SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE TO

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

RC2 Corporation

(Name of Subject Company)

Galaxy Dream Corporation
(Offeror)
a wholly owned indirect subsidiary of
TOMY Company, Ltd.
(Parent of Offeror)

COMMON STOCK, $0.01 PAR VALUE PER SHARE
(Title of Class of Securities)

749388104
(CUSIP Number of Class of Securities)

Takahiro Ishidate
General Manager, Business Administration
TOMY Company, Ltd.
7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan
+81-3-5654-1262

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Filing Persons)

Copy to:

Nobuhisa Ishizuka
Skadden, Arps, Slate, Meagher & Flom LLP
Izumi Garden Tower, 21st Floor
1-6-1 Roppongi, Minato-ku, Tokyo, 106-6021, Japan
+81-3-3568-2600

Richard C. Witzel, Jr.
Skadden, Arps, Slate, Meagher & Flom LLP
155 N. Wacker Drive
Chicago, IL 60606
(312) 407-0700

CALCULATION OF FILING FEE

Transaction Valuation(1)	Amount of Filing Fee(2)
$681,554,341	$79,128.46

(1) Estimated for purposes of calculating the filing fee only. The transaction valuation was calculated by multiplying the offer price of $27.90 per share of common stock of RC2 Corporation, par value $0.01 per share, ("Shares") by 24,428,471 Shares, which is the sum of (i) 21,584,878 Shares outstanding (other than shares of restricted stock), (ii) 74,170 outstanding shares of unvested restricted stock, (iii) 1,369,156 Shares

reserved for issuance upon the exercise of outstanding options to purchase Shares, (iv) 1,260,267 Shares reserved for issuance upon the exercise of outstanding stock-settled stock appreciation rights and (v) 140,000 target Shares subject to outstanding restricted stock units.

(2) Pursuant to Section 14(g) of the Securities Exchange Act of 1934, SEC Release No. 34-59850 and SEC press release number 2010-255 (dated December 22, 2010), the amount of the filing fee is equal to $116.10 per $1,000,000 of transaction valuation, calculated by multiplying the transaction valuation by .00011610.

☐ Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: None.
Form of Registration No.: N/A
Filing Party: N/A
Date Filed: N/A

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- ☑ Third-party offer subject to Rule 14d-1.
- ☐ Issuer tender offer subject to Rule 13e-4.
- ☐ Going-private transactions subject to Rule 13e-3.
- ☐ Amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: ☐

This Tender Offer Statement on Schedule TO (which, together with any amendments and supplements thereto, collectively constitute this "Schedule TO") is filed by Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of TOMY Company, Ltd., a company organized under the laws of Japan ("Parent"). This Schedule TO relates to the tender offer by Purchaser to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 24, 2011 (as it may be amended or supplemented from time to time, the "Offer to Purchase"), which is set forth as Exhibit (a)(1)(A) hereto, and in the related Letter of Transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal"), which is set forth as Exhibit (a)(1)(B) hereto (which offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, constitutes the "Offer").

Item 1. ***Summary Term Sheet.***

The information set forth in the section of the Offer to Purchase entitled "Summary Term Sheet" is incorporated herein by reference.

Item 2. ***Subject Company Information.***

(a) *Name and Address.* As described in the Offer to Purchase, the subject company to which this Schedule TO relates is RC2 Corporation, a Delaware corporation. The information set forth in the section of the Offer to Purchase entitled "Certain Information Concerning RC2" is incorporated herein by reference.

(b) *Securities.* This Schedule TO relates to the outstanding shares of common stock, par value $0.01 per share, of RC2 Corporation. As of the close of business on March 23, 2011, RC2 advised Parent that there were 21,659,048 Shares issued and outstanding (including 74,170 shares of unvested restricted stock).

(c) *Trading Market and Price*. The information set forth in the section in the Offer to Purchase entitled "Price Range of Shares; Dividends" is incorporated herein by reference.

Item 3. ***Identity and Background of Filing Person.***

(a) *Name and Address*. Parent and Purchaser are the filing persons. The information set forth in the section of the Offer to Purchase entitled "Certain Information Concerning Parent and Purchaser" and in Schedule I to the Offer to Purchase entitled "Information Relating to Parent and Purchaser" is incorporated herein by reference.

(b) *Business and Background of Entities*. The information set forth in the section of the Offer to Purchase entitled "Certain Information Concerning Parent and Purchaser" is incorporated herein by reference.

(c) *Business and Background of Natural Persons.* The information set forth in the section of the Offer to Purchase entitled "Certain Information Concerning Parent and Purchaser" and in Schedule I to the Offer to Purchase entitled "Information Relating to Parent and Purchaser" is incorporated herein by reference.

Item 4. ***Terms of the Transaction.***

(a) *Material Terms*. The information set forth in the Offer to Purchase is incorporated herein by reference.

Item 5. ***Past Contacts, Transactions, Negotiations and Agreements.***

(a) *Transactions*. The information set forth in the sections of the Offer to Purchase entitled "Summary Term Sheet," "Introduction," "Certain Information Concerning Parent and Purchaser," "Background of the Transaction; Past Contacts or Negotiations with RC2," and "The Merger Agreement; Other Agreements" is incorporated herein by reference.

(b) *Significant Corporate Events*. The information set forth in the sections of the Offer to Purchase entitled "Summary Term Sheet," "Introduction," "Background of the Transaction; Past Contacts or Negotiations with RC2," and "Purposes of the Offer; Plans for RC2" is incorporated herein by reference.

Item 6. ***Purposes of the Transaction and Plans or Proposals.***

(a) *Purposes*. The information set forth in the section of the Offer to Purchase entitled "Purpose of the Offer; Plans for RC2" is incorporated herein by reference.

(c) *Plans*. The information set forth in the sections of the Offer to Purchase entitled "Summary Term Sheet," "Introduction," "Price Range of Shares; Dividends," "Background of the Transaction; Past Contacts or Negotiations with RC2," "The Merger Agreement; Other Agreements," "Purpose of the Offer; Plans for RC2," "Certain Effects of the Offer," and "Dividends and Distributions" is incorporated herein by reference.

Item 7. ***Source and Amount of Funds or Other Consideration.***

(a), (b) and (d) *Source of Funds; Conditions; Borrowed Funds*. The information set forth in the sections of the Offer to Purchase entitled "Summary Term Sheet," and "Source and Amount of Funds" is incorporated herein by reference.

Item 8. ***Interest in Securities of the Subject Company.***

(a) and (b) *Securities Ownership; Securities Transactions.* The information set forth in the section of the Offer to Purchase entitled "Certain Information Concerning Parent and Purchaser" and in Schedule I to the Offer to Purchase entitled "Information Relating to Parent and Purchaser" is incorporated herein by reference.

Item 9. ***Persons/Assets Retained, Employed, Compensated or Used.***

(a) *Solicitations or Recommendations*. The information set forth in the section of the Offer to Purchase entitled "Fees and Expenses" is incorporated herein by reference.

Item 10. ***Financial Statements.***

(a) and (b) *Financial Information; Pro Forma Information.* Not applicable.

Item 11. ***Additional Information.***

(a)(1) The information set forth in the sections of the Offer to Purchase entitled "Certain Information Concerning Parent and Purchaser," "Background of the Transaction; Past Contacts or Negotiations with RC2," "The Merger Agreement; Other Agreements," and "Purpose of the Offer; Plans for RC2" is incorporated herein by reference.

(a)(2) The information set forth in the sections of the Offer to Purchase entitled "Purpose of the Offer; Plans for RC2," "Certain Conditions of the Offer" and "Certain Legal Matters; Regulatory Approvals" is incorporated herein by reference.

(a)(3) The information set forth in the sections of the Offer to Purchase entitled "Certain Conditions of the Offer" and "Certain Legal Matters; Regulatory Approvals" is incorporated herein by reference.

(a)(4) The information set forth in the section of the Offer to Purchase entitled "Certain Effects of the Offer" is incorporated herein by reference.

(a)(5) The information set forth in the section of the Offer to Purchase entitled "Certain Legal Matters; Regulatory Approvals" is incorporated herein by reference.

(b) To the extent not already incorporated into this Schedule TO, the information set forth in the Offer to Purchase and in the related Letter of Transmittal, in each case as of the date hereof, is incorporated herein by reference. Additional information from future filings with the SEC may be incorporated by reference herein by amending this Schedule TO.

Item 12. ***Exhibits***

Exhibit No.	Description
(a)(1)(A)	Offer to Purchase, dated March 24, 2011*
(a)(1)(B)	Form of Letter of Transmittal*
(a)(1)(C)	Form of Notice of Guaranteed Delivery*
(a)(1)(D)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees*
(a)(1)(E)	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees*
(a)(1)(F)	Form of Summary Advertisement as published in *The Wall Street Journal* on March 24, 2011
(a)(1)(G)	Joint Press Release of Tomy Company, Ltd. and RC2 Corporation, dated March 24, 2011
(a)(2)	Not applicable.
(a)(3)	Not applicable.
(a)(4)	Not applicable.
(a)(5)(A)	Complaint filed by Laborers' Local #231 Pension Plan, individually and on behalf of all others similarly situated, on March 22, 2011, in the Circuit Court of Cook County, Illinois, County Department, Chancery Division.
(b)(1)	Project Galaxy Commitment Letter, dated March 11, 2011, between TOMY Company, Ltd. and Sumitomo Mitsui Banking Corporation
(d)(1)	Agreement and Plan of Merger, dated as of March 10, 2011, among TOMY Company, Ltd., Galaxy Dream Corporation and RC2 Corporation
(d)(2)	Confidentiality Agreement, dated as of November 9, 2010, between TOMY Company, Ltd. and RC2 Corporation
(d)(3)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Curtis S. Stoelting

Exhibit No.	Description
(d)(4)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Peter J. Henseler
(d)(5)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Peter A. Nicholson
(d)(6)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Gregory J. Kilrea
(d)(7)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Helena Lo
(d)(8)	Employment Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. (solely as to certain sections thereof as provided therein) and Jamie W. Kieffer
(d)(9)	Rollover Bonus Agreement, dated as of March 10, 2011, among RC2 Corporation, TOMY Company, Ltd. and Gary W. Hunter
(g)	Not applicable
(h)	Not applicable

* Included in mailing to stockholders.

Item 13. ***Information required by Schedule 13E-3***.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 24, 2011

TOMY Company, Ltd

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President and CEO

Galaxy Dream Corporation

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President

Exhibit Index

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(a)(1)(E)	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees*
(a)(1)(F)	Form of Summary Advertisement as published in *The Wall Street Journal* on March 24, 2011
(a)(1)(G)	Joint Press Release of Tomy Company, Ltd. and RC2 Corporation, dated March 24, 2011
(a)(2)	Not applicable.
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(g)	Not applicable
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Exhibit (a)(1)(A)

Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of TOMY Company, Ltd., a company organized under the laws of Japan ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended or supplemented from time to time, this "Offer to Purchase") and in the related Letter of Transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal") (which offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, constitutes the "Offer").

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of March 10, 2011 (as it may be amended from time to time, the "Merger Agreement"), among Parent, Purchaser and RC2. The Merger Agreement provides, among other things, that following the consummation of the Offer and subject to certain conditions, Purchaser will be merged with and into RC2 (the "Merger"), with RC2 continuing as the surviving corporation, indirectly wholly owned by Parent. In the Merger, each Share outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than Shares held (i) in the treasury of RC2 or by Parent or Purchaser or any other direct or indirect wholly owned subsidiary of Parent, which Shares will be canceled and extinguished, or (ii) by stockholders who validly exercise appraisal rights under Delaware law with respect to such Shares) will be canceled and converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest thereon and less any applicable withholding taxes. **Under no circumstances will interest be paid on the purchase price for the Shares, regardless of any extension of the Offer or any delay in making payment for the Shares.**

The Offer is conditioned upon, among other things, the absence of a termination of the Merger Agreement in accordance with its terms and the satisfaction of the Minimum Condition and the Antitrust Condition (each as described below). The Minimum Condition requires that the number of Shares that have been validly tendered and not validly withdrawn prior to the expiration of the Offer represent at least a majority of the Shares outstanding on a fully-diluted basis, excluding Shares tendered in the Offer pursuant to guaranteed delivery procedures. The Antitrust Condition requires that (i) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), has expired or been terminated and (ii) all approvals, clearances, filings or waiting periods or consents of governmental authorities required pursuant to any foreign antitrust laws applicable to the Offer or the Merger have expired, are deemed to have expired, or have been made or received or deemed received, as the case may be. The Offer also is subject to other conditions as described in this Offer to Purchase. See Section 15 — "Certain Conditions of the Offer."

The RC2 board of directors has, by a unanimous vote of those voting at a meeting at which all the directors of RC2 were present, (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of RC2 and (ii) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger. The RC2 board of directors recommends, by the unanimous vote of the directors who voted, that RC2's stockholders accept the Offer and tender their Shares into the Offer and, if necessary, approve and adopt the Merger Agreement.

A summary of the principal terms of the Offer appears on pages S-i through S-viii. You should read this entire document

carefully before deciding whether to tender your Shares in the Offer.

March 24, 2010

IMPORTANT

If you wish to tender all or a portion of your Shares to Purchaser in the Offer, you should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) that accompanies this Offer to Purchase in accordance with the instructions in the Letter of Transmittal and mail or deliver the Letter of Transmittal and all other required documents to the Depositary (as defined herein) together (except in the case of Shares held in a book-entry/direct registration account maintained by RC2's transfer agent) with certificates representing the Shares tendered or follow the procedure for book-entry transfer described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares" or (ii) request your broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you. If your Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact that institution in order to tender your Shares. If you wish to tender Shares and cannot deliver certificates representing such Shares and all other required documents to the Depositary on or prior to the Expiration Date or you cannot comply with the procedures for book-entry transfer on a timely basis, you may tender your Shares by following the guaranteed delivery procedures described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares."

Questions and requests for assistance should be directed to the Information Agent (as defined herein) at its address and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the related Letter of Transmittal, the related Notice of Guaranteed Delivery and other materials related to the Offer may also be obtained for free from the Information Agent. Additionally, copies of this Offer to Purchase, the related Letter of Transmittal, the related Notice of Guaranteed Delivery and any other material related to the Offer may be obtained at the website maintained by the Securities and Exchange Commission (the "SEC") at www.sec.gov. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance.

This Offer to Purchase and the Letter of Transmittal contain important information and you should read both carefully and in their entirety before making a decision with respect to the Offer.

The Offer has not been approved or disapproved by the SEC or any state securities commission nor has the SEC or any state securities commission passed upon the fairness or merits of or upon the accuracy or adequacy of the information contained in this Offer to Purchase. Any representation to the contrary is unlawful.

The Information Agent for the Offer is:

437 Madison Avenue, 28th Floor
New York, New York 10022

Stockholders may call toll free (877) 869-0171
Banks and Brokers may call collect (212) 297-0720
Email: info@okapipartners.com

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SUMMARY TERM SHEET

The information contained in this summary term sheet is a summary only and is not meant to be a substitute for the more detailed description and information contained in this Offer to Purchase or the Letter of Transmittal. You are urged to read carefully this Offer to Purchase and the Letter of Transmittal in their entirety. Parent and Purchaser have included cross-references in this summary term sheet to other sections of this Offer to Purchase where you will find more complete descriptions of the topics mentioned below. The information concerning RC2 contained herein and elsewhere in this Offer to Purchase has been provided to Parent and Purchaser by RC2 or has been taken from or is based upon publicly available documents or records of RC2 on file with the SEC or other public sources at the time of the Offer. Parent and Purchaser have not independently verified the accuracy and completeness of such information. Parent and Purchaser have no knowledge that would indicate that any statements contained herein relating to RC2 provided to Parent and Purchaser or taken from or based upon such documents and records filed with the SEC are untrue or incomplete in any material respect.

Securities Sought	All issued and outstanding shares of common stock, par value $0.01 per share, of RC2 Corporation, a Delaware corporation
Price Offered Per Share	$27.90 in cash, without interest thereon and less any applicable withholding taxes
Scheduled Expiration of Offer	12:00 midnight, New York City time, at the end of April 20, 2011, unless the Offer is extended. See Section 1 — "Terms of the Offer."
Purchaser	Galaxy Dream Corporation, a Delaware corporation and a wholly owned indirect subsidiary of TOMY Company, Ltd., a company organized under the laws of Japan

Who is offering to buy my securities?

Galaxy Dream Corporation, a Delaware corporation ("Purchaser"), which was formed for the purpose of making the Offer, is offering to buy your Shares. Purchaser is a wholly owned indirect subsidiary of TOMY Company, Ltd., a company organized under the laws of Japan, or "Parent." See the "Introduction" to this Offer to Purchase and Section 8 — "Certain Information Concerning Parent and Purchaser."

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of March 10, 2011, among Parent, Purchaser and RC2 Corporation (as it may be amended from time to time, the "Merger Agreement"). The Merger Agreement provides, among other things, for the terms and conditions of the Offer and the subsequent merger of Purchaser with and into RC2 (the "Merger"). See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement" and Section 15 — "Certain Conditions of the Offer."

Unless the context indicates otherwise, in this Offer to Purchase, we use the terms "us," "we" and "our" to refer to Purchaser and, where appropriate, Parent. We use the term "Parent" to refer to TOMY Company, Ltd. alone, the term "Purchaser" to refer to Galaxy Dream Corporation alone and the term "RC2" refers to RC2 Corporation.

What are the classes and amounts of securities sought in the Offer?

We are offering to purchase all of the outstanding shares of common stock, par value $0.01 per share, of RC2 upon the terms and subject to the conditions set forth in this Offer to Purchase and in the Letter of Transmittal. Unless the context otherwise requires, in this Offer to Purchase we use the term "Offer" to refer to this offer, as it may be amended or supplemented from time to time, and we use the term "Shares" to refer to shares of RC2 common stock that are the subject of the Offer.

See the "Introduction" to this Offer to Purchase and Section 1 — "Terms of the Offer."

How much are you offering to pay? What is the form of payment? Will I have to pay any fees or commissions?

We are offering to pay $27.90 per Share, in cash, without interest and less any applicable withholding taxes. We refer to this amount as the "Offer Price." If you are the record owner of your Shares and you directly tender your Shares to us in the Offer, you will not have to pay brokerage fees or similar expenses. If you hold your Shares through a broker, banker or other nominee, and your broker tenders your Shares on your behalf, your broker, banker or other nominee may charge you a fee for doing so. You should consult your broker, banker or other nominee to determine whether any charges will apply.

See the "Introduction" to this Offer to Purchase.

Do you have the financial resources to make payment?

Yes, we have sufficient resources available to us. We estimate that we will need approximately $698 million to purchase all of the Shares pursuant to the Offer, to consummate the Merger (which includes making payment in respect of outstanding in-the-money options, stock appreciation rights and unvested restricted stock and restricted stock units), to repay certain existing debt of RC2 and to pay related transaction fees and expenses. Purchaser has obtained commitments from Sumitomo Mitsui Banking Corporation for debt financing of up to ¥50 billion (the approximate equivalent of $620 million). Purchaser anticipates funding these payments with a combination of cash on hand, debt financing and, with respect to payments subsequent to the completion of the Merger, certain cash on hand of RC2.

See Section 9 — "Source and Amount of Funds."

Is your financial condition relevant to my decision to tender my Shares in the Offer?

No. We do not think our financial condition is relevant to your decision whether to tender Shares and accept the Offer because:

- the Offer is being made for all outstanding Shares solely for cash;
- the Offer is not subject to any financing condition; and
- if we consummate the Offer, we expect to acquire all remaining Shares for the same cash price in the Merger.

See Section 9 — "Source and Amount of Funds."

How long do I have to decide whether to tender my Shares in the Offer?

You will have until 12:00 midnight, New York City time, at the end of April 20, 2011, to tender your Shares in the Offer, unless we extend the Offer, in which event you will have until the date and time to which the Offer has been so extended. In this Offer to Purchase, we refer to the date and time of expiration of the Offer, as it may be extended, as the "Expiration Date." If you cannot deliver everything that is required in order to make a valid tender by the Expiration Date, you may be able to use a guaranteed delivery procedure, which is described in this Offer to Purchase. In addition, if we decide to provide a subsequent offering period for the Offer as described below, you will have an additional opportunity to tender your Shares. We do not currently intend to provide a subsequent offering period, although we reserve the right to do so.

See Section 1 — "Terms of the Offer" and Section 3 — "Procedures for Accepting the Offer and Tendering Shares."

Can the Offer be extended and under what circumstances?

Yes. Pursuant to the Merger Agreement, we are required to extend the Offer beyond the initial Expiration Date:

- until April 25, 2011, if RC2 has delivered to us a written notice identifying an Extension Excluded Party (as defined in Section 11 — "The Merger Agreement; Other Agreements — No Solicitation") in accordance with the Merger Agreement;
- for any period required by any rule, regulation or interpretation of the SEC or its staff or the NASDAQ Stock Market applicable to the Offer;
- until the Antitrust Condition is satisfied or waived, for one or more periods of no more than five business days each (or such longer period as Parent and RC2 may agree); provided that we will not be required to extend the Offer beyond September 10, 2011 (the "Outside Date") or at any time that Parent or Purchaser is permitted to terminate the Merger Agreement; and
- if on any scheduled Expiration Date, the Minimum Condition is not satisfied but all other conditions to the Offer are satisfied, for a five business day period on a single occasion; provided that we will not be required to extend the Offer beyond the Outside Date or at any time that Parent or Purchaser is permitted to terminate the Merger Agreement.

In addition, if, on any scheduled Expiration Date, all conditions to the Offer have not been satisfied or waived, we may, in our sole discretion, extend the Offer for one or more periods of not more than five business days each beyond such Expiration Date; provided that we may not extend the Offer to any date occurring after the Outside Date. We may also, in our sole discretion, increase the Offer Price and extend the Offer to the extent required by applicable law in connection with such increase.

We may also, in our sole discretion, choose to provide for a subsequent offering period in accordance with Rule 14d-11 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of at least three business days and not more than 20 business days to meet the objective that there be validly tendered, in accordance with the terms of the Offer, prior to the Expiration Date and not validly withdrawn a number of Shares, which when added to the Shares already owned by Parent, Purchaser or any of Parent's other subsidiaries, represent at least 90% of the then outstanding Shares (including following the exercise of the Top-Up Option (as described below)). A subsequent offering period is different from an extension of the Offer. During a subsequent offering period, you would not be able to withdraw any of the Shares that you had already tendered; you also would not be able to withdraw any of the Shares that you tender during the subsequent offering period.

See Section 1 — "Terms of the Offer" of this Offer to Purchase for more details on our obligation and ability to extend the Offer.

How will I be notified if the Offer is extended?

If we extend the Offer, we will inform Computershare Trust Company, N.A., which is the depositary for the Offer (the "Depositary"), of any extension and will issue a press release announcing the extension not later than 9:00 a.m., New York City time, on the next business day after the day on which the Offer was scheduled to expire.

If we elect to provide or extend any subsequent offering period, a public announcement of such determination will be made no later than 9:00 a.m., New York City time, on the next business day after the day on which the Offer was scheduled to expire (in the case of an election by us to provide a subsequent offering period) or the date of the previously-scheduled termination of the prior subsequent offering period (in the case of an election by us to extend the subsequent offering period).

See Section 1 — "Terms of the Offer."

What are the most significant conditions to the Offer?

The Offer is conditioned upon, among other things, the absence of a termination of the Merger Agreement in accordance with its terms and the satisfaction of the Minimum Condition and the Antitrust Condition. The Minimum Condition requires that the number of Shares that have been validly tendered and not validly withdrawn prior to the expiration of the Offer represent at least a majority of the Shares outstanding on a fully-diluted basis, excluding Shares tendered in the Offer pursuant to guaranteed delivery procedures. The Antitrust Condition requires that (i) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), has expired or been terminated and (ii) all approvals, clearances, filings or waiting periods or consents of governmental authorities required pursuant to any foreign antitrust laws applicable to the Offer or the Merger have expired, are deemed to have expired, or have been made or received or deemed received, as the case may be. The Offer also is subject to other conditions as described in this Offer to Purchase. See Section 15 — "Certain Conditions of the Offer." We expressly reserve the right to waive any of the conditions to the Offer and to make other changes in the terms and conditions of the Offer, but we cannot, without RC2's prior written consent (1) decrease the Offer Price, (2) decrease the number of Shares sought in the Offer, (3) amend or waive the Minimum Condition, (4) change the form of consideration payable in the Offer, (5) impose conditions to the Offer that are in addition to the Minimum Condition, the Antitrust Condition and the other conditions that are described in Section 15 — "Certain Conditions of the Offer," (6) extend the Expiration Date of the Offer in any manner other than as permitted by the Merger Agreement or (7) amend any of the terms and conditions of the Offer in any manner adverse to the holders of Shares.

