions shall include (i) amounts considered contributed by Key Employees and which qualify for treatment under Code Section 401(k) and (ii) any Company contributions for Key Employees or Non-Key Employees taken into account under Section 401(k)(3) or 401(m) of the Code and (B) Company contributions shall not include amounts considered as contributed by Non-Key Employees and which qualify for treatment under Code Section 401(k). Further, in determining the percentage at which Company contributions are made for the Plan Year for the Key Employee for whom such percentage is the highest, the contributions for a Key Employee shall be divided by so much of a Key Employee's compensation for the Plan Year as does not exceed \$200,000, as that amount is adjusted each year by the Secretary of the Treasury.

In the event a Participant is covered by both a defined contribution and a defined benefit plan maintained by the Company, both of which are determined to be Top-Heavy Plans, the defined benefit minimum, offset by the benefits provided under the defined contribution plan, shall be provided under the defined benefit plan.

17.2 Top-Heavy Determination.

This Plan shall be deemed a Top-Heavy Plan with respect to any Plan Year in which, as of the Determination Date: (a) the aggregate of the Accounts of Key Employees under the Plan exceeds 60% of the aggregate of the Accounts of all Employees; or (b) the aggregate of the Accounts of Key Employees under all defined contribution plans and the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans includable in an Aggregation Group exceed 60% of a similar sum for all employees in such group. As used above, the term "Aggregation Group" includes all plans of Participating Companies having one or more Key Employees as Participants and any other defined contribution plan of a Participating Company that permits a plan of a Participating Company having one or more Key Employees to meet the qualification requirements of Sections 401(a)(4) or 410 of the Code.

The present value of account balances under a defined contribution plan shall be determined as of the most recent valuation date that falls within or ends on the Determination Date. The present value of accrued benefits under a defined benefit plan shall be determined as of the same valuation date used for computing plan costs for minimum funding. The present

value of the cumulative accrued benefits of a Non-Key Employee shall be determined under either:

(i) the method, if any, that uniformly applies for accrual purposes under all plans maintained by affiliated companies, within the meaning of Code Sections 414(b), (c), (m) or (o); or

(ii) if there is no such method, as if such benefit accrued not more rapidly than the lowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

For purposes of this Article XVII, "Determination Date" shall mean, with respect to any Plan Year, the last day of the preceding Plan Year, or, in the case of the first Plan Year, the last day of such Plan Year.

The term, "Key Employee" shall mean, for purposes of this Article XVII, any Employee or former Employee (including any deceased Employee) who, at any time during the Plan Year that includes the Determination Date was:

(1) an officer of a Participating Company having annual compensation in excess of \$130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002);

(2) a 5% owner of a Participating Company; or

(3) a 1% owner of a Participating Company having annual compensation in excess of \$150,000.

For purposes of (1) above, no more than 50 Employees (or, if lesser, the greater of 3 or 10% of the Employees) shall be treated as officers.

For this purpose, annual compensation means compensation within the meaning of Section 415(c) of the Code.

A 5% (or 1%, if applicable) owner means any person who owns (or is considered as owning within the meaning of Section 318 of the Code) more than 5% (1%) of the outstanding stock of the Participating Company or stock possessing more than 5% (1%) of the total combined voting power of all stock of the Participating Company.

For purposes of applying the constructive ownership rules under Section 318(a)(2) of the Code, subparagraph (C) of such Section shall be applied by substituting "5 percent" for "50 percent."

For purposes of determining “5% owners” and/or “1% owners,” the aggregating rules of Sections 414(b), (c) and (m) of the Code shall not apply. For purposes of determining whether an Employee has compensation of more than \$150,000, however, compensation from each entity required to be aggregated under Sections 414(b), (c) and/or (m) of the Code shall be taken into account.

For purposes of determining the amount of a Participant’s Account for purposes of this Section, the amount shall include the aggregate distributions under the Plan made to or with respect to the Participant during the one year period ending on the Determination Date. In the case of a distribution made for a reason other than severance from employment, death or disability, this paragraph shall be applied by substituting “five year period” for “one year period.”