See Section 1 — "Terms of the Offer" and Section 15 — "Certain Conditions of the Offer."

Have any RC2 stockholders agreed with Parent or Purchaser to tender their Shares?

No. We have not entered into any agreements with RC2 stockholders under which those stockholders have agreed to tender Shares in the Offer.

How do I tender my Shares?

If you hold your Shares directly as the registered owner, you can tender your Shares in the Offer (1) in the case of Shares represented by certificates, by delivering to the Depositary a completed and signed Letter of Transmittal, the certificates representing your Shares and any other documents required by the Letter of Transmittal, (2) in the case of Shares held in a book-entry/direct registration account maintained by RC2's transfer agent (and not through a financial institution that holds the Shares in book-entry form as a participant in the system of The Depositary Trust Company), by delivering to the Depositary a completed and signed Letter of Transmittal or (3) if you are a participant in the system of The Depositary Trust Company, by following the procedures for book-entry transfer set forth in Section 3 of this Offer to Purchase, in each case not later than the date and time the Offer (or subsequent offering period, if any) expires. The Letter of Transmittal is enclosed with this Offer to Purchase.

If you hold your Shares in street name through a broker, dealer, commercial bank, trust company or other nominee, you must contact the institution that holds your Shares and give instructions that your Shares be tendered. You should contact the institution that holds your Shares for more details.

If you are unable to deliver everything that is required to tender your Shares to the Depositary by the expiration of the Offer, you may obtain a limited amount of additional time by having a broker, a bank or another fiduciary that is an eligible institution guarantee, not later than the date and time the Offer expires, that the missing items will be received by the Depositary using the enclosed Notice of Guaranteed Delivery. To validly tender Shares in this manner, however, the Depositary must receive the missing items within three NASDAQ Global Select Market trading days after the date of execution of the Notice of Guaranteed Delivery by the eligible institution. These procedures for guaranteed delivery may not be used during any subsequent offering period.

See Section 3 — "Procedures for Accepting the Offer and Tendering Shares."

Until what time may I withdraw previously tendered Shares?

You may withdraw your previously tendered Shares at any time until the Offer has expired. Pursuant to Section 14 (d)(5) of the Exchange Act, however, Shares may be withdrawn at any time after May 22, 2011, which is 60 days from the date of the commencement of the Offer, unless prior to that date Purchaser has accepted for payment the Shares validly tendered in the Offer. This right to withdraw will not, however, apply to Shares tendered in any subsequent offering period, if one is provided.

See Section 4 — "Withdrawal Rights."

How do I withdraw previously tendered Shares?

To withdraw previously tendered Shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the Depositary while you still have the right to withdraw Shares. If you tendered Shares by giving instructions to a broker, banker or other nominee, you must instruct the broker, banker or other nominee to arrange for the withdrawal of your Shares.

See Section 4 — "Withdrawal Rights."

What does the RC2 board of directors think of the Offer?

The RC2 board of directors has, by a unanimous vote of those voting at a meeting at which all the directors of RC2 were present, (1) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of RC2 and (2) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger. The RC2 board of directors recommends, by the unanimous vote of the directors who voted, that RC2's stockholders accept the Offer and tender their Shares into the Offer and, if necessary, approve and adopt the Merger Agreement.

A more complete description of the reasons of the RC2 board of directors' approval of the Offer and the Merger is set forth in the Solicitation/Recommendation Statement on Schedule 14D-9 of RC2.

If the Offer is completed, will RC2 continue as a public company?

No. Following the purchase of Shares in the Offer, we expect to complete the Merger. If the Merger takes place, RC2 no longer will be publicly owned and will cease to be listed on the NASDAQ Global Select Market ("Nasdaq"), and RC2 will cease to make filings with the SEC and to comply with the SEC rules regarding public companies. Even if the Merger does not take place, if we purchase all of the tendered Shares, there may be so few remaining stockholders and publicly held Shares that RC2's common stock will no longer be eligible to be traded through the Nasdaq or other securities exchanges, there may not be an active public trading market for RC2 common stock and RC2 may no longer be required to make filings with the SEC or otherwise comply with the SEC rules relating to publicly held companies.

See Section 13 — "Certain Effects of the Offer."

If I decide not to tender, how will the Offer affect my Shares?

If the Offer is consummated and certain other conditions are satisfied, Purchaser will merge with and into RC2 and all of the then outstanding Shares (other than Shares held (1) in the treasury of RC2 or by Parent or Purchaser or any other direct or indirect wholly owned subsidiary of Parent, which Shares will be canceled and extinguished, or (2) by stockholders who validly exercise appraisal rights under Delaware law with respect to such Shares) will be canceled and converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest and less any applicable withholding taxes. If we accept and purchase Shares in the Offer, we will have sufficient voting power to approve the Merger without the affirmative vote of any other stockholder of RC2. Furthermore, if pursuant to the Offer or otherwise we own at least 90% of the outstanding Shares, we may effect the Merger without any further action by the stockholders of RC2.

See Section 11 — "The Merger Agreement; Other Agreements."

If the Merger is consummated, RC2's stockholders who do not tender their Shares in the Offer will, unless they validly exercise appraisal rights (as described below), receive the same amount of cash per Share that they would have received had they tendered their Shares in the Offer. Therefore, if the Offer and the Merger are completed, the only differences to you between tendering your Shares and not tendering your Shares in the Offer are that (1) you will be paid earlier if you tender your Shares in the Offer and (2) appraisal rights will not be available to you if you tender Shares in the Offer but will be available to you in the Merger. See Section 17 — "Appraisal Rights." However, if the Offer is consummated but the Merger is not consummated, the number of RC2's stockholders and the number of Shares that are still in the hands of the public may be so small that there will no longer be an active public trading market (or, possibly, there may not be any public trading market) for the Shares, and the Shares that remain outstanding after the Offer may no longer be eligible to be traded through Nasdaq or other securities exchanges. Also, as described in Section 13 — "Certain Effects of the Offer" below, RC2 may cease making filings with the SEC or otherwise may not be required to comply with the rules relating to publicly held companies.

See the "Introduction" to this Offer to Purchase and Section 13 — "Certain Effects of the Offer."

What is the market value of my Shares as of a recent date?

On March 9, 2011, the last full day of trading before the public announcement of the terms of the Offer and the Merger, the reported closing sales price of the Shares on Nasdaq was $21.93. On March 23, 2011, the last full day of trading before the commencement of the Offer, the reported closing sales price of the Shares on Nasdaq was $28.19. The Offer Price represents a 27.2% premium over the March 9, 2011 closing stock price. We encourage you to obtain a recent price for Shares in deciding whether to tender your Shares.

See Section 6 — "Price Range of Shares; Dividends."

What is the "Top-Up Option" and when will it be exercised?

Under the Merger Agreement, we have the option, subject to certain limitations, to purchase from RC2, at a price per Share equal to the Offer Price, a number of newly issued Shares sufficient to cause us to own, immediately after the issuance of those Shares, one share more than 90% of the Shares then outstanding. We may exercise this option, in whole but not in part, at any time on or after the date we accept for payment all Shares validly tendered and not withdrawn pursuant to the Offer and prior to earlier to occur of (1) the effective time of the Merger, referred to as the "Effective Time," and (2) the termination of the Merger Agreement in accordance with its terms. We refer to this option as the "Top-Up Option." The Top-Up Option cannot be exercised if the number of Shares to be issued pursuant to the Top-Up Option would exceed the number of authorized and unissued Shares not otherwise reserved for issuance. Subject to the terms and conditions of the Merger Agreement, we might exercise the Top-Up Option if, after our acceptance of, and payment for, Shares pursuant to the Offer, we have not acquired at least 90% of the then outstanding Shares.

See Section 11— "The Merger Agreement; Other Agreements — Merger Agreement — Top-Up Option" and Section 12 — "Purpose of the Offer; Plans for RC2 — Short-Form Merger."

Will I have appraisal rights in connection with the Offer?

No appraisal rights will be available to you in connection with the Offer. However, if we accept Shares in the Offer and the Merger is completed, stockholders will be entitled to appraisal rights in connection with the Merger if they do not tender Shares in the Offer and do not vote in favor of the Merger (if a vote on the Merger is held), subject to and in accordance with Delaware law. Stockholders must properly perfect their right to seek appraisal under Delaware law in connection with the Merger in order to exercise appraisal rights. If and when we consummate the Merger, if you perfect your appraisal rights in accordance with Delaware law, you may receive an amount that is different from the consideration being paid in the Merger.

See Section 17 — "Appraisal Rights."

What will happen to my stock options in the Offer?

The Offer is made only for Shares and is not made for any stock options to purchase Shares, including options that were granted under any RC2 equity compensation plan ("Options"). Pursuant to the Merger Agreement, other than with respect to certain Options held by certain officers and other employees of RC2 party to an employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each Option having an exercise price per Share that is less than the Offer Price and that is outstanding and unexercised immediately prior to the Effective Time, whether or not vested, will be canceled at the Effective Time without any action on the part of the holder of any Option in consideration for the right immediately following the Effective Time to receive an amount in cash, without interest and less any applicable withholding taxes, equal to the excess of the Offer Price over the per Share exercise price of the Option for each Share subject to such Option. Options with a per Share exercise price that is equal to or greater than the Offer Price and that are outstanding and unexercised immediately prior to the Effective Time, whether or not vested, will be, at the Effective Time, canceled without consideration.

See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement — Treatment of Options and Stock Appreciation Rights."

What will happen to my stock appreciation rights in the Offer?

The Offer is made only for Shares and is not made for any stock appreciation rights, including stock appreciation rights that were granted under any RC2 equity compensation plan ("SARs"). Pursuant to the Merger Agreement, other than with respect to certain SARs held by certain officers and other employees of RC2 party to an employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each SAR having an exercise price per Share that is less than the Offer Price and that is outstanding and unexercised immediately prior to the Effective Time, whether or not vested, will be canceled at the Effective Time without any action on the part of the holder of any SAR in consideration for the right immediately following the Effective Time to receive an amount in cash, without interest and less any applicable withholding taxes, equal to the excess of the Offer Price over the per Share exercise price of the SAR for each Share subject to such SAR. SARs with a per Share exercise price that is equal to or greater than the Offer Price and that are outstanding and unexercised immediately prior to the Effective Time, whether or not vested, will be, at the Effective Time, canceled without consideration.

See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement — Treatment of Options and Stock Appreciation Rights."

What will happen to my unvested restricted stock in the Offer?

Other than with respect to certain shares of restricted stock held by certain officers and other employees of RC2 party to an employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," immediately prior to the Effective Time, but conditioned upon the Merger, each outstanding share of restricted stock granted pursuant to any RC2 equity compensation plan will become fully vested and free of restrictions and will be treated in accordance with the Merger Agreement in the same manner as other Shares outstanding immediately prior to the Effective Time.

See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement — Treatment of Restricted Stock."

What will happen to my restricted stock units in the Offer?

The Offer is made only for Shares and is not made for any restricted stock units, including restricted stock units that were granted under any RC2 equity compensation plan. Pursuant to the Merger Agreement, other than with respect to certain restricted stock units held by certain officers and other employees of RC2

party to an employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each restricted stock unit that is outstanding immediately prior to the Effective Time will be canceled at the Effective Time in consideration for the right to receive an amount in cash, without interest and less any applicable withholding taxes, equal to the product of the target number of Shares subject to such restricted stock unit multiplied by the Offer Price. Such cash payment will be payable immediately following the Effective Time (or, if such restricted stock unit is subject to Section 409A of the Code, at such later date provided by the terms of such restricted stock unit).

See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement — Treatment of Restricted Stock Units."

What are the material United States federal income tax consequences of tendering Shares?

The receipt of cash in exchange for your Shares in the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. In general, you will recognize capital gain or loss in an amount equal to the difference between the amount of cash you receive and your adjusted tax basis in the Shares sold pursuant to the Offer or exchanged for cash pursuant to the Merger. This capital gain or loss will be long-term capital gain or loss if you have held the Shares for more than one year as of the date of your sale or exchange of the Shares pursuant to the Offer or the Merger. See Section 5 — "Certain United States Federal Income Tax Consequences to U.S. Holders of Shares" for a more detailed discussion of the tax treatment of the Offer and the Merger.

We urge you to consult with your own tax advisor as to the particular tax consequences to you of the Offer and the Merger.

Whom should I call if I have questions about the Offer?

You may call Okapi Partners LLC at (877) 869-0171 (toll free). Banks and brokers may call collect at (212) 297-0720. Okapi Partners LLC is acting as the information agent (the "Information Agent") for the Offer. See the back cover of this Offer to Purchase for additional contact information.

To the Holders of
Shares of Common Stock of RC2 Corporation:

INTRODUCTION

Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of TOMY Company, Ltd., a company organized under the laws of Japan ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended or supplemented from time to time, this "Offer to Purchase") and in the related Letter of Transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal") (which offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, constitutes the "Offer").

We are making the Offer pursuant to an Agreement and Plan of Merger, dated as of March 10, 2011 (as it may be amended from time to time, the "Merger Agreement"), among Parent, Purchaser and RC2. The Merger Agreement provides, among other things, for the making of the Offer and also provides that following the consummation of the Offer and subject to certain conditions, Purchaser will be merged with and into RC2 (the "Merger") with RC2 continuing as the surviving corporation, indirectly wholly owned by Parent. Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each Share outstanding immediately prior to the Effective Time (other than Shares held (1) in the treasury of RC2 or by Parent or Purchaser or any other direct or indirect wholly owned subsidiary of Parent, which Shares will be canceled and extinguished, or (2) by stockholders who validly exercise their appraisal rights in connection with the Merger as described in Section 17 — "Appraisal Rights") will be canceled and converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest thereon and less any applicable withholding taxes. The Merger Agreement is more fully described in Section 11 — "The Merger Agreement; Other Agreements," which also contains a discussion of the treatment of RC2 stock options, stock appreciation rights, restricted stock and restricted stock units.

Tendering stockholders who are record owners of their Shares and who tender directly to Computershare Trust Company, N.A., the depositary for the Offer (the "Depositary"), will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, banker or other nominee should consult such institution as to whether it charges any service fees or commissions.

The RC2 board of directors has, by a unanimous vote of those voting at a meeting at which all the directors of RC2 were present, (1) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of RC2 and (2) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger. The RC2 board of directors recommends, by the unanimous vote of the directors who voted, that RC2's stockholders accept the Offer and tender their Shares into the Offer and, if necessary, approve and adopt the Merger Agreement.

The Offer is conditioned upon, among other things, the absence of a termination of the Merger Agreement in accordance with its terms and the satisfaction of the Minimum Condition and the Antitrust Condition (each as described below). The Minimum Condition requires that the number of Shares that have been validly tendered and not validly withdrawn prior to expiration of the Offer represent at least a majority of the Shares outstanding on a fully-diluted basis, excluding Shares tendered in the Offer pursuant to guaranteed delivery procedures. The Antitrust Condition requires that (1) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") has expired or been terminated and (2) all approvals, clearances, filings or waiting periods or consents of governmental authorities required pursuant to any foreign antitrust laws applicable to the Offer or the Merger have expired, are deemed to have expired, or have been

made or received or deemed received, as the case may be. The Offer also is subject to other conditions as described in this Offer to Purchase. See Section 15 — "Certain Conditions of the Offer."

RC2 has advised Parent that, on March 10, 2011, Robert W. Baird & Co. Incorporated ("Baird"), RC2's financial advisor in connection with the Offer and the Merger, rendered its opinion to RC2's board of directors to the effect that, based upon and subject to the contents of such opinion, including the various assumptions, qualifications and limitations set forth therein and as of such date, the consideration to be received by the holders of Shares (other than Parent and its affiliates) in the Offer and the Merger, taken in the aggregate, was fair, from a financial point of view, to such holders. **The full text of the written opinion of Baird, dated March 10, 2011, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by Baird in rendering such opinion, will be attached as an annex to RC2's Solicitation/Recommendation Statement on Schedule 14D-9 to be filed with the Securities and Exchange Commission ("SEC") and mailed to RC2's stockholders by RC2. Baird's opinion is directed only to the fairness, as of the date of the opinion and from a financial point of view, to the holders of the Shares (other than Parent and its affiliates) of the consideration to be received by the holders of Shares (other than Parent and its affiliates) in the Offer and the Merger and does not constitute a recommendation to RC2's board of directors, any of RC2's stockholders, or any other person as to how any such person should vote or act with respect to the Offer or the Merger or whether any RC2 stockholder should tender Shares in the Offer or any other offer.**

Consummation of the Merger is conditioned upon, among other things, the adoption of the Merger Agreement by the requisite vote of stockholders of RC2, if required by Delaware law. Under Delaware law, the affirmative vote of a majority of the outstanding Shares is the only vote of any class or series of RC2's capital stock that would be necessary to adopt the Merger Agreement at any required meeting of RC2's stockholders. If we accept and purchase Shares in the Offer, we will have sufficient voting power to adopt the Merger Agreement without the affirmative vote of any other stockholder of RC2. In addition, Delaware law provides that if a corporation owns at least 90% of the outstanding shares of each class of stock of a subsidiary corporation entitled to vote on a merger, the corporation holding such stock may merge such subsidiary into itself, or itself into such subsidiary, without any action or vote on the part of the board of directors or the stockholders of such other corporation. Under the Merger Agreement, if Parent or Purchaser acquires at least 90% of the outstanding Shares (including Shares issued pursuant to the Top-Up Option), Parent, Purchaser and RC2 agreed, subject to the conditions to the Merger specified in the Merger Agreement, to take all necessary and appropriate actions to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of RC2, in accordance with Section 253 of the Delaware General Corporation Law (as amended, the "DGCL").

This Offer to Purchase and the Letter of Transmittal contain important information that should be read carefully in its entirety before any decision is made with respect to the Offer.

THE TENDER OFFER

1. Terms of the Offer.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), we will accept for payment and promptly after the Expiration Date pay for all Shares validly tendered prior to the Expiration Date and not validly withdrawn as permitted under Section 4 — "Withdrawal Rights." The term "Expiration Date" means 12:00 midnight, New York City time, at the end of April 20 2010, unless we, in accordance with the Merger Agreement, extend the period during which the Offer is open, in which event the term "Expiration Date" means the latest time and date at which the Offer, as so extended, expires.

The Offer is conditioned upon, among other things, the absence of a termination of the Merger Agreement in accordance with its terms and the satisfaction or waiver (to the extent permitted under the Merger Agreement) of the Minimum Condition, the Antitrust Condition and the other conditions described in Section 15 — "Certain Conditions of the Offer."

Subject to the applicable rules and regulations of the SEC and the provisions of the Merger Agreement, we expressly reserve the right, in our sole discretion, at any time or from time to time, (1) to terminate the Offer if any of the conditions set forth in Section 15 — "Certain Conditions of the Offer" have not been satisfied, (2) to waive any condition to the Offer or (3) otherwise amend the Offer in any respect, in each case by giving oral or written notice of such extension, termination, waiver or amendment to the Depositary and by making a public announcement thereof.

The rights reserved by us as described in the preceding paragraph are in addition to the rights described in Section 15 — "Certain Conditions of the Offer." Any extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date, in accordance with the public announcement requirements of Rule 14e-1(d) under the Exchange Act. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that material changes be promptly disseminated to stockholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which we may choose to make any public announcement, we shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to a national news service.

Under the Merger Agreement, we expressly reserve the right to waive any of the conditions to the Offer and to make other changes in the terms and conditions of the Offer, except that, without the prior written consent of RC2, we will not: (1) amend or waive the Minimum Condition; (2) decrease the Offer Price; (3) decrease the number of Shares sought in the Offer; (4) change the form of consideration payable in the Offer; (5) impose conditions to the Offer that are in addition to the Offer Conditions; (6) extend the Expiration Date of the Offer in any manner other than as permitted under the Merger Agreement; or (7) amend any of the terms and conditions to the Offer in any manner adverse to holders of Shares.

Under the Merger Agreement we may, from time to time, in our sole discretion, extend the Offer for one or more periods of not more than five business days each beyond the Expiration Date, if on any scheduled Expiration Date, any of the conditions to the Offer are not satisfied or waived; provided that we are not entitled to extend the Offer beyond September 10, 2011 In addition, under the Merger Agreement, we may increase the Offer Price and extend the Offer to the extent required by applicable law in connection with such increase in each case in our sole discretion and without RC2's consent.

Under the Merger Agreement, we must extend the Offer: (1) until April 25, 2011, if there is one or more Extension Excluded Parties as of the Extension Excluded Party Notice Date and RC2 has delivered to Parent a written notice identifying such Extension Excluded Party (as defined in this Section 11 — "The Merger Agreement; Other Agreements — Go Shop") in accordance with the Merger Agreement; (2) to the extent required by any rule, regulation, interpretation or position of the SEC or the SEC staff or Nasdaq applicable to the Offer; (3) for one or more periods of no more than five business days each (or such longer period as we

and RC2 may agree) until the Antitrust Condition is satisfied or waived; provided that we are not required to extend the Offer beyond September 10, 2011 or at any time that we are entitled to terminate the Merger Agreement and (4) on a single occasion for a five business day period, if on any scheduled Expiration Date, the Minimum Condition is not satisfied but all other conditions set forth in Section 15 — "Certain Conditions of the Offer" are satisfied; provided that we are not required to extend the Offer beyond September 10, 2011 or at any time that we are entitled to terminate the Merger Agreement.

If we extend the Offer, are delayed in our acceptance for payment of or payment (whether before or after our acceptance for payment for Shares) for Shares or are unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may retain tendered Shares on our behalf, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described herein under Section 4 — "Withdrawal Rights." However, our ability to delay the payment for Shares that we have accepted for payment is limited by Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), which requires us to pay the consideration offered or return the securities deposited by or on behalf of stockholders promptly after the termination or withdrawal of the Offer.

If we make a material change in the terms of the Offer or the information concerning the Offer or if we waive a material condition of the Offer, we will disseminate additional tender offer materials and extend the Offer if and to the extent required by Rules 14d-4(d)(1), 14d-6(c) and 14e-1 under the Exchange Act. The minimum period during which an offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the terms or information changes. In the SEC's view, an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to stockholders, and with respect to a change in price or a change in percentage of securities sought, a minimum 10 business day period generally is required to allow for adequate dissemination to stockholders and investor response.

If, on or prior to the Expiration Date, we increase the consideration being paid for Shares accepted for payment in the Offer, such increased consideration will be paid to all stockholders whose Shares are purchased in the Offer, whether or not such Shares were tendered before the announcement of the increase in consideration.

Under certain circumstances, we may terminate the Merger Agreement and the Offer. If the Merger Agreement is terminated pursuant to its terms, we will promptly (and in any event within 24 hours), irrevocably and unconditionally terminate the Offer. If we terminate the Offer, or the Merger Agreement is terminated prior to our acquisition of Shares in the Offer, the Depositary will promptly return, in accordance with applicable law, all Shares that have been tendered in the Offer to the registered holders of such Shares.

Under the Merger Agreement, we may, in our sole discretion, choose to provide for a subsequent offering period in accordance with Rule 14d-11 under the Exchange Act of not more than 20 business days to meet the objective that there be validly tendered, in accordance with the terms of the Offer, prior to the Expiration Date and not validly withdrawn a number of Shares, which when added to the Shares already owned by Parent, Purchaser or any of Parent's other subsidiaries, represent at least 90% of the then outstanding Shares (including following the exercise of the Top-Up Option (as defined below)). A subsequent offering period is different from an extension of the Offer. The subsequent offering period, if included, will be an additional period of at least three business days and not more than 20 business days, beginning on the next business day following the expiration of the Offer, during which stockholders may tender, but not withdraw, any of their remaining Shares and receive the Offer Price. If we include a subsequent offering period, we will immediately accept and promptly pay for all Shares that were validly tendered and not validly withdrawn during the initial offering period. During a subsequent offering period, tendering stockholders will not have withdrawal rights, and we will immediately accept and promptly pay for any Shares tendered during the subsequent offering period.

We do not currently intend to provide a subsequent offering period for the Offer, although we reserve the right to do so. If we elect to provide or extend any subsequent offering period, a public announcement of such

determination will be made no later than 9:00 a.m., New York City time, on the next business day after the Expiration Date (in the case of an election by us to provide a subsequent offering period) or date of the previously-scheduled termination of the subsequent offering period (in the case of an election by us to extend the subsequent offering period).

Under the Merger Agreement, we have the option (the "Top-Up Option"), upon the terms and subject to the conditions set forth in the Merger Agreement, to purchase from RC2, at a price per Share equal to the Offer Price, a number of newly issued Shares that, when added to the number of Shares owned directly or indirectly by Parent or Purchaser or any of Parent's other subsidiaries at the time of such exercise, will constitute one Share more than 90% of the Shares that will be outstanding immediately after issuance of those newly issued Shares. We may exercise the Top-Up Option, in whole but not in part, at any time on or after the date we accept for payment all Shares validly tendered and not withdrawn pursuant to the Offer and prior to the earlier to occur of (1) the Effective Time and (2) the termination of the Merger Agreement in accordance with its terms. The Top-Up Option cannot be exercised if the number of Shares to be issued pursuant to the Top-Up Option would exceed the number of authorized and unissued Shares not otherwise reserved for issuance.

RC2 has provided us with RC2's stockholder list and security position listings for the purpose of disseminating this Offer to Purchase, the Letter of Transmittal and other tender offer materials to holders of Shares. Copies of the Offer to Purchase and the Letter of Transmittal, in each case as of March 24, 2011, will be mailed to record holders of Shares whose names appear on RC2's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. Acceptance for Payment and Payment for Shares.

Subject to the satisfaction or waiver of all the conditions to the Offer set forth in Section 15 — "Certain Conditions of the Offer," we will accept for payment and promptly after the Expiration Date pay for Shares validly tendered and not validly withdrawn pursuant to the Offer on or prior to the Expiration Date. If we commence a subsequent offering period in connection with the Offer, we will immediately accept for payment and promptly pay for all additional Shares tendered during such subsequent offering period, subject to and in compliance with the requirements of Rule 14d-11(e) under the Exchange Act. Subject to compliance with Rule 14e-1(c) under the Exchange Act and the terms of the Merger Agreement, we expressly reserve the right to delay payment for Shares in order to comply in whole or in part with any applicable law, including, without limitation, the HSR Act and any other applicable foreign antitrust, competition or merger control laws. See Section 16 — "Certain Legal Matters; Regulatory Approvals."

In all cases (including during any subsequent offering period), we will pay for Shares accepted for payment pursuant to the Offer only after timely receipt by the Depositary of (1) except in the case of Shares held in a book-entry/direct registration account maintained by RC2's transfer agent (a "DRS Account") (and not through a financial institution that is a participant in the system of DTC), the certificates evidencing such Shares (the "Share Certificates") or confirmation of a book-entry transfer of such Shares (a "Book-Entry Confirmation") into the Depositary's account at The Depository Trust Company ("DTC") pursuant to the procedures described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares," (2) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined below) in lieu of the Letter of Transmittal and (3) any other documents required by the Letter of Transmittal. Accordingly, tendering stockholders may be paid at different times depending upon when Share Certificates or Book-Entry Confirmations with respect to Shares are actually received by the Depositary.

The term "Agent's Message" means a message, transmitted by DTC to and received by the Depositary and forming a part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from the participant in DTC tendering the Shares that are the subject of such Book-Entry Confirmation,

that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

For purposes of the Offer (including during any subsequent offering period), we will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not validly withdrawn as, if and when we give oral or written notice to the Depositary of our acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depositary, which will act as paying agent for tendering stockholders for the purpose of receiving payments from us and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. If we extend the Offer, are delayed in our acceptance for payment of Shares or are unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may retain tendered Shares on our behalf, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described herein under Section 4 — "Withdrawal Rights" and as otherwise required by Rule 14e-1(c) under the Exchange Act. **Under no circumstances will we pay interest on the purchase price for Shares by reason of any extension of the Offer or any delay in making such payment.**

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer, or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering stockholder (or (1) in the case of Shares tendered by book-entry transfer into the Depositary's account at DTC pursuant to the procedures described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares," such Shares will be credited to an account maintained at DTC, and (2) in the case of Shares tendered from a DRS Account, such Shares will be credited to the applicable DRS Account), promptly following the expiration or termination of the Offer.

3. Procedures for Accepting the Offer and Tendering Shares.

Valid Tenders. In order for a stockholder to validly tender Shares pursuant to the Offer, either (1) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal) and any other documents required by the Letter of Transmittal must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and, except in the case of Shares held in a book-entry/direct registration account maintained by RC2's transfer agent (a "DRS Account") (and not through a financial institution that is a participant in the system of DTC), either (A) the Share Certificates evidencing such Shares must be received by the Depositary at such address or (B) such Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case on or prior to the Expiration Date or the expiration of the subsequent offering period, if any or (2) the tendering stockholder must comply with the guaranteed delivery procedures described below under "Guaranteed Delivery."

The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through DTC, is at the option and risk of the tendering stockholder, and the delivery of all such documents will be deemed made only when actually received by the Depositary (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at DTC for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of DTC may make a book-entry delivery of Shares by causing DTC to transfer such Shares into the Depositary's account at DTC in accordance with DTC's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer at DTC, either the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly

executed, together with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the expiration of the subsequent offering period, if any, or the tendering stockholder must comply with the guaranteed delivery procedure described below. Delivery of documents to DTC does not constitute delivery to the Depositary.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal (1) if the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section 3, includes any participant in DTC's systems whose name appears on a security position listing as the owner of the Shares) of the Shares tendered therewith, unless such holder has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (2) if the Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing in the Securities Transfer Agents Medallion Program or any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 of the Exchange Act (each an "Eligible Institution" and collectively "Eligible Institutions"). In all other cases, all signatures on a Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a Share Certificate is registered in the name of a person or persons other than the signer of the Letter of Transmittal, or if payment is to be made or delivered to, or a Share Certificate not accepted for payment or not tendered is to be issued in, the name of a person other than the registered holder, then the Share Certificate must be endorsed or accompanied by duly executed stock powers, in either case signed exactly as the name of the registered holder appears on the Share Certificate, with the signature on such Share Certificate or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and the Share Certificates evidencing such stockholder's Shares are not immediately available or such stockholder cannot deliver the Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date, or such stockholder cannot complete the procedure for delivery by book-entry transfer or the tender of Shares from a DRS Account on a timely basis, such Shares may nevertheless be tendered, provided that all of the following conditions are satisfied:

- such tender is made by or through an Eligible Institution;
- a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by us, is received on or prior to the Expiration Date by the Depositary as provided below; and
- the Depositary receives, within three Nasdaq trading days after the date of execution of such Notice of Guaranteed Delivery either (1) in the case of Shares other than those held in a DRS Account, the Share Certificates (or a Book-Entry Confirmation) evidencing all such tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal or (2) in the case of Shares held in a DRS Account, the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, and any other documents required by the Letter of Transmittal.

The Notice of Guaranteed Delivery may be delivered by manually signed facsimile transmission or mailed to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser. The procedures for guaranteed delivery above may not be used during any subsequent offering period.

Notwithstanding any other provision of the Offer, payment for Shares accepted pursuant to the Offer will in all cases only be made after timely receipt by the Depositary of (1) except with respect to Shares in a DRS Account, certificates evidencing such Shares or a Book-Entry Confirmation of a book-entry transfer of such Shares into the Depositary's account at DTC pursuant to the procedures described in this Section 3, (2) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together

with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal and (3) any other documents required by the Letter of Transmittal. Accordingly, tendering stockholders may be paid at different times depending upon when Share Certificates or Book-Entry Confirmations with respect to Shares are actually received by the Depositary.

Binding Agreement. The tender of Shares pursuant to any one of the procedures described above will constitute the tendering stockholder's acceptance of the Offer, as well as the tendering stockholder's representation and warranty that such stockholder has the full power and authority to tender and assign the Shares tendered, as specified in the Letter of Transmittal. Our acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and us upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of or the conditions to any such extension or amendment).

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by us, in our sole discretion, which determination will be final and binding on all parties. We reserve the absolute right to reject any and all tenders determined by us not to be in proper form or the acceptance for payment of which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defect or irregularity in the tender of any Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived to our satisfaction. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Our interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

Appointment as Proxy. By executing the Letter of Transmittal as set forth above, the tendering stockholder will irrevocably appoint designees of Purchaser as such stockholder's attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares. All such powers of attorney and proxies will be considered irrevocable and coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, we accept for payment Shares tendered by such stockholder as provided herein. Upon such appointment, all prior powers of attorney, proxies and consents given by such stockholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such stockholder (and, if given, will not be deemed effective). The designees of Purchaser will thereby be empowered to exercise all voting and other rights with respect to such Shares and other securities or rights, including, without limitation, in respect of any annual or special meeting of RC2's stockholders or any adjournment or postponement thereof, actions by written consent in lieu of any such meeting or otherwise, as they in their sole discretion deem proper. We reserve the right to require that, in order for Shares to be deemed validly tendered, immediately upon our acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares and other related securities or rights, including voting at any meeting of RC2's stockholders.

Information Reporting and Backup Withholding. Payments made to stockholders of RC2 in the Offer or the Merger generally will be subject to information reporting and may be subject to backup withholding. To avoid backup withholding, stockholders that do not otherwise establish an exemption should complete and return the Substitute Form W-9 included in the Letter of Transmittal, certifying that such stockholder is a U.S. person, the taxpayer identification number provided is correct, and that such stockholder is not subject to backup withholding. Certain stockholders (including corporations) generally are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service ("IRS"). Non-U.S. stockholders should submit an appropriate and properly completed IRS Form W-8, a copy of which may be

obtained from the Depositary, in order to avoid backup withholding. Such stockholders should consult a tax advisor to determine which Form W-8 is appropriate.

4. Withdrawal Rights.

Except as otherwise provided in this Section 4, tenders of Shares made pursuant to the Offer are irrevocable.

Shares tendered pursuant to the Offer may be withdrawn at any time on or prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after May 22, 2011, which is 60 days from the date of the commencement of the Offer.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares to be withdrawn were tendered from a DRS Account, the applicable notice of withdrawal must also specify the name and number of the DRS Account to be credited with such withdrawn Shares, and if Shares to be withdrawn have been tendered pursuant to the procedure for book-entry transfer as described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares," the applicable notice of withdrawal must also specify the name and number of the account at DTC to be credited with such withdrawn Shares.

Withdrawals of Shares may not be rescinded. Any Shares validly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered by again following one of the procedures described in Section 3 — "Procedures for Accepting the Offer and Tendering Shares" at any time on or prior to the Expiration Date or during the subsequent offering period, if any (except that Shares may not be re-tendered using the procedures for guaranteed delivery during any subsequent offering period).

No withdrawal rights will apply to Shares tendered during a subsequent offering period and no withdrawal rights apply during the subsequent offering period with respect to Shares tendered in the Offer and accepted for payment. See Section 1 — "Terms of the Offer."

We will determine, in our sole discretion, all questions as to the form and validity (including time of receipt) of any notice of withdrawal and our determination will be final and binding. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

5. Certain United States Federal Income Tax Consequences to U.S. Holders of Shares.

The following is a summary of certain United States federal income tax consequences of the Offer and the Merger to stockholders of RC2 whose Shares are tendered and accepted for payment pursuant to the Offer or whose Shares are converted into the right to receive cash in the Merger. The summary is for general information only and does not purport to consider all aspects of United States federal income taxation that might be relevant to stockholders of RC2. The summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing, proposed and temporary regulations thereunder and administrative and judicial interpretations thereof in effect as of the date of this Offer, all of which are subject to change, possibly with retroactive effect. We have not sought, and do not intend to seek, any ruling from the IRS or any opinion of counsel with respect to the statements made and the conclusions reached in the

following summary, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation.

The summary applies only to stockholders of RC2 in whose hands Shares are capital assets within the meaning of Section 1221 of the Code. This summary does not address foreign, state or local tax consequences of the Offer or the Merger, nor does it purport to address the U.S. federal income tax consequences of the transactions to holders of equity awards under RC2's equity compensation plans, or to special classes of taxpayers (*e.g.*, foreign taxpayers, small business investment companies, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, cooperatives, banks and certain other financial institutions, insurance companies, tax-exempt organizations, retirement plans, stockholders that are, or hold Shares through, partnerships or other pass-through entities for U.S. federal income tax purposes, United States persons whose functional currency is not the United States dollar, dealers in securities or foreign currency, traders that mark-to-market their securities, expatriates and former long-term residents of the United States, persons subject to the alternative minimum tax, stockholders holding Shares that are part of a straddle, hedging, constructive sale or conversion transaction, stockholders who received Shares in compensatory transactions, pursuant to the exercise of employee stock options, stock purchase rights or stock appreciation rights, as restricted stock or otherwise as compensation, and stockholders that beneficially own (actually or constructively), more than 5% of the total fair market value of the Shares). In addition, this summary does not address U.S. federal taxes other than income taxes.

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Shares that, for United States federal income tax purposes, is: (1) an individual citizen or resident of the United States; (2) a corporation, or an entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, or of any state or the District of Columbia; (3) an estate, the income of which is subject to United States federal income tax regardless of its source; or (4) a trust, if (A) a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons, within the meaning of Section 7701(a)(30) of the Code, have authority to control all of the trust's substantial decisions or (B) the trust has validly elected to be treated as a United States person for United States federal income tax purposes. This discussion does not address the tax consequences to stockholders who are not U.S. Holders.

If a partnership, or an other entity treated as a partnership for United States federal income tax purposes, holds Shares, the tax treatment of its partners or members generally will depend upon the status of the partner or member and the partnership's activities Accordingly, partnerships or other entities treated as partnerships for United States federal income tax purposes that hold Shares, and partners or members in those entities, are urged to consult their tax advisors regarding the specific United States federal income tax consequences to them of the Offer and the Merger.

Because individual circumstances may differ, each stockholder should consult its, his or her own tax advisor to determine the applicability of the rules discussed below and the particular tax effects of the Offer and the Merger on a beneficial holder of Shares, including the application and effect of the alternative minimum tax and any state, local and foreign tax laws and of changes in such laws.

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction to U.S. Holders for United States federal income tax purposes. In general, a U.S. Holder who sells Shares pursuant to the Offer or receives cash in exchange for Shares pursuant to the Merger will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received (determined before the deduction of any withholding tax) and the U.S. Holder's adjusted tax basis in the Shares sold pursuant to the Offer or exchanged for cash pursuant to the Merger. Gain or loss will be determined separately for each block of Shares (that is, Shares acquired at the same cost in a single transaction) tendered pursuant to the Offer or exchanged for cash pursuant to the Merger. Such gain or loss will be long-term capital gain or loss, provided that a U.S. Holder's holding period for such block of Shares is more than one year at the time of consummation of the Offer or the Merger, as the case may be. Capital gains recognized by an individual upon a disposition of a Share that has been held for more than one year generally will be subject to a maximum United States federal income tax rate of 15%. In the case of a

Share that has been held for one year or less, such capital gains generally will be subject to tax at ordinary income tax rates. Certain limitations apply to the use of a U.S. Holder's capital losses.

A U.S. Holder whose Shares are purchased in the Offer or exchanged for cash pursuant to the Merger is subject to information reporting and may be subject to backup withholding unless certain information is provided to the Depositary or an exemption applies. See Section 3 — "Procedures for Accepting the Offer and Tendering Shares."

6. Price Range of Shares; Dividends.

The Shares currently trade on the NASDAQ Global Select Market ("Nasdaq") under the symbol "RCRC." As of the close of business on March 23, 2011, RC2 advised Parent that there were 21,659,048 Shares issued and outstanding (including 74,170 shares of unvested restricted stock).

The following table sets forth, for the periods indicated, the high and low sale prices per Share, as reported by Nasdaq based on published financial sources.

	High	Low
Year Ended December 31, 2009		
First Quarter	$11.11	$ 3.22
Second Quarter	15.40	5.02
Third Quarter	17.72	12.44
Fourth Quarter	16.48	12.43
Year Ended December 31, 2010		
First Quarter	$16.79	$14.00
Second Quarter	20.06	14.69
Third Quarter	21.60	14.54
Fourth Quarter	24.30	20.50
Year Ended December 31, 2011		
First Quarter (through March 23, 2011)	$28.86	$19.12

On March 9, 2011, the last full day of trading before the public announcement of the terms of the Offer and the Merger, the reported closing sales price of the Shares on Nasdaq was $21.93. On March 23, 2011, the last full day of trading before the commencement of the offer, the reported closing sales price of the Shares on Nasdaq was $28.19. The Offer Price represents a 27.2% premium over the March 9, 2011 closing stock price. RC2 has not declared or paid a dividend in the past two years. According to RC2's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, RC2 currently intends to retain any earnings for use in operations to repay indebtedness and for expenses of RC2's business and, therefore, it does not anticipate paying any cash dividends in the foreseeable future. Additionally, RC2's credit agreement and the Merger Agreement prohibit RC2 from declaring or paying any dividends on any class or series of its capital stock. **Stockholders are urged to obtain a current market quotation for the Shares.**

7. Certain Information Concerning RC2.

Except as specifically set forth herein, the information concerning RC2 contained in this Offer to Purchase has been taken from or is based upon information furnished by RC2 or its representatives or upon publicly available documents and records on file with the SEC and other public sources. The summary information set forth below is qualified in its entirety by reference to RC2's public filings with the SEC (which may be obtained and inspected as described below) and should be considered in conjunction with the more comprehensive financial and other information in such reports and other publicly available information. We have no knowledge that would indicate that any statements contained herein based on such documents and records are untrue. However, we do not assume any responsibility for the accuracy or completeness of the information concerning RC2, whether furnished by RC2 or contained in such documents and records, or for

any failure by RC2 to disclose events which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to us.

General. RC2 is a Delaware corporation with its principal offices located at 1111 West 22nd Street, Suite 320, Oak Brook, Illinois 60523. RC2's telephone number is (630) 573-7200. The following description of RC2 and its business has been taken from RC2's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and is qualified in its entirety by reference to such Form 10-K. RC2 is a leading designer, producer and marketer of a broad range of innovative, high-quality products for mothers, infants, and toddlers, as well as toys and collectible products sold to preschoolers, youths and adults. RC2's mother, infant, toddler and preschool products are primarily marketed under its Learning Curve® family of brands, which includes The First Years®, Lamaze® and JJ Cole® Collections brands, as well as popular and classic licensed properties such as Thomas & Friends, Bob the Builder, Special Agent Oso, Chuggington, Dinosaur Train, John Deere, Disney's Winnie the Pooh, Princesses, Cars, Fairies and Toy Story, Ziploc, and other well-known properties. RC2 markets its youth and adult products primarily under the Johnny Lightning® and Ertl® brands. RC2 reaches its target consumers through multiple channels of distribution supporting more than 25,000 retail outlets throughout North America, Europe, Australia, Asia Pacific and South America.

Available Information. The Shares are registered under the Exchange Act. Accordingly, RC2 is subject to the information reporting requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information as of particular dates concerning RC2's directors and officers, their remuneration, stock options granted to them, the principal holders of RC2's securities, any material interests of such persons in transactions with RC2 and other matters is required to be disclosed in proxy statements, the most recent one having been filed with the SEC on March 23, 2010 and distributed to RC2's stockholders on or about March 26, 2010. Such information also will be available in RC2's Solicitation/Recommendation Statement on Schedule 14D-9 and the Information Statement annexed thereto. Such reports, proxy statements and other information filed by RC2 with the SEC are available for inspection at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Copies of such information may be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC at the address above. The SEC also maintains a web site on the Internet at www.sec.gov that contains reports, proxy statements and other information regarding registrants, including RC2, that file electronically with the SEC.

Financial Projections. In connection with our due diligence review of RC2, RC2 made available to us certain non-public financial information about RC2, including financial projections prepared by RC2's management. A summary of these projections is set forth below.

RC2 has advised us that its financial projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to RC2's business, including the renewal of certain key licenses and achieving a high level of success in expanding RC2's Chuggington product line, all of which are difficult to predict and many of which are beyond RC2's control. These financial projections are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, these financial projections constitute forward-looking information and are subject to risks and uncertainties, including the various risks described in RC2's periodic reports filed with the SEC. The financial projections cover multiple years and such information by its nature becomes less reliable with each successive year.

Important factors that may affect actual results and result in projected results not being achieved include those risk factors set forth in RC2's filings with the SEC, including RC2's annual report on Form 10-K for the year ended December 31, 2010 and quarterly and current reports on Form 10-Q and Form 8-K, including, but not limited to, competition for licenses used to market RC2 products; product recalls or claims or other product safety issues; market acceptance of new product offerings; increases in the cost of labor, transportation or raw materials; uncertainty and changes in general economic conditions; currency exchange rate fluctuations; competition in RC2's markets; difficulties in integrating strategic acquisitions; inability to identify or complete

future acquisitions; supply disruptions; collection of accounts receivable; certain international business risks; impairment charges; the restrictive covenants governing RC2's indebtedness; trademark infringement or other intellectual property claims; the continued willingness of chain retailers to purchase and provide space for RC2's products; and seasonality of sales of certain products.

RC2 has advised us that the financial projections were prepared solely for internal use and not with a view toward public disclosure or toward complying with generally accepted accounting principles or "GAAP," the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The financial projections included below were prepared by, and are the responsibility of, RC2's management. Neither RC2's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial projections included below, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the financial projections.

The inclusion of the projections in this Offer to Purchase should not be regarded as an indication that any of RC2, Purchaser, Parent or their affiliates, advisors or representatives considered or consider the projections to be predictive of actual future events, and the projections should not be relied upon as such. Neither RC2 nor Purchaser, Parent or their respective affiliates, advisors, officers, directors or representatives can give any assurance that actual results will not differ from the projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the projections to reflect circumstances existing after the date such projections were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. Neither RC2 nor Purchaser or Parent intend to make publicly available any update or other revisions to the projections, except as required by law. None of RC2, Purchaser, Parent or their respective affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder or other person regarding the ultimate performance of RC2 compared to the information contained in the projections or that forecasted results will be achieved. RC2 has made no representation to us, in the Merger Agreement or otherwise, concerning the projections. Furthermore, neither RC2 nor Purchaser, Parent and any of their respective affiliates or representatives makes any representation to any other person regarding the projections. The projections are not being included in this Offer to Purchase to influence a stockholder's decision whether to tender his or her Shares in the Offer, but because the projections were made available by RC2 to us.

In light of the foregoing factors and the uncertainties inherent in the projections, RC2's stockholders are cautioned not to place undue, if any, reliance on the projections.

	2011	2012	2013	2014	2015
	(In millions)				
Net Sales	$521	$633	$688	$746	$808
Gross Profit	222	269	292	317	343
Adjusted EBITDA(1)	86	114	128	144	161

(1) Adjusted EBITDA represents earnings before interest, income taxes, depreciation and amortization expense, plus stock-based compensation expense.

8. Certain Information Concerning Parent and Purchaser.

Parent is a company organized under the laws of Japan. Its principal offices are located at 7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan. The telephone number of Parent's principal offices is +81-3-5654-1288. Parent is a leading global toy and infant products company based in Japan and listed on the Tokyo Stock Exchange. Parent was originally formed in 1924 under the name Tomiyama Toy Seisakusho and is Japan's largest global toy and children's merchandise company with 25 subsidiaries and affiliated companies worldwide. Parent's total sales for the fiscal year ended March 2010 equaled ¥178.7 billion (the approximate equivalent of $2.20 billion).

Purchaser is a Delaware corporation formed on March 1, 2011 solely for the purpose of completing the Offer and the Merger and has conducted no business activities other than those related to the structuring and negotiation of the Offer and the Merger and arranging the debt financing in connection with the Offer and the Merger. Purchaser's principal offices are located at 7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan. Purchaser has minimal assets and liabilities other than the contractual rights and obligations related to the Merger Agreement and the debt financing in connection with the Offer and the Merger. Upon the completion of the Merger, Purchaser will cease to exist and RC2 will continue as the surviving corporation. Until immediately prior to the time Purchaser purchases Shares pursuant to the Offer, it is not anticipated that Purchaser will have any significant assets or liabilities or engage in activities other than those incidental to its formation and capitalization and the transactions contemplated by the Offer and the Merger. Purchaser's principal offices and telephone number are the same as Parent's.