The following shall not be taken into account for purposes of determining whether this Plan is a Top-Heavy Plan: (1) any rollover to the Plan that is initiated by a Participant; (2) the account value of any Participant who is not a Key Employee with respect to any Plan Year but was a Key Employee with respect to any prior Plan Year; and (3) the account value of a Participant who has not performed services for any Participating Company during the one year period ending on the Determination Date.

17.3 Aggregation.

Each Plan of a Participating Company required to be included in an “Aggregation Group” shall be treated as a Top-Heavy Plan if such group is a “Top-Heavy Group.”

For purposes of this Article XVII, an “Aggregation Group” shall mean: (i) each plan of a Participating Company in which a Key Employee is a Participant, and (ii) each other plan of a Participating Company which enables any plan described in (i) above to meet the requirements of Section 401(a)(4) or 410 of the Code.

Any plan of a Participating Company that is not required to be included in an Aggregation Group may be treated as part of such group if such group would continue to meet the requirements of Section 401(a)(4) and 410 of the Code with such plan taken into account.

For purposes of this Section, a “Top-Heavy Group” means any Aggregation Group if the sum (as of the Determination Date) of the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans included in such group and the aggregate of the

accounts of Key Employees under all defined contribution plans included in such group exceed 60% of a similar sum determined for all Employees.

ARTICLE XVIII

MISCELLANEOUS

18.1 No Enlargement of Employee Rights.

This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Employee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee. Nothing contained in this Plan or the Trust shall be deemed to give any Employee the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge or retire any Employee at any time. No Employee, nor any other person, shall have any right to or interest in any portion of the Trust Fund other than as specifically provided in this Plan.

18.2 Mailing of Payments; Lapsed Benefits.

(a) All payments under the Plan shall be delivered in person or mailed to the last address of the Participant (or, in the case of the death of the Participant, to the last address of any other person entitled to such payments under the terms of the Plan) furnished pursuant to Section 18.3 below.

(b) In the event that a benefit is payable under this Plan to a Participant or any other person and after reasonable efforts such person cannot be located for the purpose of paying the benefit, the Committee in its sole discretion may provide that the benefit be forfeited and as soon thereafter as practicable the benefit shall be applied to reduce future Company Contributions or Company Matching Contributions; provided, however, should any person entitled to such benefit thereafter claim such benefit, such benefit shall be restored. Alternatively, benefits that cannot be paid may escheat to the state in accordance with applicable state law.

(c) For purposes of this Section 18.2, the term "Beneficiary" shall include any person entitled under Section 8.9 to receive the interest of a deceased Participant or deceased designated Beneficiary. It is the intention of this provision that the benefit will be distributed to an eligible Beneficiary in a lower priority category under Section 8.9 if no eligible Beneficiary in a higher priority category can be located by the Committee after reasonable efforts have been made.

(d) The Accounts of a Participant shall continue to be maintained until the amounts in the Accounts are paid to the Participant or his Beneficiary. Notwithstanding the foregoing, in the event that the Plan is terminated, the following rules shall apply:

(i) All Participants (including Participants who have not previously claimed their benefits under the Plan) shall be notified of their right to receive a distribution of their interests in the Plan;

(ii) All Participants shall be given a reasonable length of time, which shall be specified in the notice, in which to claim their benefits;

(iii) All Participants (and their Beneficiaries) who do not claim their benefits within the designated time period shall be presumed to be dead. The Accounts of such Participants shall be forfeited at such time. These forfeitures shall be disposed of according to rules prescribed by the Committee, which rules shall be consistent with applicable law.

(iv) The Committee shall prescribe such rules as it may deem necessary or appropriate with respect to the notice and forfeiture rules stated above.

(e) Should it be determined that the preceding rules relating to forfeiture of benefits upon Plan termination are inconsistent with any of the provisions of the Code and/or ERISA, these provisions shall become inoperative without the need for a Plan amendment and the Committee shall prescribe rules that are consistent with the applicable provisions of the Code and/or ERISA.

18.3 Addresses.

Each Participant shall be responsible for furnishing the Committee with his correct current address and the correct current name and address of his Beneficiary or Beneficiaries.