Purchaser is a direct wholly owned subsidiary of TOMY Corporation, a Delaware corporation ("Tomy USA"), and Tomy USA is a direct wholly owned subsidiary of Parent. Tomy USA's principal business is the same as Parent's. Tomy USA's principal offices are located at 3 Imperial Promenade, Suite 950, Santa Ana, California 92707. The telephone number of Tomy USA's principal offices is (949) 955-1030.

The name, citizenship, business address, present principal occupation or employment and five-year employment history of each of the members, directors or executive officers of Parent and Purchaser are listed in Schedule I to this Offer to Purchase.

During the last five years, to the best knowledge of Purchaser and Parent, none of Purchaser, Parent or any of the persons listed in Schedule I to this Offer to Purchase (1) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) was a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of such laws.

To the best knowledge of Purchaser and Parent, except as described above or in Schedule I hereto (1) none of Purchaser, Parent or any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of Parent or Purchaser or any of the persons so listed beneficially owns or has any right to acquire, directly or indirectly, any Shares and (2) none of Parent, Purchaser or any of the persons referred to in Schedule I hereto nor any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Shares during the past 60 days.

Except as provided in the Merger Agreement, the employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," the Confidentiality Agreement or as otherwise described in this Offer to Purchase, to the best knowledge of Purchaser and Parent, none of Purchaser, Parent or any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of RC2 (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss, or the giving or withholding of proxies, consents or authorizations).

Except as set forth in this Offer to Purchase, to the best knowledge of Purchaser and Parent, none of the Purchaser, Parent or any of the persons listed in Schedule I hereto, has had any business relationship or transaction with RC2 or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or any of its subsidiaries or, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and RC2 or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets during the past two years.

In June 2009, Parent purchased certain toy products from a subsidiary of RC2 and the total purchase price was ¥46,344,349.

Available Information. Pursuant to Rule 14d-3 under the Exchange Act, we have filed with the SEC a Tender Offer Statement on Schedule TO (the "Schedule TO"), of which this Offer to Purchase forms a part, and exhibits to the Schedule TO. The Schedule TO and the exhibits thereto, as well as other information filed by Purchaser with the SEC, are available for inspection at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Copies of such information may be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC at the address above. The SEC also maintains a web site on the Internet at www.sec.gov that contains the Schedule TO and the exhibits thereto and other information that Purchaser has filed electronically with the SEC.

9. Source and Amount of Funds.

Completion of the Offer is not conditioned upon obtaining financing. Because the only consideration to be paid in the Offer and the Merger is cash, the Offer is to purchase all issued and outstanding Shares, and there is no financing condition to the completion of the Offer, we believe the financial condition of Parent and Purchaser is not material to a decision by a holder of Shares whether to sell, hold or tender Shares in the Offer.

Parent and Purchaser estimate that the total funds required to complete the Offer and the Merger, to repay certain existing debt of RC2, and to pay related transaction fees and expenses will be approximately $698 million. Purchaser anticipates funding these payments with a combination of cash on hand and debt financing as described herein and, with respect to payments subsequent to the completion of the Merger, certain cash on hand of RC2. Funding of the debt financing is subject to the satisfaction of the conditions set forth in the commitment letter under which the debt financing will be provided.

The following summary of certain financing arrangements in connection with the Offer and the Merger is qualified in its entirety by reference to the commitment letter described below, a copy of which is filed as an exhibit to the Schedule TO filed with the SEC and is incorporated by reference herein. Stockholders are urged to read the commitment letter for a more complete description of the provisions summarized below.

Commitments. We have obtained commitments from Sumitomo Mitsui Banking Corporation, as lead arranger and agent under the credit facility (Sumitomo Mitsui Banking Corporation shall hereinafter be referred to as "SMBC"), to provide, subject to certain conditions, loans of up to ¥50 billion (the approximate equivalent of $620 million) under a proposed new credit facility which will be used to pay a portion of the cash consideration in connection with the Offer and the Merger, and repay any outstanding amount under RC2's current credit facility dated November 3, 2008, as amended, ("RC2's Existing Credit Facility") among RC2 and certain of its Subsidiaries, Bank of Montreal, as administrative agent, and certain lenders party thereto. The full amount of the commitment is available to be used to finance the cash portion of the consideration to be paid to RC2's stockholders in connection with the Offer, the Merger, to pay transaction costs and the repayment of RC2's Existing Credit Facility. The following is a summary of the material terms of this commitment. The documentation governing the credit facility contemplated by these commitments has not been finalized, and accordingly, the actual terms may differ from the summary below. Parent does not currently have any alternative arrangements or alternative plans with respect to financing the cash consideration in the Offer and the Merger.

Credit Facility. Upon the satisfaction of the conditions described below, Parent will have access to an approximate six-year loan in an aggregate principal amount of up to ¥50 billion, of which up to ¥15 billion (the approximate equivalent of $186 million) may be borrowed by Purchaser in US dollars. The credit facility will be used to fund the cash portion of the consideration to be paid to RC2's stockholders pursuant to the Offer and the Merger, to pay transaction costs and to repay any outstanding amount under RC2's Existing Credit Facility.

Interest; Unused Commitment Fee. Each loan in Japanese Yen will bear interest at JBA TIBOR plus a spread. Each loan made in US dollars will bear interest at SMBC's cost plus a spread. Interest will accrue on JBA TIBOR based loans on the basis of a 365-day year. Unused loan commitments will be subject to an unused commitment fee equal to 2.5% of the unused commitment amount per annum, payable semi-annually in arrears.

Conditions to Borrowing. The initial borrowing under the credit facility will be subject to, among other things, the following conditions:

- the condition that since there shall not have been an event, occurrence, development or facts that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on RC2;
- the negotiation, execution and delivery of definitive documentation with respect to the credit facility consistent with the commitment letter;
- the Offer having been launched;
- Parent and RC2 having entered into a Merger Agreement;
- all fees and expenses due to the arranger, the administrative agent and the lenders shall have been paid in full;
- there shall have been no waivers, amendments, restatements, supplements or other modifications to the Merger Agreement other than as permitted by the commitment letter;
- the lenders shall have received all documentation and information required by the regulatory authorities under the applicable "know-your-customer" rules and regulations, including the PATRIOT Act;
- the accuracy of certain representations and warranties of Parent and Purchaser in the definitive agreements governing the credit facility;
- SMBC, as administrative agent on behalf of the lenders, shall have received corporate resolutions and customary certificates (including a solvency certificate); and
- the applicable borrower shall have delivered a draw down request.

Subsequent borrowings under the credit facility after the initial consummation of the Offer prior to the consummation of the Merger will be subject to the following conditions precedent:

- the Offer shall have been consummated and the initial extensions of credit under the credit facility shall have been made;
- the Merger Agreement shall be in full force and effect and there shall have been no modifications, waivers or amendments thereto or any consents in respect thereof other than as permitted by the commitment letter; and
- the applicable borrower shall have delivered a draw down request.

Borrowings under the credit facility on or after the consummation of the Merger are subject to the following conditions precedent:

- the Merger shall have been consummated; and
- the applicable borrower shall have delivered a drawdown request.

Prepayments and Repayments; Reductions in Commitments. The loans may be voluntarily repaid without premium on penalty, subject to payment of breakage costs.

In addition, the loans will amortize every three months beginning on June 30, 2012, in an aggregate amount equal to 2.50% of the aggregate amount borrowed under the credit facility, and the remaining principal amount shall be repaid in a lump sum on March 31, 2017.

Guarantees. Parent's obligations will be jointly and severally guaranteed by Purchaser and Purchaser's obligations will be jointly and severally guaranteed by Parent.

Representations and Warranties; Covenants; Events of Default. The terms of the credit facility will include customary representations and warranties, customary affirmative and negative covenants, customary financial covenants, and customary events of default.

10. Background of the Transaction; Past Contacts or Negotiations with RC2.

As part of its plan to position itself for future growth, Parent has focused on strengthening its consolidated business management, improving profitability independent of sales growth, strengthening its overseas business and promoting structural reform and profit enhancement initiatives. During its 2010 fiscal year, Parent accelerated the international development of its leading brands and worked to strengthen the overseas business of its core products in Asia, Europe and North America.

Against this background, Parent has been examining a range of options to expand its business globally. As part of this process, on August 27, 2010, Parent's President and Chief Executive Officer, Kantaro Tomiyama, contacted Curtis W. Stoelting, RC2's Chief Executive Officer, to propose a meeting to discuss a potential relationship or joint venture between RC2 and Parent.

On September 30, 2010, RC2's management participated in an introductory meeting with members of Parent's management.

On October 7, 2010, Mr. Tomiyama contacted Mr. Stoelting to arrange a follow-up meeting between RC2's senior executives and Parent's senior executives.

On October 21, 2010, senior executives from Parent, including Mr. Tomiyama, met with senior executives from RC2, including Mr. Stoelting. At this meeting, Mr. Tomiyama indicated that Parent was interested in exploring a strategic alliance between RC2 and Parent and requested a meeting in Tokyo for further discussions.

On November 9, 2010, RC2 entered into a confidentiality agreement with Parent and thereafter RC2 provided Parent with various documents and information.

On November 10 and 11, 2010, RC2's management attended meetings in Tokyo with Parent's management. During these meetings, Parent proposed entering into discussions for an acquisition of RC2 by Parent. Parent also asked RC2 to enter into an exclusivity agreement prohibiting RC2 from discussing a transaction with other parties for a specified period of time.

On November 12, 2010, Parent retained Merrill Lynch Japan Securities Co., Ltd. (acting through its affiliate, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as appropriate, "BofA Merrill Lynch") as its financial advisor in connection with a potential transaction with RC2.

On November 16, 2010, Parent met with its financial, strategic, legal, and accounting advisors to initiate and organize the process for a potential acquisition of RC2.

On November 29, 2010, Parent submitted an initial indication of interest for an acquisition of RC2 for $26 to $27 per share in cash. Parent also reiterated its request for an exclusivity agreement with Parent and indicated it would need an additional 50 days to complete due diligence. The indication of interest also provided that the acquisition would not be subject to a financing condition and was accompanied by highly confident letters from two debt financing sources.

On December 1, 2010, representatives of Baird contacted BofA Merrill Lynch to provide RC2's reaction to Parent's indication of interest and indicated that the $26 to $27 per share range was not sufficient to provide a basis for continued discussions.

On December 6, 2010, at Parent's direction, BofA Merrill Lynch contacted Baird and orally revised Parent's preliminary range to $27 to $28.50 per share. Parent asked again that RC2 enter into an exclusivity agreement.

On December 8, 2010, representatives of Baird communicated to BofA Merrill Lynch that RC2 would be willing to provide Parent and its advisors the opportunity to conduct due diligence on RC2 to enable Parent to refine its valuation and submit a revised proposal to RC2.

On December 10, 2010, RC2 gave Parent access to an electronic data room to facilitate its due diligence review. During the balance of December 2010 and January 2011, Parent and its advisers, including Parent's legal counsel, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), continued their due diligence review of the information in RC2's electronic data room, and held meetings and discussions with RC2 and its advisers.

From December 21 to 23, 2010, RC2's management, along with representatives of Baird, attended meetings in Chicago with management of Parent and Parent's strategic, legal, financial and accounting advisors. During these meetings, RC2 provided Parent with due diligence information, including a review of RC2's strategy, operations and financial performance.

From January 6 to 7, 2011, RC2's management attended meetings with management of Parent in Hong Kong to provide further information on RC2's international business and sourcing.

On January 14, 2011, RC2 provided Parent and its advisors with its preliminary 2010 financial results.

On January 18, 2011, Parent instructed BofA Merrill Lynch to contact representatives of Baird to indicate that Parent had revised its proposed price to $27.50 per share. Parent indicated that its revised offer was subject to RC2's management entering into new employment agreements and agreeing to a deferral arrangement with respect to a portion of their equity interest in RC2. Parent also indicated that its revised offer was subject to obtaining consents from certain of RC2's key licensors.

On January 20, 2011, representatives of Baird discussed Parent's proposed price of $27.50 per share with BofA Merrill Lynch, and indicated that RC2 was not prepared to proceed at that price. BofA Merrill Lynch indicated that the Parent's board of directors did not give authority to go above $27.50 per share. BofA Merrill Lynch also stated that Parent would not continue to expend time and effort on a transaction without an exclusivity agreement.

On January 24, 2011, Baird received further input from BofA Merrill Lynch following a meeting of Parent's board of directors that day, at which Parent had agreed to increase its offer price to $27.80 per share, subject to the same conditions as its January 18 proposal. At Parent's instruction, BofA Merrill Lynch indicated that this revised price was Parent's best and final offer.

On January 26, 2011, representatives of Baird informed BofA Merrill Lynch that RC2 was in discussions with another party regarding a possible transaction and that Parent's increased offer price was not sufficient.

On January 27, 2011, RC2's outside legal counsel, Reinhart Boerner Van Deuren s.c. ("Reinhart"), sent to Skadden a proposed form of merger agreement providing for an acquisition by Parent of RC2 through a single step merger. Following receipt of the draft agreement, representatives of BofA Merrill Lynch, on behalf of Parent, asked Baird to acknowledge that the $27.80 purchase price was Parent's best and final offer before Parent would discuss the terms of a merger agreement.

On January 28, 2011, representatives of Baird responded to Parent's January 27 request, indicating that RC2 could not confirm that $27.80 was sufficient or viewed by RC2 as Parent's best or final offer.

On January 31, 2011, Parent instructed BofA Merrill Lynch to inform representatives of Baird of Parent's unwillingness to continue further discussions in light of the lack of agreement on price and RC2's ongoing discussions with a third party and requested that RC2 provide a comprehensive outline of the terms on which it was prepared to consider a transaction before Parent would engage in further discussions.

On February 7, 2011, representatives of Baird contacted BofA Merrill Lynch with RC2's proposed price of $28.85 per share, together with a request for a 45 day "go-shop" period, a two tiered breakup fee, a shortened period of due diligence and additional information regarding Parent's financing. BofA Merrill Lynch, at Parent's direction, responded that $27.80 was Parent's best and final price and requested that RC2

agree to a period of exclusivity for Parent. BofA Merrill Lynch also raised Parent's concerns about the "go-shop" process.

On February 10, 2011, representatives of Baird had a further conversation with BofA Merrill Lynch in which BofA Merrill Lynch indicated that after further discussion with Parent's board of directors, Parent would agree to raise its price to $27.89 per share, but only on the condition RC2 enter into a binding exclusivity undertaking while the remaining negotiation of the definitive documentation and diligence occurred and that there not be a "go-shop" in connection with the transaction. On that same date, representatives of Baird communicated to BofA Merrill Lynch that, while RC2 understood that Parent had not agreed to a "go-shop," Reinhart would prepare a form of merger agreement that provided for the terms of RC2's requested "go-shop."

On February 11, 2011, Reinhart sent to Skadden a revised form of merger agreement with provisions for a "go-shop" period of 35 days following the date of the definitive merger agreement, subject to extension for an additional 20 days in limited circumstances. This form provided for a single step merger transaction.

On February 14, 2011, at Parent's direction, BofA Merrill Lynch sent Parent's proposed terms for a "go-shop" provision and termination fees to Baird and proposed that the transaction be structured as a tender offer followed by a merger. Parent proposed a "go-shop" period of 25 days following the date of the definitive merger agreement.

On February 16, 2011, representatives of Baird communicated to BofA Merrill Lynch the request that Parent increase its price to $28.00 per share and sent to BofA Merrill Lynch RC2's response to the proposed terms for the "go-shop", including proposing a "go-shop" period of 30 days, subject to extension for an additional 20 days in limited circumstances. RC2 agreed that the transaction would be structured as a tender offer followed by a merger, but required that the tender offer would not expire until the end of the "go-shop" period.

On February 17, 2011, BofA Merrill Lynch, on Parent's behalf, informed representatives of Baird that Parent would increase its price to $27.90 per share but would not be receptive to any price above $27.90 per share, and stated that Parent would accept a 30-day "go-shop" period with a 15 day extension rather than the 20 day extension as proposed by RC2. BofA Merrill Lynch conveyed further that Parent would require an exclusivity undertaking from RC2 in exchange for these concessions.

On February 18, 2011, RC2 and Parent agreed preliminarily on the price of $27.90 per share, the basic terms of the "go-shop", including a "go-shop" period of 30 days, subject to extension for an additional 15 days in limited circumstances, and termination fees.

On February 24, 2011, Skadden sent to Reinhart a revised draft of the definitive merger agreement which provided for a tender offer followed by a merger and included terms for the "go-shop."

On February 24, 2011, BofA Merrill Lynch, on Parent's behalf, provided Baird with a draft of Parent's financing commitment. Also, on February 24, 2011, Parent and RC2 executed an exclusivity letter.

On March 1, 2011, Reinhart sent to Skadden comments on the draft of the merger agreement.

Between March 3 and March 10, 2011, Skadden and Reinhart negotiated the remaining terms of the merger agreement. During this period, Parent and its advisors also negotiated the terms of the employment and equity deferral arrangements with RC2's senior management and their legal advisors.

Between March 3, 2011 and March 7, 2011, representatives of RC2 and Parent held discussions with a few of RC2's key licensors to determine their reaction to a potential acquisition of RC2 by Parent.

On March 8 and March 9, 2011, representatives of RC2 and Parent and their respective advisers conducted telephone calls to review the status of due diligence and the transaction documents.

On March 10, 2001, by a unanimous vote of the seven directors voting, the RC2 board of directors determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, were advisable, fair to, and in the best interests of the stockholders of RC2, and approved the Merger Agreement and the transactions contemplated thereby. The members of the compensation committee of RC2's

board of directors also approved the new executive employment agreements and the other employment related agreements with certain officers and employees of RC2.

During the day on March 10, 2011, before the close of trading on the Nasdaq Stock Market, a news wire service in Japan published a story indicating that Parent would acquire RC2. Following the release of this story, the Shares experienced a significant increase in price and trading volume on the Nasdaq Stock Market.

On the morning of March 11 (Tokyo time), 2011, the board of directors of Parent convened and approved the Merger Agreement and the transactions contemplated thereby. Following the receipt of Parent board approval, which occurred after the close of trading on the Nasdaq Stock Market on Thursday, March 10 (New York time), 2011, Parent, Purchaser and RC2 executed and delivered the Merger Agreement. Parent, RC2 and the applicable employees of RC2 also executed and delivered the new employment agreements and other employment related agreements.

11. The Merger Agreement; Other Agreements

Merger Agreement

The following is a summary of certain provisions of the Merger Agreement. This summary is qualified in its entirety by reference to the Merger Agreement, which is incorporated herein by reference, and a copy of which has been filed as an exhibit to the Schedule TO. The Merger Agreement may be examined and copies may be obtained at the places and in the manner set forth in Section 8 — "Certain Information Concerning Parent and Purchaser." Stockholders and other interested parties should read the Merger Agreement for a more complete description of the provisions summarized below.

The Offer. The Merger Agreement provides that Purchaser will commence the Offer on the date that is ten business days after the date of the Merger Agreement. Purchaser's obligation to accept for payment and pay for Shares validly tendered in the Offer and not validly withdrawn is subject only to the satisfaction of the Minimum Condition, the Antitrust Condition and the other conditions that are described in Section 15 — "Certain Conditions of the Offer" in this Offer to Purchase (together with the Minimum Condition and the Antitrust Condition, the "Offer Conditions"). Subject to the satisfaction of the Minimum Condition, the Antitrust Condition and the other Offer Conditions, the Merger Agreement provides that Purchaser will accept for payment and pay for all Shares validly tendered and not validly withdrawn in the Offer promptly after the Expiration Date.

Parent and Purchaser expressly reserve the right to waive any of the Offer Conditions and to make other changes in the terms and conditions of the Offer, except that RC2's prior written consent is required for Parent and Purchaser to:

- amend or waive the Minimum Condition;
- decrease the Offer Price;
- decrease the number of Shares sought in the Offer;
- change the form of consideration payable in the Offer;
- impose conditions to the Offer that are in addition to the Offer Conditions;
- extend the Expiration Date of the Offer in any manner other than as permitted under the Merger Agreement; or
- amend any of the terms and conditions to the Offer in any manner adverse to holders of Shares.

The Merger Agreement contains provisions to govern the circumstances in which Purchaser is required or permitted to extend the Offer. Specifically, the Merger Agreement provides that:

- Purchaser must extend the Offer until April 25, 2011, if there is one or more Extension Excluded Parties as of the Extension Excluded Party Notice Date and RC2 has delivered to Parent a written notice identifying such Extension Excluded Party (as defined in this Section 11 — "The Merger Agreement; Other Agreements — Go Shop") in accordance with the Merger Agreement.

- Purchaser may, from time to time, in its sole discretion, extend the Offer for one or more periods of not more than five business days each beyond the Expiration Date, if on any scheduled Expiration Date, all Offer Conditions are not satisfied or waived; provided that Purchaser is not entitled to extend the Offer beyond September 10, 2011.
- Purchaser will extend the Offer to the extent required by any rule, regulations, interpretation or position of the SEC or the SEC staff or Nasdaq applicable to the Offer.
- Purchaser will extend the Offer for one or more periods of no more than five business days each (or such longer period as the Parent, Purchaser and RC2 may agree) until the Antitrust Condition is satisfied or waived; provided that Purchaser is not required to extend the Offer beyond September 10, 2011 or at any time that Parent or Purchaser is entitled to terminate the Merger Agreement.
- Purchaser will extend the Offer on a single occasion for a five business day period, if on any scheduled Expiration Date, the Minimum Condition is not satisfied but all other Offer Conditions are satisfied; provided that Purchaser is not required to extend the Offer beyond September 10, 2011 or at any time that Parent or Purchaser is entitled to terminate the Merger Agreement.

In addition, Purchase may increase the Offer Price and extend the Offer to the extent required by applicable law in connection with such increase in each case in its sole discretion and without RC2's consent.

Purchaser may, in its sole discretion, provide a "subsequent offering period" in accordance with Rule 14d-11 under the Exchange Act of not more than 20 business days to meet the objective that there be validly tendered, in accordance with the terms of the Offer, prior to the Expiration Date and not validly withdrawn a number of Shares, which when added to the Shares already owned by Parent, Purchaser or any of Parent's other subsidiaries, represent at least 90% of the then outstanding Shares (including following the exercise of the Top-Up Option (as described below)). Purchaser is required to immediately accept for payment and promptly pay for any Shares validly tendered during any subsequent offering period.

Purchaser has agreed that it will not terminate the Offer prior to any scheduled Expiration Date without the prior written consent of RC2, except if the Merger Agreement is terminated pursuant to its terms. If the Merger Agreement is terminated pursuant to its terms, then Purchaser is required to promptly (and in any event within 24 hours) terminate the Offer and cause the Depositary to promptly return all Shares tendered in the Offer.

Parent has agreed to provide or cause to be provided to Purchaser on a timely basis the funds necessary to pay for any Shares that Purchaser becomes obligated to accept for payment and pay for pursuant to the Offer and to cause Purchaser to fulfill all of Purchaser's obligations under the Merger Agreement.

Recommendation. RC2 has represented in the Merger Agreement that the RC2 board of directors has, at a meeting duly called and held, at which all directors of RC2 were present, by a unanimous vote of those voting, (1) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of RC2; (2) approved and adopted the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Offer and the Merger; (3) recommended that the stockholders of RC2 accept the Offer, tender their Shares into the Offer, and approve and adopt the Merger Agreement to the extent required by applicable law; (4) to the extent applicable, directed that the Merger Agreement and the Merger be submitted to the stockholders of RC2 for consideration in accordance with the Merger Agreement; and (5) taken all actions required to be taken in order to exempt the Merger Agreement and the transactions contemplated by the Merger Agreement from the requirements of any "moratorium," "control share," "fair price," "affiliate transaction," "anti-greenmail," "business combination" or other anti-takeover laws of any jurisdiction, including Section 203 of the DGCL.