18.4 Notices and Communications.

All applications, notices, designations, elections, and other communications from Participants shall be in writing, on forms prescribed by the Committee and shall be mailed or delivered to the office designated by the Committee, and shall be deemed to have been given when received by that office. Each notice, report, remittance, statement and other communication directed to a Participant or Beneficiary shall be in writing and may be delivered in person or by mail. An item shall be deemed to have been delivered and received by the Participant when it is deposited in the United States Mail with postage prepaid, addressed to the Participant or Beneficiary at his last address of record with the Committee.

18.5 Reporting and Disclosure.

The Plan Administrator shall be responsible for the reporting and disclosure of information required to be reported or disclosed by the Plan Administrator pursuant to ERISA or any other applicable law.

18.6 Governing Law.

All legal questions pertaining to the Plan shall be determined in accordance with the provisions of ERISA and the laws of the State of California. All contributions made hereunder shall be deemed to have been made in California.

18.7 Interpretation.

Article and Section headings are for convenient reference only and shall not be deemed to be part of the substance of this instrument or in any way to enlarge or limit the contents of any Article or Section. Unless the context clearly indicates otherwise, masculine gender shall include the feminine, and the singular shall include the plural and the plural the singular. The provisions of this Plan shall in all cases be interpreted in a manner that is consistent with this Plan satisfying the requirements of Code Section 401(a) and related statutes for qualification as a Profit Sharing Plan and the requirements of Code Section 401(k) and related statutes for qualification as a Qualified Cash or Deferred Arrangement.

18.8 Certain Securities Laws Rules.

Any election or direction made under this Plan by an individual who is or may become subject to liability under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be conditioned upon such restrictions as are necessary or appropriate to qualify for an applicable exemption under Section 16(b) of the Exchange Act, or any rule promulgated thereunder. To the extent required by Section 401(a)(4) of the Code, the rules under this Section 18.8 shall be administered in a non-discriminatory manner.

18.9 Withholding for Taxes.

Any payments out of the Trust Fund may be subject to withholding for taxes as may be required by any applicable federal or state law.

18.10 Limitation on Company; Committee and Trustee Liability.

Any benefits payable under this Plan shall be paid or provided for solely from the Trust Fund and neither the Company, the Committee nor the Trustee assume any responsibility for the sufficiency of the assets of the Trust to provide the benefits payable hereunder.

18.11 Successors and Assigns.

This Plan and the Trust established hereunder shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

18.12 Counterparts.

This Plan document may be executed in any number of identical counterparts, each of which shall be deemed a complete original in itself and may be introduced in evidence or used for any other purpose without the production of any other counterparts.

18.13 Military Service.

Notwithstanding any provision of this Plan to the contrary, the Plan shall provide contributions, benefits and service credit with respect to qualified military service in accordance with Code Section 414(u). Loan repayments shall be suspended under this Plan as permitted under Code Section 414(u).

[Signature on following page]

IN WITNESS WHEREOF, in order to record the adoption of this Plan, Mattel, Inc. has caused this instrument to be executed by its duly authorized officer this 13th day of December, 2019, effective as of January 1, 2019, except as otherwise expressly provided herein.

MATTEL, INC.

By: /s/ Amanda Thompson

Name: Amanda Thompson

Title: Executive Vice President

Chief People Officer

MATTEL, INC. PERSONAL INVESTMENT PLAN

APPENDIX A

Merged Plans

The following plans were merged into this Plan as of the date indicated:

Plan	Merging Date
Fisher Price, Inc. Matching Savings Plan	April 1, 1997
Tyco Toys, Inc. 401(k) Savings Plan	January 2, 1998
PrintPaks, Inc. 401(k) Plan	June 30, 2000
Mattel-Fort Wayne Hourly 401(k) Plan	December 15, 2000
Pleasant Company Retirement Savings Plan	October 1, 2001
Radica Enterprises Limited 401(k) Plan	August 9, 2007
Mattel, Inc. Hourly Personal Investment Plan	March 31, 2011
HiT Entertainment, Inc. 401(k) Plan	December 31, 2012
The MEGA Brands America, Inc. 401(k) Savings Plan	December 31, 2014

MATTEL, INC. PERSONAL INVESTMENT PLAN

APPENDIX B

Participating Companies

The following companies are Participating Companies under the Plan as of the date indicated:

Company Name	Date Became a Participating Company
Fisher-Price, Inc. and each other adopting employer in the Fisher Price, Inc. Matching Savings Plan	April 1, 1997
Tyco Toys, Inc. and each other adopting employer in the Tyco Toys, Inc. 401(k) Savings Plan	January 1, 1998
PrintPaks, Inc. and each other adopting employer in the PrintPaks, Inc. 401(k) Plan	March 1, 1998
American Girl, Inc. (the successor to the assets and business of Pleasant Company) and each other adopting employer in the Pleasant Company Retirement Savings Plan	October 1, 2001
Radica Games Limited	January 1, 2007
HiT Entertainment, Inc.	June 1, 2012
MEGA Brands America, Inc.	January 1, 2015

MATTEL, INC. PERSONAL INVESTMENT PLAN

APPENDIX C

Special Participation Dates

Any individual who was a participant in a plan noted in the chart below as of the corresponding date, shall automatically become a Participant in this Plan as of the date indicated:

A participant in the:	as of:	shall become a Participant in the Plan as of:
Fisher Price, Inc. Matching Savings Plan	March 31, 1997	April 1, 1997
Tyco Toys, Inc. 401(k) Savings Plan	December 31, 1997	January 1, 1998
PrintPaks, Inc. 401(k) Plan	February 28, 1998	March 1, 1998
Pleasant Company Retirement Savings Plan	September 30, 2001	October 1, 2001
Radica Enterprises Limited 401(k) Plan	December 31, 2006	January 1, 2006
Mattel, Inc. Hourly Personal Investment Plan (“ <u>HPIP</u> ”)	March 31, 2011	April 1, 2011*
HiT Entertainment, Inc. 401(k) Plan	May 31, 2012	June 1, 2012
MEGA Brands America, Inc. 401(k) Savings Plan	December 31, 2014	January 1, 2015

* An Employee of American Girl, Inc. who participated in the HPIP as of March 31, 2011 shall not be permitted to make Employee contributions in accordance with Article V or receive Company Contributions or Company Matching Contributions in accordance with Article VI unless the individual is an Eligible Employee who would otherwise be a Participant under the Plan in the absence of the provisions of this Appendix C.

MATTEL, INC. PERSONAL INVESTMENT PLAN

APPENDIX D

Special Rules for Employees in Puerto Rico

Effective Date: January 1, 2006

1. **Purpose and Effect** - This Appendix D sets forth the requirements that must be met in addition to those provided in the Plan, in order to meet the requirements for qualification under Sections 1165(a) and (e) of the Puerto Rico Internal Revenue Code of 1994, as amended (the "PR Code") and, effective January 1, 2011, under Sections 1081.01(a) and (d) of the Internal Revenue Code for a New Puerto Rico (the "New PR Code"). Reference to any section of the PR Code or its regulations include reference to any comparable or succeeding provision or regulations under the New PR Code that amends, supplements, or replaces the PR Code. The provisions of this Appendix D shall be effective as of January 1, 2006, and shall apply only to those Eligible Employees of Mattel, Inc. or any other designated affiliate (collectively, the "Company") who are bona fide residents of Puerto Rico and who perform services for the Company primarily within Puerto Rico ("Puerto Rico Employees").
2. **Type of Plan** - It is the intent of the Company that the Plan be a profit-sharing plan as defined in Article 1165-1 of the Regulations issued under the PR Code and that it include a qualified cash or deferred arrangement pursuant to Section 1165(e)/1081.01(d) of the PR Code.
3. **Compensation** - A Puerto Rico Employee's Compensation shall include wages within the meaning of PR Code Section 1141(a)(1)/1062.01(a)(1) for the purpose of Puerto Rico income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Compensation shall also include the amount of a Puerto Rico Employee's contribution pursuant to a salary reduction agreement which is not included in gross income by reason of PR Code Sections 1022(l)/1032.06 or 1165(e)/1081.01(d).
4. **Participant Contributions** - A Puerto Rico Employee participating in the Plan may elect to make After-Tax Contributions and Before-Tax Contributions pursuant to Article V of the Plan, subject to the following conditions:
 - a. **After-tax Contributions** - Puerto Rico Employees' After-tax Contributions which are not matched by Company Contributions may not exceed 10% of the Puerto Rico Employee's aggregate Compensation for the taxable years during which he/she is a participant or as otherwise limited under the PR Code.
 - b. **Before-Tax Contributions** - A Puerto Rico Employee may elect to have his/her Compensation reduced subject to the limit in effect for any calendar year under