RC2 has agreed to file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 in a manner that complies with Rule 14d-9 under the Exchange Act as soon as reasonably practicable on the date of filing of the Schedule TO. RC2 has also agreed to disseminate the Solicitation/Recommendation Statement on Schedule 14D-9 together in the same mailing or form of distribution as this Offer to Purchase.

Top-Up Option. Pursuant to the Merger Agreement, RC2 granted to Purchaser an irrevocable Top-Up Option to purchase, at a price per share equal to the Offer Price, a number (but not less than that number) of newly issued Shares (the "Top-Up Option Shares") that, when added to the number of Shares owned, directly or indirectly, by Parent, Purchaser or any other subsidiary of Parent, at the time of exercise of the Top-Up Option, constitutes one Share more than 90% of the Shares outstanding immediately after the issuance of the Shares issued pursuant to the Top-Up Option. However, the Top-Up Option cannot be exercised if the number of Shares to be issued pursuant to the Top-Up Option would exceed the number of authorized and unissued Shares not otherwise reserved for issuance. The Top-Up Option may be exercised by Purchaser, in whole but not in part, at any one time on or after the date Purchaser accepts for payment all Shares validly tendered an not withdrawn pursuant to the Offer and prior to the earlier to occur of (1) the Effective Time and (2) the termination of the Merger Agreement in accordance with its terms. The exercise price for the Top-Up Option may be paid by Purchaser either in cash by wire transfer of immediately available funds or by executing and delivering to RC2 a promissory note having a principal amount equal to the aggregate purchase price for the Top-Up Option Shares less the amount paid in cash, except that the aggregate par value of the Top-Up Option Shares must be paid in cash. The promissory note will be due on the first anniversary of the Top-Up Option closing, will accrue simple interest of 3% per annum, will be full recourse to Parent and Purchaser, may be prepaid, in whole or in part, at any time without premium or penalty, and will provide that the unpaid principal amount and accrued interest under the note will immediately become due and payable in the event that Purchaser fails to make any payment of interest on the note and such failure continues for a period of 30 days or Purchaser files or has filed against it any petition under bankruptcy or insolvency law or makes a general assignment for the benefit of creditors. The promissory note will not have any other material terms. Parent, Purchaser and RC2 have agreed and acknowledged that in any appraisal proceeding under the DGCL and to the fullest extent permitted by applicable law, the fair value of the Shares subject to such appraisal proceeding will be determined in accordance with Section 262(h) of the DGCL without regard to the Top-Up Option, the Top-Up Option Shares or any consideration paid or delivered by the Purchaser to RC2 in payment for the Top-Up Option Shares.

RC2's Board of Directors. Under the Merger Agreement, effective upon Purchaser's acceptance for payment of the Shares pursuant to and subject to the conditions of the Offer after the expiration of the Offer and from time to time thereafter, Parent is entitled to elect or designate a number of directors, rounded up to the next whole number, to the board of directors of RC2 that is equal to the total number of directors on RC2's board of directors (giving effect to the directors so elected or designated by Parent) multiplied by the percentage that the aggregate number of Shares beneficially owned by Purchaser, Parent and any other subsidiaries of Parent bears to the total number of Shares then outstanding (on a fully-diluted basis). At Parent's request, RC2 will either take all actions necessary to promptly increase the size of RC2's board of directors, or promptly secure the resignations of such number of its incumbent directors, or both, as is necessary to enable Parent's designees to be so elected or designated to RC2's board of directors, and will take all actions necessary to enable Parent's designees to be so elected or designated at such time. RC2 also agreed, at Parent's request, to cause Parent's designees to serve, in the same relative percentage as they hold on the board of directors, on each committee of RC2's board of directors, each board of directors (or similar body) of each RC2 subsidiary and each committee (or similar body) of each such board.

Following the election or appointment of Parent's designees to RC2's board of directors as described above until the Effective Time, the approval of a majority of the Continuing Directors is required for RC2 to:

- amend, modify or terminate the Merger Agreement;
- extend the time for performance of, or waive, Parent's or Purchaser's obligations under the Merger Agreement;
- waive or exercise RC2's rights under the Merger Agreement; or
- amend RC2's certificate of incorporation or bylaws in any manner that would adversely affect RC2's stockholders

"Continuing Director" means a member of the RC2 board of directors who was a member of the RC2's board of directors as of immediately prior to payment by Purchaser for Shares pursuant to the Offer. If prior to the Effective Time there is no Continuing Director for any reason, the other members of the RC2 board of directors will designate a person to serve as a member of the board of directors of RC2 who is not an officer, employee, director or designee of Parent or any of its affiliates and who is an "independent director" as defined by the NASDAQ Marketplace Rules (and such person designated will be considered a Continuing Director for purposes of the Merger Agreement).

The Merger. The Merger Agreement provides that, following completion of the Offer and subject to the terms and conditions of the Merger Agreement, and in accordance with the DGCL, at the Effective Time:

- Purchaser will be merged with and into RC2, and the separate existence of Purchaser will cease;
- RC2 will continue as the surviving corporation of the Merger (which we refer to as the "surviving corporation");
- the Merger will have the effects as provided in the applicable provisions of the DGCL; and
- the surviving corporation will continue to be governed by the laws of the state of Delaware.

At the Effective Time, the bylaws of Purchaser, as in effect immediately prior to the Effective Time, will be the bylaws of the surviving corporation until thereafter amended as provided by law and the certificate of incorporation and bylaws of the surviving corporation. At the Effective Time, the certificate of incorporation of RC2 as in effect immediately prior to the Effective Time will be amended as set forth in the Merger Agreement and will be the certificate of incorporation of the surviving corporation until thereafter amended as provided by law and such certificate of incorporation. In addition, the Merger Agreement provides that the directors of Purchaser immediately prior to the Effective Time will at the Effective Time become the directors of the surviving corporation and the individuals specified by Parent prior to the Effective Time will at the Effective Time become the officers of the surviving corporation, in each case, until their respective successors are duly elected or appointed.

The obligations of RC2 and Parent to complete the Merger are subject to the satisfaction or waiver by RC2 and Parent of the following conditions, any of which may be waived in whole or in part by Parent, Purchaser and RC2, as the case may be, to the extent permitted by applicable law:

- the affirmative vote of the holders of a majority of outstanding Shares to approve and adopt the Merger Agreement (the "Required Company Stockholder Vote") has been obtained, if required pursuant to the requirements of the DGCL;
- Purchaser has accepted for payment all Shares validly tendered and not validly withdrawn in the Offer; and
- no law or order has been enacted or promulgated by any governmental authority that prohibits the consummation of the Merger and no governmental authority has issued any order (whether temporary, preliminary or permanent) that prohibit consummation of the Merger.

Conversion of Capital Stock. At the Effective Time:

- Shares issued and outstanding immediately prior to the Effective Time (other than Shares to be canceled in accordance with the following bullet point, and other than Shares held by a holder who properly exercises appraisal rights with respect to the Shares) will be converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest and subject to any withholding of taxes as required by applicable law;
- Shares held by RC2 as treasury stock or by Parent, Purchaser or any direct or indirect wholly owned subsidiary of Parent immediately prior to the Effective Time will be canceled and extinguished, and no payment will be delivered in exchange for those Shares; and

- Each share of Purchaser's common stock issued and outstanding immediately prior to the Effective Time will be converted into one fully-paid and nonassessable share of common stock of the surviving corporation and will constitute the only outstanding shares of capital stock of the surviving corporation.

After the Effective Time, the Shares will be canceled and retired and will cease to exist, and the holders of certificates or book-entry shares that immediately prior to the Effective Time represented Shares will cease to have any rights with respect to the Shares other than the right to receive, upon the surrender of the certificates or book-entry shares, the Offer Price, without interest and subject to any withholding of taxes as required by applicable law. As of the Effective Time, Parent has agreed to deposit with the paying agent for the Merger the aggregate consideration to be paid to holders of Shares in the Merger.

Treatment of Options and Stock Appreciation Rights. At the Effective Time, except as set forth in the employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each outstanding option to purchase Shares and each stock appreciation right granted pursuant to any RC2 equity compensation plan, whether or not vested, will be canceled in consideration for the right to receive a cash payment equal to the total number of Shares previously subject to the option or stock appreciation right immediately prior to the Effective Time, multiplied by the amount by which the Offer Price exceeds the exercise price per Share of such option or stock appreciation right, without any interest and less any applicable withholding of taxes (the "Option/SAR Consideration"). If the exercise price per Share of any such option or stock appreciation right is equal to or greater than the Offer Price, the option or stock appreciation right will be canceled without any cash payment. The Option/SAR Consideration will be payable by the surviving corporation immediately following the Effective Time.

Treatment of Restricted Stock. Immediately prior to the Effective Time, but conditioned upon the Merger, and except as set forth in the employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each outstanding share of restricted stock granted pursuant to any RC2 equity compensation plan will become fully vested and free of restrictions and will be treated as a Share and canceled in the Merger for the right to receive a cash payment equal to the Offer Price, without interest and less any applicable withholding of taxes.

Treatment of Restricted Stock Units. At the Effective Time, except as set forth in the employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," each outstanding restricted stock unit granted pursuant to any RC2 equity compensation plan will be canceled in consideration for the right to receive a cash payment equal to the target number of Shares that were subject to such restricted stock unit immediately prior to the Effective Time multiplied by the Offer Price (the "RSU Consideration") without interest and less any applicable withholding of taxes. The RSU Consideration will be payable by the surviving corporation immediately following the Effective Time (or, if such restricted stock unit is subject to Section 409A of the Code, at such later date provided by the terms of such restricted stock unit).

Employee Stock Purchase Plan. RC2's Employee Stock Purchase Plan ("ESPP") will continue to be operated in accordance with its terms and past practice for the Offering (as defined in the ESPP) that is in effect as of the date of the Merger Agreement (the "Current Offering"). RC2 has agreed to suspend the commencement of any future Offerings under the ESPP promptly upon execution of the Merger Agreement and will terminate the ESPP on the closing date of the Merger. If the Offering Termination Date (as defined in the ESPP) for the Current Offering (the "Current Offering Termination Date") occurs following the Effective Time, the holder of each option then outstanding under the ESPP will be entitled to receive at the Current Offering Termination Date upon exercise of such option for each share as to which such option will be exercised, as nearly as reasonably may be determined, a cash payment equal to the Offer Price, without interest and less any applicable withholding taxes.

Merger Without a Meeting of Stockholders; Stockholders' Meeting. In the event that Parent and Purchaser acquire at least 90% of the outstanding Shares, Parent, Purchaser and RC2 have agreed to take all

necessary and appropriate actions to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of RC2's stockholders in accordance with Section 253 of the DGCL.

If a meeting of RC2's stockholders is required to complete the Merger, RC2 has agreed:

- as soon as reasonably practicable following Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer (or, if later, following the termination of the subsequent offering period) to duly call, give notice of, convene and hold a special meeting of its stockholders, which we refer to as the "stockholders' meeting," for the purpose of considering and taking action upon the Merger Agreement;
- to prepare and file with the SEC a proxy statement relating to the stockholders' meeting to be held to consider the adoption of the Merger Agreement; and
- to use its reasonable best efforts to solicit from holders of Shares proxies in favor of the Merger and to take all actions reasonably necessary or, in the reasonable opinion of Purchaser, advisable to secure the required approval of stockholders to effect the Merger.

The Merger Agreement also provides that Parent will vote, or cause to be voted, all of the Shares then owned by it or Purchaser in favor of the approval and adoption of the Merger Agreement.

Representations and Warranties. The Merger Agreement contains representations and warranties made by RC2 to Parent and Purchaser and representations and warranties made by Parent and Purchaser to RC2. The representations and warranties in the Merger Agreement were made solely for purposes of the Merger Agreement, were the product of negotiations among RC2, Parent and Purchaser, and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating the Merger Agreement. Some of those representations and warranties may not be accurate or complete as of any particular date because they are subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to stockholders or used for the purpose of allocating risk between the parties to the Merger Agreement rather than establishing matters of fact. Moreover, inaccuracies in the representations and warranties are subject to waiver by the parties to the Merger Agreement without notice. Accordingly, you should not rely on the representations and warranties contained in the Merger Agreement as statements of actual facts.

In the Merger Agreement, RC2 has made customary representations and warranties to Parent and Purchaser with respect to, among other things:

- corporate matters related to RC2 and its subsidiaries, such as organization, good standing, qualification, power and authority;
- its capitalization;
- the authorization and validity of the Merger Agreement, including approval by RC2's board of directors;
- the vote required for approval of the Merger Agreement;
- required consents and approvals, and no violations of laws, governance documents or agreements;
- compliance with laws and permits;
- financial statements and public SEC filings;
- internal controls and compliance with the Sarbanes-Oxley Act of 2002, as amended;
- conduct of business and the absence of a Company Material Adverse Effect;
- the absence of undisclosed liabilities;
- the absence of litigation;
- employee benefit plans, ERISA matters and certain related matters;

- material contracts;
- RC2's Solicitation/Recommendation Statement on Schedule 14D-9 and any proxy statement of RC2 required in connection with the Merger and the transactions contemplated by the Merger Agreement and information supplied for inclusion in the Schedule TO and the other Offer documents;
- the opinion of its financial advisor;
- assets and title to property
- environmental matters;
- taxes;
- insurance;
- related party transactions;
- labor matters;
- brokers' fees and expenses;
- intellectual property;
- major customers and suppliers;
- prohibited payments; and
- inapplicability of state takeover laws.

Some of the representations and warranties in the Merger Agreement made by RC2 are qualified as to "materiality" or "Company Material Adverse Effect." For purposes of the Merger Agreement, a "Company Material Adverse Effect" means any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence that individually or in the aggregate with all other changes, events, developments, effects, conditions, actions, violations, inaccuracies, circumstance or occurrences, is (1) materially adverse to the business, financial condition, results of operations, assets or liabilities of RC2 and its subsidiaries, taken as a whole, or (2) has prevented, or is reasonably likely to prevent the consummation by RC2 of each of the transactions contemplated by the Merger Agreement or the performance of its material obligations under the Merger Agreement, other than, in the case of clause (1) only, changes, events, developments, effects, conditions, actions, violations, inaccuracies, circumstances or occurrences arising out of or resulting from:

- general changes in conditions in the United States economy or capital or financial markets; except to the extent RC2 and its subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the businesses and industries in which RC2 and its subsidiaries operate;
- general changes in the businesses and industries in which RC2 and its subsidiaries operate; except to the extent RC2 and its subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the businesses and industries in which RC2 and its subsidiaries operate;
- acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Merger Agreement; except to the extent RC2 and its subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the businesses and industries in which RC2 and its subsidiaries operate;
- changes in law or GAAP, or any interpretation thereof; except to the extent RC2 and its subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the businesses and industries in which RC2 and its subsidiaries operate;

- (a) the announcement or pendency of the Merger Agreement or the transactions contemplated thereby (including any impact on or disruptions in relationships with customers, suppliers, licensors, dealers, employees or other similar relationships), (b) the failure by RC2 to obtain certain consents set forth in the Company Disclosure Schedule after RC2 has satisfied its obligations under Section 6.01 (regarding reasonable best efforts to obtain consents) of the Merger Agreement with respect to such consent or (c) any actions taken pursuant to (and required by) Section 5.01 (regarding RC2's covenant to conduct business in the ordinary course and not take certain actions without Parent's prior written consent) of the Merger Agreement or the failure to take any actions due to restrictions set forth in Section 5.01 of the Merger Agreement;
- any failure, in and of itself, to meet financial projections, forecasts, estimates or budgets, provided that this clause does not exclude a determination that a change, event, development, effect, condition, action, effect, violation, inaccuracy, circumstance or occurrence underlying such failure has resulted in, or would reasonably be expected to result in, a Company Material Adverse Effect; or
- any change in prices or trading volume of the Shares, provided that this clause does not exclude a determination that a change, event, development, effect, violation, inaccuracy, circumstance or occurrence underlying such change in prices or trading volume has resulted in, or would reasonably be expected to result in, a Company Material Adverse Effect.

In the Merger Agreement, Parent and Purchaser have made customary representations and warranties to RC2 with respect to, among other things:

- corporate matters, such as organization, good standing, qualification, power and authority;
- the authorization and validity of the Merger Agreement;
- required consents and approvals, and no violations of laws, governance documents or agreements;
- the absence of litigation;
- the Schedule TO and the other Offer documents and information supplied for inclusion in any proxy statement of RC2 required in connection with the Merger and the transactions contemplated by the Merger Agreement;
- capitalization and absence of liabilities of Purchaser;
- available funds to complete the Offer and the Merger;
- ownership of securities of RC2;
- no vote of Parent stockholders required; and
- broker's fees and expenses.

Some of the representations and warranties in the Merger Agreement made by Parent and Purchaser are qualified as to "materiality" or "Parent Material Adverse Effect." For purposes of the Merger Agreement, a "Parent Material Adverse Effect" means any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence that has prevented or materially delayed, or is reasonably likely to prevent or materially delay, consummation by Parent or Purchaser of the Offer or the Merger or the performance of Parent or Purchaser's material obligations under the Merger Agreement.

None of the representations and warranties contained in the Merger Agreement or in any instrument delivered pursuant to the Merger Agreement survive the Effective Time.

Conduct of Business Pending the Merger. Except as expressly permitted by the terms of the Merger Agreement, or unless Parent has otherwise consented in writing (such consent not to be unreasonably withheld, delayed or conditioned), RC2 has agreed that, from the date of the Merger Agreement until the earlier of

(1) such times as designees of Parent first constitute a majority of the RC2 board of directors pursuant to the terms of the Merger Agreement or (2) the Effective Time, RC2 will and will cause its subsidiaries to:

- operate its business only in the ordinary course consistent with past practice;
- use reasonable best efforts to preserve intact the business organization and assets;
- use reasonable best efforts to maintain its material rights and franchises;
- use reasonable best efforts to maintain its relationships with material customers, suppliers, contractors, distributors, licensees, licensors and others having material business dealings with RC2 and its subsidiaries;
- use reasonable best efforts to maintain and keep its material properties in as good repair and condition as at the time of signing the Merger Agreement, ordinary wear and tear excepted;
- use reasonable best efforts to keep in full force and effect insurance and bonds comparable in amount and scope of coverage maintained by RC2 and its subsidiaries on the date of the Merger Agreement;
- use reasonable best efforts to comply with and perform in all material respects all obligations and duties imposed upon RC2 and its subsidiaries by all applicable laws; and
- use reasonable best efforts to keep available the services of its current officers, employees and consultants.

In addition, except as disclosed prior to execution of the Merger Agreement, as required by applicable law, as expressly permitted by the Merger Agreement or as consented to in writing by Parent (such consent not to be unreasonably withheld, delayed or conditioned), from the date of the Merger Agreement until the earlier of (1) such times as designees of Parent first constitute a majority of the RC2 board of directors pursuant to the terms of the Merger Agreement or (2) the Effective Time, RC2 will not, and will not permit its subsidiaries to, among other things and subject to certain exceptions:

- amend its certificate of incorporation, bylaws or other organizational documents;
- sell, lease, encumber or fail to maintain any part of the assets or capital stock, businesses or property of RC2 or any of its subsidiaries outside the ordinary course of business;
- declare, set aside for payment or pay dividends, whether in cash, stock or property, other than cash dividends paid by wholly owned subsidiaries to RC2 or its other subsidiaries;
- split, combine, subdivide or reclassify, or acquire any of its capital stock or other equity interests or issue any other securities in respect of its capital stock or other equity securities;
- issue, transfer or pledge any shares of its capital stock or any other of its securities, other than pursuant to the exercise of awards under RC2's equity compensation plans previously disclosed or pursuant to the Current Offering under the ESPP;
- adjust or otherwise modify any of RC2's equity compensation plans, the awards thereunder or the ESPP, other than as expressly contemplated by the Merger Agreement;
- change the compensation or benefits payable or to become payable to any of its officers, directors, employees or consultants, other than annual salary increases to be effective as of April 1, 2011 to employees below the executive officer level in the ordinary course of business consistent with past practice and not to exceed 3.5% of current base salaries;
- enter into any plan, program, arrangement or agreement that would otherwise constitute an Employee Benefit Plan or enter into any collective bargaining agreement or extend or amend any, collective bargaining agreement or consulting agreement;
- make any loans to any of its officers, directors, employees, consultants or affiliates (other than travel advances or other advances to employees made in the ordinary course of business consistent with past

practice) or change its existing borrowing or lending arrangements for or on behalf of any of such persons pursuant to an employee benefit plan or otherwise;

- take any action to terminate or amend any employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements" or waive any provision thereof;
- pay or arrange for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any officer, director, employee or affiliate or pay or make any arrangement for payment to any officers, directors, employees or affiliates of RC2 of any amount relating to unused vacation days, except payments and accruals made in the ordinary course of business consistent with past practice;
- except as may be required pursuant to the terms of an Employee Benefit Plan as in effect as of the date of the Merger Agreement, adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any pension, profit-sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any director, officer or employee, whether past or present;
- amend in any material respect any Employee Benefit Plan in effect as of the date of the Merger Agreement;
- adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of RC2 or its subsidiaries, other than the Merger;
- incur or assume any indebtedness or issue any debt securities; except for any such transactions between or among RC2 and its subsidiaries;
- assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person;
- make any loans, advances or capital contributions to, or investments in, any other person, other than travel advances or other than advances to employees made in the ordinary course of business consistent with past practice; except for any such transactions between or among RC2 and its subsidiaries;
- acquire any business organization or division or any equity interest therein;
- enter into, amend, terminate or renew, or waive or assign any rights under, any material contract or any contract that provides for termination or other special rights upon a change of control of RC2;
- except as necessary to operate in the ordinary course consistent with past practices, grant or acquire, or dispose of any rights to, any material Intellectual Property, or disclose any Trade Secret;
- change any of the accounting methods used by it except for such changes required by GAAP;
- make or change any material tax elections and take actions with respect to other tax matters;
- pay any material liabilities (whether absolute, accrued, contingent or otherwise), other than in the ordinary course of business, or liabilities reflected or reserved against in the consolidated financial statements of RC2 or incurred since December 31, 2010 in the ordinary course of business;
- settle or commence litigation in excess of $50,000 individually or $250,000 in the aggregate
- enter into any consent decree, injunction or other similar equitable relief in settlement of any litigation;
- make any capital expenditures or media or advertising commitments (subject to certain exceptions) outside RC2's annual budget; or
- enter into any contract commitment with respect to the preceding bulletpoints.

Access to Information. Prior to the Effective Time, and subject to confidentiality obligations, RC2 agreed to provide Parent with reasonable access during normal business hours to RC2's officers, employees, properties, books, records and other information regarding RC2 and its subsidiaries.

Go Shop. From the date of the Merger Agreement until 5:00 p.m., New York City time, on April 9, 2011, RC2 and its subsidiaries and their representatives have the right (acting under the direction of the board of directors of RC2) to:

- solicit, initiate, encourage, induce and facilitate, whether publicly or otherwise, any inquiry or the making of Acquisition Proposals (as defined below), or inquiries, proposals or offers that are reasonably expected to lead to an Acquisition Proposal, including by way of providing access to non-public information to any person pursuant to a confidentiality and standstill agreement with terms no less favorable to RC2 than those in RC2's confidentiality agreement with Parent (it being understood that such confidentiality agreements need not prohibit the making or amendment of an Acquisition Proposal to the board of directors of RC2 prior to the No-Shop Start Date (as defined below)) (a copy of which must be provided to Parent promptly after execution); provided that RC2 will substantially concurrently provide Parent any non-public information concerning RC2 or its subsidiaries that RC2 provides to any person given such access that was not previously made available to Parent; and
- enter into, engage in, and maintain any discussions or negotiations with respect to any Acquisition Proposals or otherwise cooperate with or assist or participate in, or facilitate any such inquiries, proposals, discussions or negotiations.

No Solicitation. Starting at 5:00 p.m., New York City time, on April 9, 2011 (the "No-Shop Period Start Date"), except with an Excluded Party (as defined below), for so long as such person is an Excluded Party, RC2 will, and RC2 will cause its representatives to, immediately cease any solicitations, encouragement, discussions or negotiations with any persons that may be ongoing with respect to any Acquisition Proposal and will use its reasonable best efforts to cause the return or destruction of confidential information provided to such person (or to an Excluded Party or Extension Excluded Party (as defined below) that is no longer an Excluded Party or Extension Excluded Party). In addition, after the No-Shop Period Start Date until the earlier of the Effective Time or the termination of the Merger Agreement in accordance with its terms, neither RC2 nor its subsidiaries will, and RC2 will cause its and their respective representatives not to, directly or indirectly, (1) solicit or initiate, or knowingly encourage (including by furnishing information or assistance) or induce, or take any other action designed to, or which would reasonably be expected to, facilitate any inquiry with respect to, or the making, submission or announcement of, any Acquisition Proposal or (2) enter into, continue or otherwise participate in any discussions or negotiations regarding an Acquisition Proposal.

RC2 agreed to provide Parent with written notice on the No-Shop Period Start Date identifying each Excluded Party as of such date and a summary of the reasons for RC2's board of directors' determination that such person is an Excluded Party. RC2 also agreed to provide Parent with written notice on April 19, 2011 (the "Extension Excluded Party Notice Date") identifying each Extension Excluded Party (as defined below) as of such date and a summary of the reasons for RC2's board of directors' determination that such person is an Extension Excluded Party

Notwithstanding the restrictions described above, RC2 may continue to engage in the solicitation activities described in "Go Shop" above with an Excluded Party or Extension Excluded Party (or their respective representatives) with respect to a bona fide written Acquisition Proposal submitted by such Excluded Party or Extension Excluded Party prior to the No-Shop Period Start Date that constitutes or is reasonably expected to result in a Superior Proposal (as defined below), including with respect to any such amended or revised proposal submitted by such Excluded Party or Extension Excluded Party, for as long as such person is an Excluded Party or Extension Excluded Party, as applicable. Any Excluded Party shall cease to be an Excluded Party for purposes of the Merger Agreement upon the earlier of (1) 5:00 p.m., New York City time, on April 19, 2011 or (2) such time as the Acquisition Proposal made by such party is withdrawn, terminated, expires or no longer constitutes or is no longer reasonably expected to result in a Superior Proposal. Any Extension Excluded Party shall cease to be an Extension Excluded Party upon the earlier of (1) 5:00 p.m., New York City time, on April 24, 2011(the "Cut-Off Date") or (2) such time as the Acquisition

Proposal made by such party is withdrawn, terminated, expires or no longer constitutes or is no longer reasonably expected to result in a Superior Proposal.

Notwithstanding any of the limitations above or in the Merger Agreement, if at any time following the No-Shop Period Start Date and prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer, RC2 receives, without violation of the non-solicitation provision of the Merger Agreement, an unsolicited, bona fide written Acquisition Proposal from a third party that the RC2 board of directors determines in good faith (after consultation with RC2's financial advisor and outside legal counsel) constitutes or would reasonably be expected to result in a Superior Proposal, then RC2 may do the following prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer:

- furnish nonpublic information to the third party making such Acquisition Proposal and its representatives pursuant to a confidentiality and standstill agreement with terms no less favorable to RC2 than those in RC2's confidentiality agreement with Parent (it being understood that such confidentiality agreements need not prohibit the making or amendment of an Acquisition Proposal to the board of directors of RC2 prior to the No-Shop Start Date) (a copy of which must be provided to Parent promptly after execution); provided that RC2 will substantially concurrently provide Parent any non-public information concerning RC2 or its subsidiaries that RC2 provides to any person given such access that was not previously made available to Parent; and
- engage in discussions or negotiations with the third party and its representatives with respect to the Acquisition Proposal.

"Acquisition Proposal" means any offer or proposal that relates to an Acquisition Transaction. "Acquisition Transaction" means any transaction or series of transactions, other than the Offer and the Merger contemplated by the Merger Agreement, directly or indirectly involving: (1) any merger, consolidation, reorganization, amalgamation, share exchange, business combination, recapitalization, dissolution, liquidation or other similar transaction involving RC2 (A) in which a person directly or indirectly acquires beneficial or record ownership of securities representing 15% or more of the outstanding Shares or (B) in which RC2 issues securities representing 15% or more of the outstanding Shares, (2) any sale, lease, exchange, transfer, license or other disposition of any business or businesses or assets (including any equity securities of any subsidiary of RC2) which constitute 15% or more of the net revenues, net income or assets of RC2 and its subsidiaries, taken as a whole, or (3) any sale, purchase, tender offer, exchange offer or other acquisition that, if consummated, would result in any person beneficially owning 15% or more of any class of equity or voting securities of RC2.

"Excluded Party" means any person (other than Parent and any of the its subsidiaries) or "group," within the meaning of Section 13(d) of the Exchange Act (so long as such person and the other members of such group, if any, who were members of such group immediately prior to the No-Shop Period Start Date constitute at least 80% of the equity financing of such group at all times following the No-Shop Period Start Date and prior to the termination of the Merger Agreement), from whom RC2 has received a bona fide written Acquisition Proposal after the execution of the Merger Agreement and prior to the No-Shop Period Start Date that, on or before the No-Shop Period Start Date, RC2's board of directors determines (and provides written notice to Parent of such determination at such time and a summary of the RC2 board of directors' reasons for such determination), in good faith, after consultation with RC2's financial advisor and outside legal counsel, constitutes or would reasonably be expected to result in a Superior Proposal, and which Acquisition Proposal has not expired or been terminated, rejected or withdrawn as of the No-Shop Period Start Date.

"Extension Excluded Party" means any Excluded Party from whom RC2 has received a bona fide written Acquisition Proposal after the execution of the Merger Agreement and prior to 5:00 p.m. (New York City time) on April 19, 2011 who has remained an Excluded Party at all times up to such time and which Acquisition Proposal, on April 19, 2011, the board of directors of RC2 determines, in good faith, after consultation with RC2's financial advisor and outside legal counsel, constitutes or would reasonably be expected to result in a Superior Proposal.

"Superior Proposal" means a bona fide written Acquisition Proposal (provided that for purposes of the definition of "Superior Proposal," the references to "15%" in the definition of Acquisition Proposal will be deemed to be references to "51%") that the RC2 board of directors determines, in good faith, after consultation with RC2's financial advisors and outside legal counsel, and in light of all relevant circumstances and all terms and conditions of such Acquisition Proposal and the Merger Agreement (and if applicable, any proposal by Parent to amend the terms of the Merger Agreement), (1) is more favorable to RC2's stockholders from a financial point of view than the Offer and the Merger and (2) is reasonably capable of being completed on the terms so proposed, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal.

The Merger Agreement requires RC2 to notify Parent orally and in writing promptly (and in any event within 24 hours) after RC2's receipt of any inquiries, proposals or offers, or requests for information, or any negotiations or discussions being sought to be initiated or continued with RC2 or any of its representatives, in each case, in connection with, or which would reasonably be expected to result in, an Acquisition Proposal. The notice must identify the name of the third party involved, the material terms and conditions and all correspondence describing such material terms and conditions. In addition, RC2 must provide Parent and its legal counsel with copies of all drafts and final versions of agreements relating to an Acquisition Proposal exchanged between RC2 and such third party. RC2 is also required promptly to keep Parent fully informed, in all material respects, of the status and details of any Acquisition Proposal or inquiries related thereto, including any changes in the material terms.

The Merger Agreement does not prohibit RC2 from complying with Rules 14d-9 and 14e-2 under the Exchange Act with respect to an Acquisition Proposal that constitutes a tender offer or exchange offer so long as the requirements of the non-solicitation provisions of the Merger Agreement are satisfied. However, any disclosure other than a "stop-look-and-listen communication" or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act is deemed to be a "Change of Recommendation" under the Merger Agreement unless RC2's board of directors expressly reaffirms the Company Recommendation (as defined below).

Company Board Recommendation. Subject to the provisions described below, RC2's board of directors agreed to recommend that the stockholders of RC2 accept the Offer, tender their Shares into the Offer and approve and adopt the Merger Agreement, to the extent required by applicable law. This is referred to as the "Company Recommendation." RC2 has been advised that all of RC2's directors and executive officers intend to tender all Shares beneficially owned by them to Purchaser pursuant to the Offer. Except as otherwise permitted by the Merger Agreement, RC2 agreed that neither RC2 nor RC2's board of directors will:

- withdraw, modify or qualify in any manner adverse to Parent or Purchaser, or resolve to or publicly propose to withdraw, modify or qualify in a manner adverse to Parent or Purchaser, the Company Recommendation or otherwise take any action or make any statement in connection with the transactions contemplated by the Merger Agreement that is inconsistent with the Company Recommendation;
- approve, endorse or recommend, or resolve to or publicly propose to approve, endorse or recommend, any Acquisition Proposal; or
- adopt or recommend, or publicly propose to adopt or recommend, or allow RC2 or any its subsidiaries to execute or enter into, any binding or non-binding letter of intent, agreement in principle, memorandum of understanding, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other agreement, commitment, arrangement or understanding contemplating or otherwise in connection with, or that is intended to or would reasonably be expected to lead to, any Acquisition Proposal.

The actions described in the first and second bullet points above are referred to in the Merger Agreement as a "Change of Recommendation."

Notwithstanding the restrictions set forth above, RC2's board of directors may, prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer:

- in response to information obtained after the date of the Merger Agreement and that was not reasonably capable of being known by RC2's board of directors as of the date of the Merger Agreement, make a Change of Recommendation if RC2's board of directors determines in good faith, after consultation with RC2's outside legal counsel, that the failure of RC2's board of directors to effect a Change of Recommendation would be reasonably likely to be inconsistent with the directors' fiduciary duties to RC2's stockholders under applicable law; or
- in response to a Superior Proposal received by RC2 after the date of the Merger Agreement, cause RC2 to terminate the Merger Agreement pursuant to the terms of the Merger Agreement and concurrently with such termination cause RC2 to enter into a definitive agreement with respect to such Superior Proposal, if:
  - RC2 satisfies its obligation under the Merger Agreement to pay a Termination Fee (as defined below);
  - the Superior Proposal is not attributable to a breach of the no-solicitation provisions of the Merger Agreement; and
  - the board of directors of RC2 determines in good faith, after consultation with RC2's outside legal counsel, that the failure to take such actions would be reasonably likely to be inconsistent with the directors' fiduciary duties to RC2's stockholders under applicable Law.

However, RC2 cannot effect a Change of Recommendation or exercise its right to terminate the Merger Agreement in the manner described above until after the fourth business day following Parent's receipt of written notice from RC2 advising Parent that RC2's board of directors intends to make a Change of Recommendation or terminate the Merger Agreement, and during such period negotiates in good faith with Parent as described in the next paragraph. Such notice and any resolution or determination of RC2's board of directors to give such notice or negotiations with Parent relating thereto as provided below will not be deemed to constitute a Change of Recommendation. The notice must specify the reasons for RC2's actions, including, if the basis of the proposed action by the RC2 board of directors is a Superior Proposal, the terms and conditions of any Superior Proposal and a copy of the proposed transaction agreement for any such Superior Proposal in the form to be entered into. In the event of an amendment to the financial terms or other material terms of such Superior Proposal, RC2's board of directors will not be entitled to exercise its right to terminate based on such Superior Proposal, as so amended, until after the second full business day following Parent's receipt of a new notice from RC2 with respect to such Superior Proposal as so amended.

In determining whether to terminate the Merger Agreement in response to a Superior Proposal or to make a Change of Recommendation, RC2 must cause RC2's financial adviser and legal counsel to negotiate in good faith with Parent regarding any proposals of Parent to amend the terms of the Merger Agreement and will not make a Change of Recommendation or terminate the Merger Agreement unless, prior to the effectiveness of such Change of Recommendation or termination, RC2's board of directors, after considering the results of any such negotiations and any revised proposals made by Parent, concludes that it continues to meet the requirements to make a Change of Recommendation and/or that the Superior Proposal giving rise to the notice described above continues to be a Superior Proposal and that it continues to meet the requirements to terminate the Merger Agreement described above.

Appropriate Action; Consents; Filings. Each of RC2, Parent and Purchaser has agreed to use their respective reasonable best efforts to as promptly as reasonably practicable: (1) take, or cause to be taken, all appropriate actions, and do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate and make effective the transactions contemplated by the Merger Agreement (2) obtain required permits, waivers, consents or authorizations from governmental authorities or other persons in connection with the consummation of the transactions contemplated by the Merger Agreement, including the Offer and the Merger, (3) defend any proceedings challenging the Merger Agreement or the consummation of the transactions including the Offer and the Merger and (4) make all necessary filings and other required

submissions required under the HSR Act or foreign antitrust laws with respect to the Merger Agreement and the Merger. Parent and RC2 agreed to cooperate with each other in connection with the making of all such filings, including providing copies of all such documents to the non-filing party and its advisors prior to filing and, if requested, to accept all reasonable changes suggested in connection with such filing. RC2 and Parent agreed to furnish all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable law in connection with the transactions contemplated by the Merger Agreement.

RC2, Parent and Purchaser each agreed to use reasonable best efforts to: (1) make the applications or filings required to be made by Parent, MergerSub or RC2 or any of their subsidiaries under the HSR Act in connection with the Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement as promptly as is reasonably practicable (and in any event within 10 business days following the date of the Merger Agreement), and to concurrently with such filing or as soon as practicable thereafter, request early termination of the waiting period under the HSR Act, (2) comply at the earliest practicable date with any request under the HSR Act or foreign antitrust laws for additional information received by Parent or RC2 or any of their subsidiaries from the Federal Trade Commission or the Department of Justice or any other governmental authority in connection with such applications or filings or the Transactions and (3) reasonably coordinate and cooperate with each other party in the making of any applications or filings (including furnishing any information the other party may require in order to make any such application or filing), or obtaining any approvals, required in connection with the Transactions under the HSR Act or Foreign Antitrust Laws. RC2 agreed that Parent has the right to take the lead in any communications with any third person or governmental authority with respect to obtaining such approvals or consents and RC2 cannot take any action in connection therewith without the prior written consent of Parent. RC2 and Parent agreed that neither of them will be required to divest or hold separate their assets in connection with necessary HSR Act or foreign antitrust approvals, unless such action would be immaterial to Parent, RC2 or the economic or business benefits to Parent of the transactions contemplated by the Merger Agreement.

Notification of Certain Matters. RC2 agreed to give Parent prompt notice after obtaining knowledge of any breach by RC2 of a representation, warranty or covenant that would be reasonably likely to cause any Offer Condition or condition to the Merger not to be satisfied. Parent agreed to give RC2 prompt notice after obtaining knowledge of any breach by Parent of a representation, warranty or covenant that would be reasonably likely to have, individually or in the aggregate, a Parent Material Adverse Effect.

Public Announcements. Parent and RC2 have agreed not to make any press release or other public statement regarding the Offer and the Merger without the prior consent of the other, except as required by applicable law or any listing agreement with NASDAQ or the rules of a securities exchange or trading market. If a party is required to make a press release or announcement, it agreed to use its reasonable best efforts to allow the other party reasonable time to comment on the release or announcement prior to its issuance. However, RC2 will no longer be required to obtain Parent's consent if RC2's board of directors has effected a Change of Recommendation.

Employee Matters. During the one-year period beginning at the Effective Time, Parent will cause the surviving corporation and each RC2 subsidiary to provide to those individuals employed by the surviving corporation or by one or more of RC2's subsidiaries as of the Effective Time, salary and benefits under employees benefit plans (other than defined benefit pension plans, plans providing for retiree medical benefits, incentive pay plans, plans providing for equity-based compensation and plans providing for payments or benefits upon a change in control) that are substantially no less favorable in the aggregate than the benefits provided to such employees under the employee benefit plans of RC2 as in effect immediately prior to the Effective Time. Parent agrees that, to the extent any employee benefit plan, program or policy of Parent or a Parent subsidiary is made available to such employees, such employees will receive credit for service with RC2 or its subsidiaries for eligibility, vesting and benefit level purposes to the same extent such service was recognized under analogous plans prior to the Effective Time; provided that such crediting of service does not duplicate any benefit or funding of such benefit under any plan and no service will be credited for benefit accrual purposes under any defined benefit pension plan. Parent will also credit co-payments and deductibles paid in respect of the plan year in which the Effective Time occurs, waive any pre-existing condition

exclusions which were waived under the terms of any employee benefit plan of RC2 immediately prior to the Effective Time and waive any waiting periods (other than waiting periods not satisfied under any RC2 welfare benefit plans prior the Effective Time). None of the above will apply to any employee who is covered by a collective bargaining agreement, as such employee will be subject to the applicable collective bargaining agreement.

Nothing in the Merger Agreement restricts the right of Parent or any of its affiliates (including the surviving corporation) to terminate the employment of any employee of RC2 or its subsidiaries after the completion of the Merger or requires that such employees of RC2 be employed for a period of time following the Effective Time. Employees are not third-party beneficiaries of this provision of the Merger Agreement.

Indemnification, Exculpation and Insurance. The Merger Agreement provides for certain indemnification and insurance rights in favor of RC2's current and former directors or officers, who we refer to as "indemnified persons." Specifically, all rights to exculpation, indemnification advance and reimbursement of expenses provided to the indemnified persons, under RC2's certificate of incorporation, bylaws or other agreements disclosed to Parent, with respect to acts or omissions arising on or before to the Effective Time, will continue in full force and effect following the Effective Time.

For a period of six years from the Effective Time, Parent agreed to maintain the current directors' and officers' liability insurance and fiduciary liability insurance maintained by RC2 with respect to acts or omissions arising on or before the Effective Time. Parent may substitute policies of substantially equivalent coverage containing terms no less favorable to the indemnified persons. Parent is not required after the Effective Time to pay annual premiums in excess of 250% of the last annual premium for RC2's existing policies, but in such case will purchase as much coverage as may be purchased for such amount.

RC2 may purchase, prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer, or Parent may purchase or cause RC2 to purchase prior to the Effective Time a six-year prepaid "tail" policy on terms and conditions providing substantially equivalent benefits as the current policies of RC2 with respect to acts or omissions occurring at or before the Effective Time (covering without limitation the transactions contemplated by the Merger Agreement). The cost of any such "tail" policy purchased by RC2 will not exceed 250% of the last annual premium paid by RC2. If such a "tail" policy is obtained, Parent will maintain the policy for its full term and will have no further obligations with respect to directors' and officers' liability insurance and fiduciary liability insurance under the Merger Agreement.

If Parent or surviving corporation merges into or consolidates with another entity and is not the surviving corporation or sells substantially all its assets, provision will be made so that the successors or assigns of Parent or the surviving corporation assume the insurance and indemnification obligations described above.

The indemnified persons are third party beneficiaries of, and entitled to rely upon, these provisions of the Merger Agreement.

Exemption from Liability under Section 16(b). RC2 has agreed to take all reasonable steps to cause any dispositions of RC2 equity securities in connection with the Merger Agreement by each director or officer of RC2 subject to Section 16 of the Exchange Act to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Approval of Compensation Arrangements. RC2 has agreed to take all actions necessary prior to the Expiration Date in order (1) to cause the adoption, approval, amendment or modification of each certain employment arrangements, including any employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements" to which it is a party, to be approved as an employment compensation, severance or other employee benefit arrangement solely by independent directors of RC2 in accordance with the requirements of Rule 14d-10(d)(2) under the Exchange Act and the instructions thereto and (2) to make the "safe harbor" provided pursuant to Rule 14d-10(d)(2) otherwise applicable thereto as a result of the taking prior to the Expiration Date of all necessary actions by RC2's board of directors, the Compensation Committee of such board or its "independent directors" as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Third Party Standstill Agreements. RC2 has agreed during the period from the date of the Merger Agreement through the Effective Time not to terminate or amend any standstill agreement between RC2 and third parties and to enforce such agreements to the fullest extent permitted under applicable law. However, from the date of the Merger Agreement until the No-Shop Period Start Date, RC2 may grant waivers under standstill agreements solely to the extent necessary to permit counterparties to make non-public submissions of Acquisition Proposals prior to the No-Shop Period Start Date. In addition, from the date of the Merger Agreement until Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer, RC2 may grant waivers under standstill agreements if the board of directors of RC2, after consulting with RC2's outside legal counsel, determines in good faith that not granting such a waiver would be reasonably likely to be inconsistent with the directors' fiduciary duties to RC2's stockholders under applicable law. RC2 shall provide written notice to Parent of the waiver or release of any standstill by RC2. RC2 shall not, and shall not permit any of its representatives to, enter into any confidentiality agreement subsequent to the date of the Merger Agreement which does not expressly permit, or which contains any provision that adversely affects the rights of the Company under such confidentiality agreement upon, compliance by RC2 with any provision of the Merger Agreement.

Financial Information and Cooperation. RC2 has agreed to use, and to cause its representatives to use, reasonable best efforts to cooperate with Parent and Purchaser in connection with the financing for the Offer and the Merger. Specifically, RC2 has agreed to, and agreed to cause its representatives to, provide to Parent and Purchaser all reasonable cooperation requested by Parent in connection with the arrangement and consummation of the financing. Examples of types of cooperations include, among others, participating in meetings, presentations and due diligence sessions, assisting with preparation of offering documents and other financing-related marketing materials, assisting Parent in obtaining comfort letters, legal opinions and related documents, and reasonably facilitating the pledge of RC2's assets and related matters.

Parent and Purchaser have agreed to indemnify and hold harmless RC2 and its subsidiaries and their respective representatives from all losses, damages, claims, costs or reasonable expenses incurred by any of them in connection with the financing and information used in connection with the financing, other than (1) information provided in writing for use by RC2, (2) historical financial information in any documents filed by RC2 with the SEC and (3) any of the foregoing to the extent the same is the result of willful misconduct or bad faith of RC2, its subsidiaries or their respective representatives.

Stockholder Litigation. RC2 agreed to give Parent the opportunity to participate in the defense or settlement of any litigation against RC2 and/or its directors or executive officers relating to the Offer and the Merger. RC2 also agreed that it will not settle or offer to settle any litigation relating to the Merger Agreement or the transactions contemplated by the Merger Agreement without the prior written consent of Parent.

State Takeover Laws. If any "moratorium," "control share," "fair price," "affiliate transaction," "anti-greenmail," "business combination" or other anti-takeover law or regulation becomes or is deemed pplicable to RC2 or the transactions contemplated by the Merger Agreement, then the board of directors of RC2 is required to take all actions necessary to render such law or regulation inapplicable. In addition, RC2 agreed not to take any action that would cause the transactions contemplated by the Merger Agreement to be subject to the requirements imposed by any such law or regulation.

Stock Exchange De-listing; Deregistration. Prior to the Closing Date, RC2 shall cooperate with Parent and use reasonable best efforts to take all actions necessary and proper under applicable laws and rules and policies of Nasdaq to cause RC2 common stock to be delisted from Nasdaq as promptly as practicable after the Effective Time and deregistered under the Exchange Act as promptly as practicable after such delisting.