Section 1165(e)(7)(A)/1081.01(d)(7)(A) of the PR Code. The limitation contained in Section 1165(e)(7)(A)/1081.01(d)(7)(A) shall be (1) the lesser of 10% of the Puerto Rico Employee's Compensation or \$8,000 for Plan Years beginning prior to January 1, 2008; (2) \$8,000 for Plan Years beginning on or after January 1, 2008; (3) \$9,000 for the Plan Years beginning January 1, 2009 and 2010; (4) \$10,000 for the Plan Year beginning January 1, 2011; (5) \$13,000 for the Plan Year beginning January 1, 2012; and (6) \$15,000 for the Plan Years beginning on and after January 1, 2013, or as otherwise provided under the PR Code. In addition, for Plan Years prior to January 1, 2011, if the Puerto Rico Employee contributes to a Puerto Rico individual retirement account as described in PR Code Section 1169, the maximum amount of his/her Before-Tax Contributions may not exceed the difference, if any, between the amount available as a contribution up to the maximum limit and the contribution made to a Puerto Rico individual retirement account, or as otherwise provided under the PR Code.

In the event the Plan Administrator determines or is informed that Before-Tax Contributions exceeded the limitations of the PR Code with respect to a calendar year, any excess deferrals together with any income allocable to such deferrals by a Puerto Rico Employee shall be distributed to such Puerto Rico Employee as soon as administratively practicable but no later than twelve months following the end of the calendar year in which such excess deferral was made, pursuant to a uniform and nondiscriminatory procedure established by the Plan Administrator.

5. **Catch-up Contributions** - Puerto Rico Employees participating in the Plan who have reached age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of Section 1165 (e)(7)(C)/1081.01(d)(7)(C) of the PR Code. Effective for the Plan Year beginning January 1, 2006, a Puerto Rico Employee may contribute up to \$500 to the Plan as a catch-up contribution. For Plan Years 2007 through 2011, a Puerto Rico Employee may contribute up to \$1,000 to the Plan as a catch-up contribution and for Plan Years 2012 and thereafter \$1,500, or as otherwise provided under the PR Code.
6. **Highly Compensated Puerto Rico Participant** - Any Puerto Rico Employee who, determined on the basis of Compensation for each Plan Year, has greater Compensation than two-thirds of all other Puerto Rico Employees (or as otherwise defined under the PR Code) will be considered a Highly Compensated Puerto Rico Participant. Effective January 1, 2011, Highly Compensated Puerto Rico Participant means any Puerto Rico Employee who: (a) is an officer, (b) is a five percent owner of the voting stock or the total value of all classes of stock; (c) has received compensation from the employer in excess of \$110,000 (as established under Code Section 414(q)(1)(B)), or (d) is the spouse or dependent of any individual described in (a)-(c), or as otherwise defined under the PR Code.

7. **Limitation on Puerto Rico Employees Before-Tax Contributions** - For each Plan Year, in addition to satisfying the nondiscrimination tests as provided in the Plan, the Plan shall also satisfy the Average Deferral Percentage (“ADP”) Test of PR Code Section 1165(e)(3)/1081.01(d)(3) and Article 1165-8 of the regulations issued there under.

In no event shall the ADP of the Highly Compensated Puerto Rico Participants for any calendar year exceed the greater of:

- a. the ADP of all other Highly Compensated Puerto Rico Participants for such calendar year multiplied by 1.25; or
- b. the ADP of all other Puerto Rico Participants for such calendar year multiplied by 2.0, provided that the ADP of Highly Compensated Puerto Rico Participants does not exceed that of all other Puerto Rico Participants by more than two percentage points.