Termination. The Merger Agreement may be terminated:

- by mutual written consent of Parent and RC2, at any time prior to the Effective Time;

- by either Parent or RC2 (which we refer to as "mutual termination rights"):
  - if the Offer has not been consummated on or before September 10, 2011, except that such right to terminate is not available to Parent or RC2 if its breach of the Merger Agreement proximately caused the Offer not to be consummated (we refer to this as the "Outside Date Termination");
  - if any governmental authority has entered an order permanently restraining, enjoining or otherwise prohibiting the consummation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement, and such order is final and non-appealable; or
  - if the Offer has expired (taking into account any extensions as provided in the Merger Agreement) or been terminated without any Shares being purchased therein, except that such right to terminate is not available to Parent or RC2 if its breach of the Merger Agreement proximately caused the Offer not to be consummated (we refer to this as the "Offer Expiration Termination").
- by RC2 at any time prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer (which we refer to as the "RC2 termination rights"):
  - if (1) Purchaser fails to commence the Offer in violation of the terms of the Merger Agreement or (2) Purchaser fails to accept for payment and purchase Shares validly tendered pursuant to the Offer in violation of the terms of the Merger Agreement, which violation or failure in the case of both clause (1) and (2) above is not cured within 2 business days after Parent's receipt of written notice thereof from RC2; provided that RC2 will not have the right to terminate the Merger Agreement under clause (1) or (2) above if RC2's breach of the Merger Agreement proximately caused the failure of the Offer to be commenced or consummated;
  - if (1) (A) Parent or Purchaser breaches any of its representations or warranties which breach (i) would result in any of the representations or warranties of Parent and Purchaser with respect to corporate organization and qualification that is qualified as to "Parent Material Adverse Effect" not being true and correct in all respects or any such representation or warranty that is not so qualified as to "Parent Material Adverse Effect" not being true and correct in all material respects or (ii) would result in any other representation and warranty of Parent and Purchaser in the Merger Agreement (without giving effect to any qualification as to "materiality" or "Parent Material Adverse Effect" qualifiers set forth therein) not being true and correct in all respects, except where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect or (B) Parent or Purchaser breaches or fails, in any material respect, to perform or comply with any of its agreements or covenants to be performed or complied with by it under the Merger Agreement and (2) such breach or failure to perform or comply is incapable of being cured by Parent or Purchaser by the date that is 20 business says after such breach or failure or, if capable of being cured by Parent or Purchaser by such date, Parent or Purchaser does not commence to cure such breach or failure within 10 business days after its receipt of written notice thereof from RC2 and diligently pursue such cure thereafter; or
  - if the board of directors of RC2 determines to enter into a definitive agreement providing for a Superior Proposal pursuant to and in compliance with the provisions of the Merger Agreement (including payment to Parent of the Termination Fee (as described below) concurrently with such termination) (we refer to this as the "Superior Proposal Termination").
- by Parent at any time prior to Purchaser's acceptance for payment of shares pursuant to and subject to the conditions of the Offer (which we refer to as "Parent termination rights"):
  - if (1) RC2's board of directors or any committee of the board has effected a Change of Recommendation, (2) after the No-Shop Period Start Date (or if later, the date after which there ceases to be an Excluded Party or Extension Excluded Party), the board of directors of RC2 or any committee of the board fails to publicly affirm the Company Recommendation within three business days of a request in writing to do so by Parent following the public announcement or public disclosure of an Acquisition Proposal, (3) RC2 fails to include the Company Recommendation in its Solicitation/

Recommendation Statement on Schedule 14D-9, or (4) there is a Willful (as defined below) and material breach by RC2 of its obligations under the non-solicitation provisions of the Merger Agreement (each of clauses (1) — (4), a "Triggering Event"); or

- if (1) (A) RC2 breaches any of its representations or warranties, which breach (1) would result in any of the representations and warranties of RC2 with respect to capitalization and equity awards not being true and correct in all respects (except for any de minimis inaccuracy) at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), (2) would result in any of the representations and warranties of RC2 with respect to corporate organization and qualification that is qualified as to "materiality" or "Company Material Adverse Effect" not being true and correct in all respects, or any such representation or warranty that is not so qualified as to "materiality" or "Company Material Adverse Effect" not being true and correct in all material respects, in each case, at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date) or (3) would result in any other representation and warranty of RC2 in the Merger Agreement (without giving effect to any qualification as to "materiality" or "Company Material Adverse Effect" qualifiers set forth therein) not being true and correct in all respects at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), except where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or (B) RC2 breaches or fails, in any material respect, to perform or to comply with its agreements and covenants to be performed or complied with by it under the Merger Agreement at or prior to the Offer Closing, and (2) such breach or failure to perform or comply is incapable of being cured by RC2 by the date that is 20 business says after such breach or failure or, if capable of being cured by RC2 by such date, RC2 does not commence to cure such breach or failure within 10 business days after its receipt of written notice thereof from Parent and diligently pursue such cure thereafter (we refer to this as the "RC2 Breach Termination").

Effect of Termination and Termination Fees. If the Merger Agreement is terminated, the Merger Agreement will become void (other than the confidentiality and certain other specified provisions therein) and, subject to certain termination fees described below and in the Merger Agreement, there will be no liability or obligation on the part of Parent, Purchaser or RC2 or their respective officers, directors, employees or stockholders; provided that no party will be relieved from any liability for any Willful and material breach of such party's representations, warranties, covenants or agreements, and all rights and remedies of such non-breaching party in such case will be preserved.

"Willful" means, with respect to a breach of the Merger Agreement by a party, that such breach is intentional and a consequence of an act or failure to act by the breaching party with the actual knowledge that the taking of such act or failure to take such act would cause a breach of the Merger Agreement.

Company Termination Fee. RC2 has agreed to pay Parent a termination fee of $11,280,000 in cash if RC2 effects a Superior Proposal Termination either (1) prior to the No-Shop Period Start Date or (2) after the No-Shop Period Start Date and prior to the Cut-Off Date, to enter into a definitive agreement with an Excluded Party or Extension Excluded Party.

RC2 has agreed to pay Parent a termination fee of $20,940,000 in cash if:

- Parent terminates the Merger Agreement due to a Triggering Event;
- RC2 effects a Superior Proposal Termination other than as set forth in the previous paragraph; or
- (1) (A) Parent or RC2 effects an Outside Date Termination, (B) Parent or RC2 effects an Offer Expiration Termination in circumstances where the Offer expired (taking into account any extension

provided in the Merger Agreement) or was terminated without any Shares being purchased as a result of the failure to satisfy the Minimum Condition or (C) Parent effects a RC2 Breach Termination and (2) (A) prior to the termination an Acquisition Proposal (or intention to make an Acquisition Proposal whether or not conditional) has been publicly made or publicly disclosed and (B) within 12 months after termination RC2 completes an Acquisition Transaction or enters into a definitive agreement providing for an Acquisition Transaction which is later consummated.

We refer to the termination fee payable in these situations as the "Termination Fee." RC2 must pay the Termination Fee (1) within one Business Day after termination of the Merger Agreement in the case of termination due to a Triggering Event, (2) concurrently with the termination of the Merger Agreement in the case of termination due to a Superior Proposal Termination and (3) upon the date an Acquisition Transaction is consummated in the case of a termination in the circumstances described in the last bullet above. RC2 is not obligated to pay the Termination Fee on more than one occasion.

RC2 acknowledged that the agreements contained in the provisions regarding the Termination Fee are an integral part of the transactions contemplated by the Merger Agreement and that, without those provisions, Parent would not have entered into the Merger Agreement. If RC2 fails to pay the Termination Fee when due, RC2 is required to reimburse the other party for all out-of-pocket costs and expenses (including reasonable attorney's fees) in connection with the collection under and enforcement of the Termination Fee together with interest on the Termination Fee at a rate equal to Bank of America's prime rate plus 2% from the date the Termination Fee is due.

Availability of Specific Performance. The parties agreed that if any of the provisions of the Merger Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur and, in such circumstance, the parties would be entitled to an injunction to prevent breaches of the Merger Agreement and to enforce specifically the Merger Agreement's terms. The parties explicitly agreed that RC2 may specifically enforce Parent and Purchaser's obligation to consummate and fund the Offer and the Merger. The parties agreed that they would not oppose the granting of an injunction, specific performance and other equitable relief on the basis that the other party has an adequate remedy at law or that any such relief is not an appropriate remedy. The parties are not required to provide a bond or other security to seek an injunction or injunctions to prevent breaches of the Merger Agreement.

Expenses. All fees and expenses incurred by the parties will be paid by the party incurring such costs and expenses, except that each of Parent and RC2 have agreed to pay 50% of the expense of printing and filing any proxy statement of RC2 required in connection with the Merger and the transactions contemplated by the Merger Agreement, RC2's Solicitation/Recommendation Statement on Schedule 14D-9, the Schedule TO and other Offer documents and all SEC, HSR Act and other regulatory filing fees incurred in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement.

New Employment Agreements and Other Employment-Related Agreements

The following is a summary of certain provisions of the certain employment related agreements entered into in connection with the Merger Agreement. This summary is qualified in its entirety by reference to such agreements, which are incorporated herein by reference, and copies of which have been filed as an exhibit to the Schedule TO. Such agreements may be examined and copies may be obtained at the places and in the manner set forth in Section 8 — "Certain Information Concerning Parent and Purchaser." Stockholders and other interested parties should read such agreements for a more complete description of the provisions summarized below.

New Executive Employment Agreements

As a condition to Parent's willingness to proceed with the transactions contemplated by the Merger Agreement, on March 10, 2011, concurrently with the execution of the Merger Agreement, RC2 and Parent (solely with respect to certain provisions thereof) entered into employment agreements (the "New Employment Agreements") with each of RC2's executive officers. The New Employment Agreements, which would become effective only upon the consummation of the Offer (the date of effectiveness of the New Employment

Agreements is referred to as the "Commencement Date"), would amend, restate and replace in their entirety the executive officers' existing employment agreements with RC2, which were entered into on April 1, 2008, in the case of Curtis W. Stoelting, Peter J. Henseler, Gregory J. Kilrea and Helena Lo, and on November 5, 2008, in the case of Peter A. Nicholson (as amended, the "Existing Employment Agreements").

The New Employment Agreements contain substantially similar compensation and benefits for RC2's executive officers as the compensation and benefits in the Existing Employment Agreements. Pursuant to the New Employment Agreements, Mr. Stoelting will serve as Chief Executive Officer of RC2, Mr. Henseler will serve as President of RC2, Mr. Kilrea will serve as Chief Operating Officer of RC2, Ms. Lo will serve as an Executive Vice President of RC2 and Managing Director of RC2 (H.K.) Limited, and Mr. Nicholson will serve as Chief Financial Officer of RC2. The terms of the New Employment Agreements are four years for Mr. Stoelting, two years for Mr. Henseler and three years for each of Mr. Kilrea, Ms. Lo, and Mr. Nicholson unless earlier terminated in accordance with the applicable New Employment Agreement. Base salaries will be $486,720 for Mr. Stoelting, $486,720 for Mr. Henseler, $360,000 for Mr. Kilrea, $337,459 for Ms. Lo, and $324,480 for Mr. Nicholson, subject to annual increases based on performance, changes in responsibilities and increases in the Consumer Price Index. Each executive officer will also be eligible for (1) an annual cash bonus at a target level of 2.25 times base salary for Mr. Stoelting and Mr. Henseler, 1.75 times base salary for Mr. Kilrea and Ms. Lo, and 1.70 for Mr. Nicholson and (2) subject to approval by Parent's stockholders and Parent's board of directors, an equity award covering 200,000 shares of Parent stock for each of Mr. Stoelting and Mr. Henseler, 100,000 shares of Parent stock for Mr. Kilrea, and 50,000 shares of Parent stock for each of Ms. Lo and Mr. Nicholson. The equity awards will vest 50% on each of the second and fourth anniversary of the date of grant. In the event of a change of control of Parent, the equity awards will vest in full. If Parent shareholder approval or Parent board of director approval is not obtained, Parent will provide the executive officer with a long-term cash incentive benefit equal to the Black-Scholes value of the executive officer's equity award, measured as of the date such cash incentive benefit is granted. Each executive officer will also be entitled to a car allowance, life and disability insurance and certain other fringe benefits commensurate with his position.

In addition, pursuant to the New Employment Agreements, each executive officer has agreed to waive a portion of his or her current rights with respect to accelerated vesting of his or her outstanding equity awards. In connection with such waiver, each executive officer has agreed that a cash amount (the "Rollover Amount") equal to approximately 78% for each of Mr. Stoelting and Mr. Henseler, 51% for each of Mr. Kilrea and Ms. Lo, and 38% for Mr. Nicholson of the cash value of the executive officer's unvested equity awards which otherwise would have vested and been payable upon the consummation of the Merger will be subject to vesting over a period of three years following the Commencement Date and the unvested amounts will be subject to forfeiture if the executive officer's employment is terminated by RC2 for cause or the executive officer resigns without good reason. The balance of the cash value of the executive officers' unvested equity awards will be paid in cash upon the closing of the Merger as provided in the Merger Agreement.

Under the New Employment Agreements, the Rollover Amounts are $3,500,000 for each of Mr. Stoelting and Mr. Henseler and $1,000,000 for each of Mr. Kilrea, Ms. Lo and Mr. Nicholson. Upon consummation of the Merger, the Rollover Amounts will be paid into interest bearing escrow accounts and vest 20% on the first anniversary of the Commencement Date, 35% on the second anniversary of the Commencement Date and 45% on the third anniversary of the Commencement Date assuming each executive's continued employment through such dates. In the event of a change of control of Parent or RC2, the executive officers will be entitled to the immediate vesting of the then unvested portion of their Rollover Amounts and payment therefor and any interest thereon. RC2 also agreed to reimburse the executive officers in the event that certain additional taxes under Section 409A of the Internal Revenue Code are imposed with respect to the Rollover Amount. The New Employment Agreements also state that if any of the payments to the executive officers would be subject to an excise tax under Section 4999 of the Internal Revenue Code, then the payments due will be reduced by an amount sufficient for RC2 to make the payments without being subject to such excise tax unless the net benefit to the executive after payment of the excise tax is greater than the reduced payment amount.

Under the New Employment Agreements, in the event of termination of employment for disability, subject to the execution of a release, the applicable executive officer will be entitled to (1) continuation of his

or her then effective base salary for six months after the date of termination of employment, (2) a pro rata portion of any bonus he or she would have been entitled to receive in the year of termination, (3) immediate vesting of the then unvested portion of the Rollover Amount and payment therefore and any interest thereon, and (4) medical, disability and life insurance benefits for three years after the date of termination of employment.

Under the New Employment Agreements, in the event of termination of employment for death, the applicable executive officer will be entitled to (1) the proceeds from any life insurance, (2) a pro rata portion of any bonus he or she would have been entitled to receive in the year of termination, and (3) immediate vesting of the then unvested portion of the Rollover Amount and payment therefore and any interest thereon.

Under the New Employment Agreements, in the event Mr. Stoelting's or Mr. Henseler's employment is terminated by RC2 without cause or by Mr. Stoelting or Mr. Henseler for good reason, subject to the execution of a release, Mr. Stoelting or Mr. Henseler will be entitled to (1) continuation of his then effective base salary for 24 months after the date of termination of employment, (2) immediate vesting of the then unvested portion of the Rollover Amount and payment therefor and any interest thereon, and (3) medical, disability and life insurance benefits for two years after the date of termination of employment.

Under the New Employment Agreements, in the event Mr. Kilrea's, Ms. Lo's, or Mr. Nicholson's employment is terminated by RC2 without cause or by Mr. Kilrea, Ms. Lo, or Mr. Nicholson for good reason on or prior to the second anniversary of the Commencement Date, subject to the execution of a release, Mr. Kilrea, Ms. Lo, or Mr. Nicholson will be entitled to (1) continuation of his or her then effective base salary for 36 months after the date of termination of employment, (2) a payment equal to the greater of (A) 200% of the average incentive bonus payments received by him or her under RC2's bonus plan or a predecessor annual bonus plan of RC2 over the preceding three years or (B) 100% of his or her target bonus under RC2's bonus plan for the year in which the termination occurs, (3) immediate vesting of the then unvested portion of the Rollover Amount and payment therefor and any interest thereon, and (4) medical, disability and life insurance benefits for three years after the date of termination of employment. In the event Mr. Kilrea's, Ms. Lo's, or Mr. Nicholson's employment is terminated by RC2 without cause or by Mr. Kilrea, Ms. Lo, or Mr. Nicholson for good reason after the second anniversary of the Commencement Date, subject to the execution of a release, Mr. Kilrea, Ms. Lo, or Mr. Nicholson will be entitled to (1) continuation of his or her then effective base salary for 24 months after the date of termination of employment, (2) a payment equal to 50% of his or her target bonus under RC2's bonus plan for the year in which the termination occurs, (3) immediate vesting of the then unvested portion of the Rollover Amount and payment therefor and any interest thereon, and (4) medical, disability and life insurance benefits for two years after the date of termination of employment.

Under the New Employment Agreements, in the event the employment of Mr. Stoelting, Mr. Kilrea, Ms. Lo, or Mr. Nicholson is terminated due to non-renewal of the New Employment Agreement at the end of its term, subject to the execution of a release, the executive officer will be entitled to (1) continuation of his or her then effective base salary for 12 months after the date of termination of employment for Mr. Stoelting and 24 months after the date of termination of employment for Mr. Kilrea, Ms. Lo, or Mr. Nicholson, (2) a payment equal to 50% of his or her target bonus under RC2's bonus plan for the year in which the termination occurs for Mr. Kilrea, Ms. Lo, or Mr. Nicholson, and (3) medical, disability and life insurance benefits for one year after the date of termination of employment for Mr. Stoelting and two years after the date of termination for Mr. Kilrea, Ms. Lo, or Mr. Nicholson.

Under his New Employment Agreement, in the event the employment of Mr. Henseler is terminated due to non-renewal, Mr. Henseler and RC2 will enter into a consulting arrangement for a period of one year. During the consulting period, Mr. Henseler agrees to work a maximum of 1,000 hours, will be paid 75% of his then base salary, will continue to vest in his Rollover Amount and will be entitled to continued medical, disability and life insurance benefits.

Pursuant to his New Employment Agreement, each of Mr. Stoelting and Mr. Henseler and their spouses and eligible dependents will be entitled to continued medical benefits after retirement until the later of the executive officer's or his spouse's death as long as he makes the same contributions for such medical benefits

as active employees. Each of Mr. Stoelting and Mr. Henseler will also be eligible to participate in RC2's group life, disability and dental coverage after retirement until his death provided that he pays 100% of the cost of such coverage.

The New Employment Agreements contain customary noncompetition, nonsolicitation and nondisclosure covenants on the part of each of the executive officers.

Other Employment-Related Agreements

As a condition to Parent's willingness to proceed with the transactions contemplated by the Merger Agreement, on March 10, 2011, concurrently with the execution of the Merger Agreement, RC2 and Parent (solely with respect to certain provisions thereof) entered into a new employment agreement with Jamie W. Kieffer and a rollover bonus agreement with Gary W. Hunter, each of which would become effective as of the Commencement Date. Mr. Kieffer's new employment agreement would amend, restate and replace in its entirety his existing employment agreement with RC2. Except as set forth below, the terms and conditions of Mr. Kieffer's new employment agreement are substantially similar to the New Employment Agreements for Mr. Kilrea, Ms. Lo and Mr. Nicholson. Mr. Kieffer will serve as Chief Marketing Officer, his base salary will be $260,000, his annual cash bonus will be at a target level of 1.0 times his base salary and his equity award would cover 25,000 shares of Parent stock. Under Mr. Kieffer's new employment agreement and Mr. Hunter's rollover bonus agreement, each agreed to waive acceleration of approximately 51% of his unvested equity in exchange for a cash payment of $150,000 which, other than as noted below, will be subject to the same vesting schedule and terms as the Rollover Amounts described above. Pursuant to Mr. Hunter's rollover bonus agreement, in the event his employment is terminated by RC2 without cause, by reason of Mr. Hunter's disability or death or by Mr. Hunter for good reason, subject to the execution of a release (other than in the case of Mr. Hunter's death), Mr. Hunter will be entitled to immediate vesting of the then unvested portion of his cash payment and payment therefor and any interest thereon. Mr. Hunter's rollover bonus agreement also provides for reimbursement by RC2 in the event that certain additional taxes under Section 409A of the Internal Revenue Code or a comparable provision under the income tax laws of Australia are imposed with respect to the cash payment and payment reductions under Section 4999 of the Internal Revenue Code or a comparable provision under the income tax laws of Australia, in each case in the same manner as such provisions operate in the New Employment Agreements.

Confidentiality Agreement

The following is a summary of certain provisions of the Confidentiality Agreement, dated November 9, 2010, between RC2 and Parent. This summary is qualified in its entirety by reference to such agreement, which is incorporated herein by reference, and a copy of which has been filed as an exhibit to the Schedule TO. Such agreement may be examined and copies may be obtained at the places and in the manner set forth in Section 8 — "Certain Information Concerning Parent and Purchaser." Stockholders and other interested parties should read such agreement for a more complete description of the provisions summarized below.

On November 9, 2010, RC2 and Parent entered into a confidentiality agreement (the "Confidentiality Agreement"), pursuant to which each party agreed, subject to certain exceptions, that any non-public information furnished to it or to its representatives by or on behalf of the other party would be considered confidential information and, for a period of two years from the date of the Confidentiality Agreement, would be kept confidential and be used only for purposes of evaluating a possible transaction. The parties agreed that they would only disclose the confidential information to their representatives or as may be required by law. Under the Confidentiality Agreement, each party also agreed, among other things, to certain "standstill" provisions for the protection of the other party for a period of one year from the date of the Confidentiality Agreement and that, subject to certain limited exceptions, for a period of one year from the date of the Confidentiality Agreement, neither party would solicit the other party's officers or other senior managers met during such party's evaluation of a potential transaction.

12. Purpose of the Offer; Plans for RC2.

Purpose of the Offer. The purpose of the Offer is for Purchaser to acquire control of, and the entire equity interest in, RC2. The Offer, as the first step in the acquisition of RC2, is intended to facilitate the acquisition of all outstanding Shares. The purpose of the Merger is to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. If the Offer is successful, subject to the satisfaction or waiver of the conditions to the obligations of Parent and Purchaser to effect the Merger contained in the Merger Agreement, Purchaser intends to consummate the Merger as promptly as practicable.

If you sell your Shares in the Offer, you will cease to have any equity interest in RC2 or any right to participate in its earnings and future growth. If you do not tender your Shares, but the Merger is consummated, you also will no longer have an equity interest in RC2. Similarly, after selling your Shares in the Offer or the subsequent Merger, you will not bear the risk of any decrease in the value of RC2.

Short-Form Merger. The DGCL provides that if a parent company owns at least 90% of each class of stock of a subsidiary, the parent company can effect a short-form merger with that subsidiary without the action of the other stockholders of the subsidiary. Accordingly, if, as a result of the Offer, the Top-Up Option or otherwise, Purchaser directly or indirectly owns at least 90% of the Shares, Parent and Purchaser could, and (subject to the satisfaction or waiver of the conditions to their obligations to effect the Merger contained in the Merger Agreement) are obligated under the Merger Agreement to, effect the Merger without prior notice to, or any action by, any other stockholder of RC2 if permitted to do so under the DGCL (the "Short-Form Merger"). Even if Parent and Purchaser do not own at least 90% of the outstanding Shares following consummation of the Offer, Parent and Purchaser could seek to purchase additional Shares in the open market, from RC2 or otherwise in order to reach the 90% threshold and effect a Short-Form Merger. The consideration per Share paid for any Shares so acquired, other than Shares acquired pursuant to the Top-Up Option, may be greater or less than that paid in the Offer.

Plans for RC2. It is expected that, initially following the Merger, the business and operations of RC2 will, except as set forth in this Offer to Purchase, be continued substantially as they are currently being conducted. Parent will continue to evaluate the business and operations of RC2 during the pendency of the Offer and after the consummation of the Offer and the Merger and will take such actions as it deems appropriate under the circumstances then existing. Thereafter, Parent intends to review such information as part of a comprehensive review of RC2's business, operations, capitalization and management with a view to optimizing development of RC2's potential. Parent believes completion of the Offer and Merger will provide access to a complementary global distribution network centered around North America, strengthen the global brand development at both RC2 and Parent, lead to enhanced manufacturing and development systems, and provide access to talent and the establishment of a global structure.

As discussed further in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements," on March 10, 2011, we entered into new employment related agreements with certain members of RC2's current management team which will become effective only upon consummation of the Offer. Additionally, it is possible that certain members of RC2's current management team will enter into other new employment arrangements with RC2 after the completion of the Offer and the Merger. Such additional arrangements may include the right to purchase or participate in the equity of affiliates of Purchaser. These additional matters are subject to negotiation and discussion and no terms or conditions have been discussed. There can be no assurance that any additional parties will reach an agreement on any terms, or at all.

At the Effective Time, the bylaws of Purchaser, as in effect immediately prior to the Effective Time, will be the bylaws of the surviving corporation until thereafter amended as provided by law and the certificate of incorporation and bylaws of the surviving corporation. At the Effective Time, the certificate of incorporation of RC2 as in effect immediately prior to the Effective Time will be amended as set forth in the Merger Agreement and will be the certificate of incorporation of the surviving corporation until thereafter amended as provided by law and such certificate of incorporation. The directors of Purchaser immediately prior to the Effective Time will become the directors of the surviving corporation and the individuals specified by Parent prior to the Effective Time will at the Effective Time become the officers of the surviving corporation, in each

case, until their respective successors are duly elected or appointed. Also, assuming Purchaser purchases a majority of the outstanding Shares pursuant to the Offer, Parent will be entitled to exercise its rights under the Merger Agreement to obtain pro rata representation (rounded up to the nearest number of directors) on, and control of, the RC2 board of directors. See Section 11 — "The Merger Agreement; Other Agreements — Merger Agreement — RC2's Board of Directors."