The ADP of a group of Puerto Rico Employees for a Plan Year shall be the average of the ratios, calculated separately for each Puerto Rico Employee in such group, of the amount of Before-Tax Contributions actually paid to the Trust Fund on behalf of such Puerto Rico Employees for such Plan Year to the Compensation of such Puerto Rico Employees for such Plan Year. For these purposes, catch-up contributions made pursuant to Section 5 are not included as part of the ADP Test. If more than one plan providing a cash or deferred arrangement (within the meaning of Section 1165(e)/1081.01(d) of the PR Code) is maintained by the Company or an affiliated employer, the ADP of any Highly Compensated Puerto Rico Participant who participates in more than on such plan or arrangement shall be determined as if all such arrangements were a single plan or arrangement. If two or more plans are aggregated for purposes of Sections 1165(a)(3) or 1165(a)(4)/1081.01(a)3 or 1081.01(a)4 of the PR Code, such plans shall be aggregated for purposes of determining the ADP of the Puerto Rico Employees as if all such plans were a single plan.

In the event that there are contributions in excess of the limitation described in paragraphs a. and b. (“Excess Contributions”), (i) the amount of Excess Contributions for a Highly Compensated Puerto Rico Participant, and any earnings thereto, shall be distributed no later than the close of the following Plan Year or (ii) the amount of Excess Contributions for a Highly Compensated Puerto Rico Participant shall be recharacterized as currently taxed contributions subject to the provisions of the Plan and the PR Code, under the leveling method beginning with the Puerto Rico Participant Highly Compensated Employee with the highest ADP, to the extent required to satisfy the ADP limitations. In addition, the Plan Administrator may elect to make Employer Qualified Contributions under Article VI of the Plan in the form of qualified non elective or qualified matching contributions as defined under the PR Code that comply with the PR Code and Regulations for purposes of complying with this test.

Notwithstanding any provision of this Appendix D to the contrary, effective January 1, 2011, the Plan Administrator must aggregate all Puerto Rico Employees

employed by the Company and any affiliated employer in Puerto Rico that participates in the Plan for purposes of determining compliance by the Plan with the ADP test of Section 1165 / 1081.01 of the PR Code and the determination of Puerto Rico Participants Highly Compensated Employees.

8. **Adjustment of a Participant's After-Tax Contributions and Before-Tax Contributions** - The Plan Administrator may, in its sole discretion, decrease or suspend the amount of the After-Tax Contributions or Before-Tax Contributions to be made for the benefit of any Puerto Rico Employee if the Plan Administrator deems such decrease or suspension to be necessary to satisfy any of the following:

- a. the limits described in Sections 4 and 5 of this Appendix D; or
- b. in the case of Before-Tax Contributions, the nondiscrimination requirement of Section 7 of this Appendix D.

In addition, in the case of Before-Tax Contributions, if during any payroll period, the Plan Administrator determines that Before-Tax Contributions would exceed the aforementioned limitations imposed by the PR Code, any additional Before-Tax Contributions may be treated as After-tax Contributions for the remainder of the calendar or Plan Year, as applicable, pursuant to a uniform and nondiscriminatory procedure established by the Plan Administrator.

Notwithstanding any other provision of the Plan or this Appendix D, upon the return of any Before-Tax Contributions pursuant to Sections 4(b) or 7 above, any Company Contributions which were made on account of such Before-Tax Contributions shall be forfeited.

9. **Rollover and Transfer Provisions** - Rollovers or transfers to the Plan under Section 8.8 of the Plan by a Puerto Rico Employee are limited to the amounts distributed from an employee plan that qualifies under Section 1165(a)/1081.01(a) of the PR Code and under Sections 401(a) and (k) of the Code.

Notwithstanding any provision of the Plan to the contrary, any "distributee" (as defined below) who is entitled to receive a distribution of benefits under the Plan may elect to have all of such distribution that qualifies as an "eligible rollover distribution" (as defined below) paid directly to a single eligible retirement plan specified by such individual. The Plan Administrator shall establish uniform procedures for making such direct rollover elections. Any amount that is a distribution on account of hardship shall not be an "eligible retirement distribution" for purposes of this Section 9, and the distributee may not elect to have any portion of such distribution paid directly to an eligible retirement plan. For purposes of this Section, the following terms have the following meanings:

- (a) a “distributee” means: (i) a Puerto Rico Employee, (ii) the surviving spouse of a Puerto Rico Employee, (iii) a spouse or former spouse of a Puerto Rico Employee who is an Alternate Payee, or (iv) a non-spouse Beneficiary of a Puerto Rico Employee, or as otherwise provided under the PR Code.
- (b) an “eligible retirement plan” means an individual retirement account described in Section 1169(a)/ 1081.02(a) of the PR Code, an individual retirement annuity described in Section 1169(b)/ 1081.02(b) of the PR Code; or a qualified trust described in Section 1165(a)/1081.01(a) of the PR Code that accepts rollovers.
- (c) an “eligible rollover distribution” means any lump sum distribution, including After-Tax Contributions and earnings thereon. Effective January 1, 2011, for purposes of this Section 9, an “eligible rollover distribution” means any lump sum distribution of all of the taxable balance to the credit of the Distributee, or a partial taxable distribution received after the Puerto Rico Employee’s separation from service, or as otherwise defined and/or permitted under the PR Code.
10. **Hardship Withdrawals** - Hardship withdrawals of a Puerto Rico Employee under Section 8.6(e) of the Plan shall be permitted for such other event as the PR Code regulations or the Puerto Rico Department of the Treasury may allow. Furthermore, a Puerto Rico Participant who makes a hardship withdrawal: (i) shall not be entitled to make Before-Tax Contributions or After-tax Contributions for twelve months following the date of receipt of the hardship withdrawal, and (ii) for the taxable year following the year of the hardship withdrawal, the annual limitation imposed by the PR Code on Before-Tax Contributions shall be reduced by the amount of Before-Tax Contributions made in the year of the hardship withdrawal.
11. **After-Tax Withdrawals** – Effective on and after August 1, 2011, a Puerto Rico Employee who makes an in-service distribution not on account of hardship of After-tax Contributions under Section 8.6 of the Plan may not make Before-Tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Participant made the in-service distribution.
12. **Rollover Withdrawals** - A Puerto Rico Employee who makes an in-service distribution not on account of hardship of Rollover Contributions under Section 8.6 of the Plan may not make Before-tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Employee made the in-service distribution.
13. **Age 59-1/2 and Over Withdrawals** - A Puerto Rico Employee who makes an in-service distribution of Before-Tax Contributions after age 59-1/2 pursuant to Section 8.6 of the Plan may not make Before-Tax Contributions or After-tax Contributions during the three months following the month in which such Puerto Rico Employee made the in-service distribution.

14. **Loans** - Loans to Puerto Rico Employees shall be subject to the same terms and conditions under Section 8.15 of the Plan and to any applicable rules under the PR Code.
15. **Company Contributions** - To the extent permissible under ERISA, each contribution made by the Company to the Plan is expressly conditioned on the deductibility of such contribution under Section 1023(n)/1033.09 of the PR Code for the taxable year for which contributed. If the Puerto Rico Department of the Treasury disallows the deduction, or if the contribution was made by a mistake of fact, to the extent permissible under ERISA, such contributions shall be returned to the Company within one (1) year after the disallowance of the deduction (to the extent disallowed), or after the payment of the contribution, respectively.
16. **Payment of Contributions** - Contributions to the Plan by the Company shall be paid to the Trustee not later than the due date for filing the Company's Puerto Rico income tax return for the taxable year in which such payroll period falls, including any extension thereof.
17. **Right to Amend the Plan** - In addition to the provisions under Article XVI of the Plan, the Company reserves the right to amend or modify the Plan to ensure the continued qualification of the Plan under PR Code Sections 1165(a) and (e)/1081.01(a) and (d).
18. **Plan Merger** - Any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to, another trust fund as applied to a Puerto Rico Employee under Article XI of the Plan will be limited to the extent such other plan and trust are qualified under Section 1165(a)/1081.01(a) of the PR Code.
19. **Plan Termination or Discontinuance of Contributions** - Notwithstanding any provision of the Plan to the contrary, the Trustee shall not be required to make any distribution from the Trust Fund to a Puerto Rico Participant in the event the Plan is terminated, until such time as the Puerto Rico Department of the Treasury shall have determined in writing that such termination will not adversely affect the prior qualification of the Plan under the PR Code.
20. **Annual Limit on Compensation** - Effective January 1, 2012, the Plan's definition of the term "Compensation" incorporates the compensation limitation in effect under Section 1081.01(a)(12) of the PR Code for the Plan Year. To the extent permitted under the PR Code, such limitation shall be the same limitation established under Code Section 401(a) (17) and as described in Plan Section 2.14(e). Therefore, when, in a Plan Year, the amount of a Puerto Rico Employee's Compensation reaches such Compensation limitation, the Puerto Rico Employee is barred from making further contributions.
21. **Annual Limit as addition to Defined Contribution Plan** - Effective January 1, 2012, and subject to the requirements under PR Code Section 1081.01(a)(11)(B), the Annual Additions allocated or attributed to a Puerto Rico Employee for any Plan Year shall not exceed the lesser of the following:

- i) \$49,000 (subject to cost-of-living adjustments established under the PR Code); or
- ii) 100% of the Puerto Rico Employee's compensation for such year, as defined under the PR Code.

For purposes of this section, all defined contribution plans of the Company in Puerto Rico shall be aggregated as a single defined contribution plan. Subject to the regulations to be established under the PR Code, if a Participant's Annual Additions would exceed the foregoing limitation, then such Annual Additions shall be reduced by reducing the components thereof as necessary in the order established under the PR Code. Any amounts so reduced shall not be included in a Participant's Before-Tax Contributions, or as otherwise established under the PR Code. To the extent permitted under the PR Code, this limitation will be administered similar to the same limitation established under Code Section 415, as described in Article XIV of the Plan.

- 22. **Deadline to File Claim** - To be considered timely under the Plan's claim and review procedure established under Article XIII, a claim must be filed with the Committee within two (2) years after the claimant knew or reasonably should have known of the principal facts upon which the claim is based.
- 23. **Deadline to File Legal Action** - A Puerto Rico Employee or his Beneficiary may not bring a lawsuit to recover benefits under the Plan until he has exhausted the internal administrative process established under Article XIII. No legal action may be commenced at all unless commenced no later than one (1) year following the issuance of a final decision on the claim for benefits, or the expiration of the final appeal decision period if no decision is issued. This 1 year statute of limitations on suits for all benefits shall apply in any forum where the Puerto Rico Employee or Beneficiary may initiate such suit.
- 24. **Governing Law** - With respect to the Puerto Rico Employees, the Plan will be also governed and construed according to the PR Code, where such law is not in conflict with the applicable federal laws.
- 25. **Use of Terms** - All terms and provisions of the Plan shall apply to this Appendix D, except that where the terms and provisions of the Plan and this Appendix D conflict, the terms and provisions of this Appendix D shall govern.

AMENDMENT ONE
to the
MATTEL, INC. PERSONAL INVESTMENT PLAN

THIS AMENDMENT ONE (this “Amendment”) is executed on May 4, 2020, by Mattel, Inc., a Delaware corporation (the “Company”). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, the Company maintains the Mattel, Inc. Personal Investment Plan as amended and restated effective as of January 1, 2019 (the “Plan”), for the benefit of eligible employees of the Company and its subsidiaries;

WHEREAS, pursuant to Section 16.1 of the Plan, the Mattel Administrative Committee (the “Committee”) may amend the Plan at any time and from time to time, subject to certain limitations as set forth in the Plan; and

WHEREAS, the Committee has approved the amendment of Section 6.1(a)(i) of the Plan to suspend the “Company Automatic Contributions” to the Plan.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as set forth herein effective as of the date hereof, as follows:

1. The following is hereby added as the last sentence of Section 6.1(a)(i) of the Plan:

“Notwithstanding the foregoing or any other provision of the Plan, all contributions for Participants under this Section 6.1(a)(i) shall be suspended and not made effective for all pay periods occurring on or after May 4, 2020.”

2. Except as expressly or by necessary implication amended hereby, all terms and provisions of the Plan shall continue in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed in its name and on its behalf by a duly authorized officer of the Company on the day and year first above written.

MATTEL, INC.

By: /s/ Amanda Thompson

Name: Amanda Thompson

Title: Executive Vice President and Chief People Officer