Except as set forth in this Offer to Purchase, including as contemplated in Section 12 — "Purpose of the Offer, Plans for RC2 — Plans for RC2," Parent and Purchaser have no present plans or proposals that would relate to or result in (1) any extraordinary corporate transaction involving RC2 or any of its subsidiaries (such as a merger, reorganization, liquidation, relocation of any operations or sale or other transfer of a material amount of assets), (2) any sale or transfer of a material amount of assets of RC2 or any of its subsidiaries, (3) any material change in RC2's capitalization or dividend policy, (4) any other material change in RC2's corporate structure or business or (5) composition of its management or board of directors.

13. Certain Effects of the Offer.

Market for the Shares. The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly, which could adversely affect the liquidity and market value of the remaining Shares. We cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction would cause future market prices to be greater or less than the Offer Price.

Stock Quotation. Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the requirements for continued listing on Nasdaq. According to the published guidelines of The Nasdaq Stock Market, LLC (the "Nasdaq Stock Market"), the Nasdaq Stock Market would consider disqualifying the Shares for listing on Nasdaq (though not necessarily for listing on The NASDAQ Capital Market) if, among other possible grounds, the number of publicly held Shares falls below 750,000, the total number of beneficial holders of round lots of Shares falls below 400, the market value of publicly held Shares over a 30 consecutive business day period is less than $5 million, there are fewer than two active and registered market makers in the Shares over a 10 consecutive business day period, RC2 has stockholders' equity of less than $10 million, or the bid price for the Shares over a 30 consecutive business day period is less than $1. Furthermore, the Nasdaq Stock Market would consider delisting the Shares from the NASDAQ Capital Market if, among other possible grounds, (1) the number of publicly held Shares falls below 500,000, (2) the total number of beneficial holders of round lots of Shares falls below 300, (3) the market value of publicly held Shares over a 30 consecutive business day period is less than $1 million, (4) there are fewer than two active and registered market makers in the Shares over a 10 consecutive business day period, (5) the bid price for the Shares over a 30 consecutive business day period is less than $1 or (6) (A) RC2 has stockholders' equity of less than $2.5 million, (B) the market value of RC2's listed securities is less than $35 million over a 10 consecutive business day period and (C) RC2's net income from continuing operations is less than $500,000 for the most recently completed fiscal year and two of the last three most recently completed fiscal years. Shares held by officers or directors of RC2, or by any beneficial owner of more than 10% of the Shares, will not be considered as being publicly held for this purpose. According to RC2, as of March 23, 2011, there were 21,659,048 Shares outstanding (including 74,170 shares of unvested restricted stock). If, as a result of the purchase of Shares pursuant to the Offer or otherwise, the Shares are either no longer eligible for Nasdaq or are delisted from the NASDAQ Capital Market, the market for Shares will be adversely affected.

Margin Regulations. The Shares are currently "margin securities" under the Regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding the market for the Shares and stock quotations, it is possible that, following the Offer, the Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and, therefore, could no longer be used as collateral for loans made by brokers.

Exchange Act Registration. The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of RC2 to the SEC if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by RC2 to its stockholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to RC2, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with stockholders' meetings and the related requirement of furnishing an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, the ability of "affiliates" of RC2 and persons holding "restricted securities" of RC2 to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, may be impaired or eliminated. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for listing on Nasdaq. We intend and will cause RC2 to terminate the registration of the Shares under the Exchange Act as soon after consummation of the Offer as the requirements for termination of registration are met. If registration of the Shares is not terminated prior to the Merger, the registration of the Shares under the Exchange Act will be terminated following the consummation of the Merger.

14. Dividends and Distributions.

The Merger Agreement provides that from the date of the Merger Agreement to the Effective Time, without the prior written consent of Parent, RC2 will not, and will not permit its subsidiaries to, declare, set aside for payment or pay any dividends or make other distributions, payable in cash, stock or property, with respect to the capital stock of RC2 or any subsidiary of RC2, other than cash dividends paid by wholly owned subsidiaries to RC2 or its other wholly owned subsidiaries.

15. Certain Conditions of the Offer.

For the purposes of this Section 15, capitalized terms used but not defined herein have the meanings set forth in the Merger Agreement. Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) Purchaser's right to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Merger Agreement), Purchaser will not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any validly tendered Shares if by the expiration of the Offer (as it may be extended in accordance with the requirements of the Merger Agreement), (1) the Minimum Condition shall not be satisfied, (2) the Antitrust Condition shall not be satisfied or (3) at any time on or after the date of the Merger Agreement and prior to the acceptance for payment of Shares pursuant to the Offer, any of the following events shall occur and be continuing:

(a) there shall be any Law or Order enacted, entered, enforced, promulgated or deemed applicable by any Governmental Authority to the Offer, the Merger or the transactions contemplated by the Merger Agreement, or any other action shall be taken by any Governmental Authority that is reasonably likely to result, directly or indirectly, in (1) restraining or prohibiting Purchaser's or Parent's ownership or operation (or that of any of their respective subsidiaries or affiliates) of all or a material portion of RC2's and RC2's subsidiaries' businesses or assets, or to compel Parent or Purchaser or their respective subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of RC2 or Parent and their respective subsidiaries, (2) restraining or prohibiting the acquisition by Parent or Purchaser of any Shares under the Offer or the making or consummation of the Offer or the Merger, (iii) imposing material limitations on the ability of Purchaser, or rendering Purchaser unable, to accept for payment, pay for or purchase some or all of the Shares pursuant to the Offer and the Merger, or (iv) imposing material limitations on the ability of Purchaser or Parent to exercise full rights of ownership of the Shares, including the right to vote the Shares purchased by it on all matters properly presented to RC2's stockholders;

(b) since the date of the Merger Agreement, there shall have occurred any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence which has had, or which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

(c) a Triggering Event shall have occurred;

(d) (1) the representations and warranties of RC2 set forth in Sections 3.03(a) (regarding capitalization of RC2) or 3.03(c) (regarding equity awards of RC2) of the Merger Agreement shall not be true and correct in all respects (except for any de minimis inaccuracy) at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), (2) any of the representations and warranties of RC2 in Section 3.01(a) (regarding organization and qualification) of the Merger Agreement that is qualified as to "materiality" or "Company Material Adverse Effect" shall not be true and correct in all respects, or any such representation or warranty that is not so qualified as to "materiality" or "Company Material Adverse Effect" shall not be true and correct in all material respects, in each case, at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date) and (3) any other representation and warranty of RC2 in the Merger Agreement (without giving effect to any qualification as to "materiality" or "Company Material Adverse Effect" qualifiers set forth therein) shall not be true and correct in all respects at and as of the date of the Merger Agreement and at and as of such time on or after the date of the Merger Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), except where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect;

(e) RC2 shall have breached or failed, in any material respect, to perform or to comply with its agreements and covenants to be performed or complied with by it under the Merger Agreement at or prior to Purchaser's acceptance for payment of Shares pursuant to the Offer;

(f) RC2 shall have terminated or amended any employment related agreement described in Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements" or waived any provision thereof (except, in each case, with the prior written consent of Parent); or

(g) the Agreement shall have been terminated in accordance with its terms.

The foregoing conditions are for the sole benefit of Parent and Purchaser, may be asserted by Parent or Purchaser regardless of the circumstances giving rise to such condition, and may be waived by Parent or Purchaser in whole or in part at any time and from time to time in the sole discretion of Parent or Purchaser (other than the Minimum Condition), subject in each case to the terms of the Merger Agreement. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and, each such right will be deemed an ongoing right which may be asserted at any time and from time to time.

16. Certain Legal Matters; Regulatory Approvals.

General. Except as described in this Section 16, based on our examination of publicly available information filed by RC2 with the SEC and other information concerning RC2, we are not aware of any governmental license or regulatory permit that appears to be material to RC2's business that might be adversely affected by our acquisition of Shares as contemplated herein or of any approval or other action by any governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by Purchaser or Parent as contemplated herein. Should any such approval or other action be required, we currently contemplate that, except as described below under "State Takeover Statutes," such approval or other action will be sought. While we do not currently intend to

delay acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that if such approvals were not obtained or such other actions were not taken, adverse consequences might not result to RC2's business, any of which under certain conditions specified in the Merger Agreement, could cause us to elect to terminate the Offer without the purchase of Shares thereunder under certain conditions. See Section 15 — "Certain Conditions of the Offer."

Antitrust Compliance. Under the HSR Act, and the related rules and regulations that have been issued by the Federal Trade Commission (the "FTC"), certain transactions may not be consummated until specified information and documentary material ("Premerger Notification and Report Forms") have been furnished to the FTC and the Antitrust Division of the Department of Justice (the "Antitrust Division") and certain waiting period requirements have been satisfied. These requirements of the HSR Act apply to the acquisition of Shares in the Offer and the Merger.

Under the HSR Act, our purchase of Shares in the Offer may not be completed until the expiration of a 15 calendar day waiting period following the filing by Parent, as the ultimate parent entity of Purchaser, of a Premerger Notification and Report Form concerning the Offer with the FTC and the Antitrust Division, unless the waiting period is earlier terminated by the FTC and the Antitrust Division. Parent filed a Premerger Notification and Report Form with the FTC and the Antitrust Division in connection with its purchase of Shares in the Offer and the Merger on March 23, 2011. RC2 filed its Premerger Notification and Report Form with the FTC and the Antitrust Division on March 24, 2011. Accordingly, the required waiting period with respect to the Offer and the Merger will expire at 11:59 p.m., New York City time, on April 7, 2011, unless earlier terminated by the FTC and the Antitrust Division or unless the FTC or the Antitrust Division issues a request for additional information and documentary material (a "Second Request") prior to that time. If within the 15 calendar day waiting period either the FTC or the Antitrust Division issues a Second Request, the waiting period with respect to the Offer and the Merger would be extended until 10 calendar days following the date of substantial compliance by Parent with that request, unless the FTC or the Antitrust Division terminates the additional waiting period before its expiration. In practice, complying with a Second Request can take a significant period of time. Although RC2 is required to file certain information and documentary material with the FTC and the Antitrust Division in connection with the Offer, neither RC2's failure to make those filings nor a request for additional documents and information issued to RC2 from the FTC or the Antitrust Division will extend the waiting period with respect to the purchase of Shares in the Offer and the Merger. The Merger will not require an additional filing under the HSR Act if Purchaser owns more than 50% of the outstanding Shares at the time of the Merger or if the Merger occurs within one year after the HSR Act waiting period applicable to the Offer expires or is terminated.

The FTC and the Antitrust Division will scrutinize the legality under the antitrust laws of Purchaser's proposed acquisition of RC2. At any time before or after Purchaser's acceptance for payment of Shares pursuant to the Offer, if the Antitrust Division or the FTC believes that the Offer would violate the US federal antitrust laws by substantially lessening competition in any line of commerce affecting US consumers, the FTC and the Antitrust Division have the authority to challenge the transaction by seeking a federal court order enjoining the transaction or, if shares have already been acquired, requiring disposition of such Shares, or the divestiture of substantial assets of Purchaser, RC2, or any of their respective subsidiaries or affiliates or requiring other conduct relief. US state attorneys general and private persons may also bring legal action under the antitrust laws seeking similar relief or seeking conditions to the completion of the Offer. While Parent believes that consummation of the Offer would not violate any antitrust laws, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if a challenge is made, what the result will be. See Section 15 — "Certain Conditions of the Offer" of this Offer to Purchase for certain information regarding the conditions to the Offer, including conditions with respect to certain governmental actions in connection with the Offer and the Merger.

Foreign Laws. The antitrust and competition laws of certain foreign countries often apply to transactions such as the Offer and the Merger and filings and notifications may be required when such laws are applicable. Parent and RC2 do not believe that any such filings are required in connection with the Offer or the Merger. Nonetheless, it is possible that foreign antitrust laws might apply to the Offer or the Merger even in the absence of

a regulatory filing obligation, and it is possible that foreign antitrust authorities might take action in connection with the Offer or the Merger in the absence of such obligation. Consummation of the Offer is subject to the Antitrust Condition, which includes a requirement that all approvals, clearances, filings or waiting periods or consents of governmental authorities required pursuant to any foreign antitrust laws applicable to the Offer or the Merger have expired, are deemed to have expired, or have been made or received or deemed received, as the case may be. See Section 15 — "Certain Conditions of the Offer" of this Offer to Purchase for certain information regarding the conditions to the Offer, including the Antitrust Condition and conditions with respect to certain governmental actions in connection with the Offer and the Merger.

State Takeover Laws. A number of states have adopted laws and regulations applicable to attempts to acquire securities of corporations that are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. In 1982, in *Edgar v. MITE Corp.*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987, in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquiror from voting shares of a target corporation without the prior approval of the remaining stockholders where, among other things, the corporation is incorporated, and has a substantial number of stockholders, in the state. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a U.S. federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional as applied to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a U.S. federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a U.S. federal district court in Florida held in *Grand Metropolitan PLC v. Butterworth* that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

As a Delaware corporation, RC2 is subject to Section 203 of the DGCL. In general, Section 203 of the DGCL prevents a Delaware corporation from engaging in a "business combination" (defined to include mergers and certain other actions) with an "interested stockholder" (including a person who owns or has the right to acquire 15% or more of a corporation's outstanding voting stock) for a period of three years following the date such person became an "interested stockholder" unless, among other things, the "business combination" is approved by the board of directors of such corporation before such person became an "interested stockholder."

RC2 has represented to us in the Merger Agreement that it has taken all action required to be taken in order to exempt the Merger Agreement, the other agreements contemplated by the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Offer and the Merger, from any requirements of any "moratorium," "control share," "fair price," affiliate transaction," "anti-greenmail," "business combination" or other anti-takeover laws of any jurisdiction, including Section 203 of the DGCL.

RC2, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. We do not know whether any of these laws will, by their terms, apply to the Offer or the Merger and have not attempted to comply with any such laws. Should any person seek to apply any state takeover law, we will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event any person asserts that the takeover laws of any state are applicable to the Offer or the Merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, we may be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, we may be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer and the Merger. In such case, we may not be obligated to accept for payment any Shares tendered in the Offer. See Section 15 — "Certain Conditions of the Offer."

Legal Proceedings. The following is a summary of certain information related to a complaint filed against RC2, individual members of RC2's board of directors, Parent and Purchaser. This summary is qualified in its entirety by reference to such complaint, which is incorporated herein by reference, and a copy of which has been filed as an exhibit to the Schedule TO. The complaint may be examined and copies may be obtained at the places and in the manner set forth in Section 8 — "Certain Information Concerning Parent and Purchaser." Stockholders and other interested parties should read the complaint for a more complete description of the information summarized below.

On March 22, 2011, Laborers' Local #231 Pension Fund, a purported shareholder of RC2, filed a putative class action in the Circuit Court of Cook County, Illinois, captioned *Laborers' Local #231 Pension Fund v. RC2 Corporation et al., Case No. 11CH10899*, naming as defendants RC2, the individual members of RC2's board of directors, Parent and Purchaser. On behalf of a putative class of RC2 shareholders, plaintiff asserts claims against the individual directors of RC2 for breaches of fiduciary duty in connection with the Offer and the Merger and against RC2, Parent and Purchaser for aiding and abetting those breaches. Plaintiff seeks certain equitable relief, including an injunction against consummation of the Offer and the Merger and rescission of the Merger Agreement, and attorney's fees and other costs. Parent and Purchaser believe that this action is without merit and intend to defend their positions in this matter vigorously.

Stockholder Approval. RC2 has represented in the Merger Agreement that execution, delivery and performance of the Merger Agreement and all employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements" to which it is a party by RC2 and the consummation by RC2 of the Offer, the Merger and all employment related agreements described below at Section 11 — "The Merger Agreement; Other Agreements — New Employment Agreements and Other Employment-Related Agreements" have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of RC2 are necessary to authorize the execution, delivery and performance by RC2 of the Merger Agreement or to consummate the transactions (other than, with respect to the Merger, the adoption of the Merger Agreement by the holders of a majority of the then-outstanding Shares, if and to the extent required under DGCL). As described above in Section 12 — "Purpose of the Offer, Plans for RC2 — Plans for RC2", such approval is not required if the Merger is consummated pursuant to the short-form merger provisions of the DGCL. If following the purchase of Shares by Purchaser pursuant to the Offer, Purchaser and its affiliates own more than a majority of the outstanding Shares, Purchaser will be able to effect the Merger without the affirmative vote of any other stockholder of RC2. Parent and Purchaser have agreed pursuant to the Merger Agreement that they will cause all Shares then owned by them and their subsidiaries to be voted in favor of the adoption of the Merger Agreement and approval of the Merger.

17. Appraisal Rights.

No appraisal rights are available with respect to Shares tendered and accepted for purchase in the Offer. However, if the Merger is consummated, stockholders who do not tender their Shares in the Offer and who do not vote for adoption of the Merger Agreement will have certain rights under the DGCL to demand appraisal of, and to receive payment in cash of the fair value of, their Shares, in lieu of the right to receive the Offer Price. Such rights to demand appraisal, if the statutory procedures are met, could lead to a judicial determination of the fair value of the Shares, as of the Effective Time (excluding any element of value arising from the accomplishment or expectation of the Merger), required to be paid in cash to such dissenting holders for their Shares. In addition, such dissenting stockholders would be entitled to receive interest from the date of consummation of the Merger on the amount determined to be the fair value of their Shares. Unless the Court in its discretion determines otherwise for good cause shown, such interest will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as in effect from time to time during the period between the Effective Time and the date of payment of the judgment. In determining the fair value of the Shares, the court is required to take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Shares, including, among other things, asset values and earning capacity. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court stated, among other things, that "proof of value by any techniques or methods which are

generally considered acceptable in the financial community and otherwise admissible in court" should be considered in an appraisal proceeding. Therefore, the value so determined in any appraisal proceeding could be the same as, or more or less than, the Offer Price.

If any holder of Shares who demands appraisal under Delaware law fails to perfect, or effectively withdraws or loses his rights to appraisal as provided under Delaware law, each Share held by such stockholder will be converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest and less any withholding taxes. A stockholder may withdraw his, her or its demand for appraisal by delivering to RC2 a written withdrawal of his, her or its demand for appraisal and acceptance of the Merger within 60 days after the Effective Time (or thereafter with the consent of the surviving corporation).

The foregoing discussion is not a complete statement of law pertaining to appraisal rights under Delaware law and is qualified in its entirety by reference to Delaware law.

You cannot exercise appraisal rights at this time. The information set forth above is for informational purposes only with respect to your alternatives if the Merger is consummated. If you are entitled to appraisal rights in connection with the Merger, you will receive additional information concerning appraisal rights and the procedures to be followed in connection therewith, including the text of the relevant provisions of Delaware law, before you have to take any action relating thereto.

If you sell your Shares in the Offer, you will not be entitled to exercise appraisal rights with respect to your Shares but, rather, will receive the Offer Price therefor.

18. Fees and Expenses.

Parent and Purchaser have retained Okapi Partners LLC to be the Information Agent and Computershare Trust Company, N.A. to be the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Shares.

The Information Agent and the Depositary each will receive reasonable and customary compensation for their respective services in connection with the Offer, will be reimbursed for reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws.

Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or to any other person (other than to the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding to their customers materials relating to the Offer. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

19. Miscellaneous.

The Offer is not being made to (nor will tender of Shares be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

No person has been authorized to give any information or to make any representation on behalf of Parent or Purchaser not contained herein or in the Letter of Transmittal, and, if given or made, such information or representation must not be relied upon as having been authorized. No broker, dealer, bank, trust company, fiduciary or other person will be deemed to be the agent of Purchaser, the Depositary, or the Information Agent for the purpose of the Offer.

Purchaser has filed with the SEC a Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, together with exhibits furnishing certain additional information with respect to the Offer, and may file amendments thereto. RC2 is required under the rules of the SEC to file its Solicitation/Recommendation Statement with the SEC on Schedule 14D-9 no later than 10 business days from the date of this Offer to Purchase, setting forth the recommendation of the RC2 board of directors with respect to the Offer and the reasons for such recommendation and furnishing certain additional related information. A copy of such documents, and any amendments thereto, may, when filed, be examined at, and copies may be obtained from, the SEC in the manner set forth under Section 7 — "Certain Information Concerning RC2" above.

Neither the Offer nor this Offer to Purchase and the Letter of Transmittal constitutes a solicitation of proxies for any meeting of RC2's stockholders. Any such solicitation that we or any of our affiliates might seek would be made only pursuant to separate proxy materials complying with the requirements of Section 14(a) of the Exchange Act.

Galaxy Dream Corporation
March 24, 2011

SCHEDULE I

INFORMATION RELATING TO PARENT AND PURCHASER

1. Directors and Officers of Parent

The name, business address, present principal occupation or employment and material occupations, positions, offices or employment for the past five years of each of the directors and executive officers of Parent are set forth below. Unless otherwise specified below, the business address and phone number of each such director and executive officer is 7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan, +81-3-5654-1288, and each is a citizen of Japan.

Name and Position, Business Address (if applicable)	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Kantaro Tomiyama President & CEO Director	President & CEO, TOMY Company, Ltd., June 2000 to Present. Unlimited liability partner, Tsukasa Fudosan, (Real Estate Business), 2007 to Present, Omochano-machi 2-21-18, Mibumachi, Shimotsukagun, Tochigi Japan. CEO, Toy Card Co., Ltd., (Gift Card Business), 2006 to Present, Komagata 2-4-11, Taito-ku, Tokyo Japan. CEO, TOMY Insurance, (Insurance Business), 2006 to Present, 7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan.
Keita Satoh Vice President Chief Marketing Officer	Executive Vice President, TOMY Company, Ltd., March 2006 to Present. CEO, Seebox Co., Ltd., Yoshikuni Komagata Bldg. 9F, Komagata 2-4-11, Taito-ku, Tokyo, Japan. President and CEO, Tokyo Angel Corporation, (Children's Clothes, Care Products, Medical Devices and Welfare Apparatus), May 2004 to May 2006, 5-4-9, Ooyado Adachi-ku, Tokyo, Japan
Shiryo Okuaki Vice President Head of Bureau of Corporate Strategy	Executive Vice President, TOMY Company, Ltd., November 2009 to Present. Chief Sales Officer, TOMY Company, Ltd., June 2006 to October 2009
Toshiki Miura Managing Director Chief Financial Officer	Chief Financial Officer, TOMY Company, Ltd., June 2003 to Present.
Isamu Takahashi Executive Managing Officer	Executive Managing Officer, Director, TOMY Company, Ltd., March 2006 to Present. Chief International Officer, Director, TOMY Company, Ltd., October 2003 to February 2006.
Osamu Mashimo, Senior Executive Officer Head of Global Boys Business	Senior Executive Officer, TOMY Company, Ltd., October 2006 to Present.
Shigeki Yanagisawa Director Senior Executive Officer Deputy Head, Bureau of Corporate Strategy	Senior Executive Officer, TOMY Company, Ltd., November 2009 to Present; Chief Production Officer, April 2009 to October 2009, Senior Executive Officer, July 2008 to March 2009, Chief Production Officer, June 2008, Senior Executive Officer, April 2006 to May 2008, Director, June 2004 to March 2006.

Name and Position, Business Address (if applicable)	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Jun Tsusaka Director Atago Green Hills Mori Tower 2-5-1 Atago, Minato-ku, Tokyo, Japan	Partner, Managing Director and Representative of TPG Capital-Japan, Ltd., (Private Equity Business), June 2006 to Present, Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo, Japan. Co-Founder and Principal, General Partner, Brera Capital Partners, 805 Third Avenue, 19th Floor, New York, NY 10022, 1997- May 2006.
Akio Ishida Director Atago Green Hills Mori Tower 2-5-1 Atago, Minato-ku, Tokyo, Japan	Vice Chairman-Japan, TPG Capital-Japan, Ltd., September 2006 to Present; Vice Chairman, Banking Division, Merrill Lynch Japan Securities Co., Ltd., (Financial Services), November 1973 to August 2006.
Kakuei Miyagi Director	Board Director, TOMY Company, Ltd., June 2009 to Present. Corporate Auditor, Nippon Coke & Engineering, Co., Ltd., (Manufacturing), June 2008 to Present, 3-3-3 Toyosu, Koto-ku, Tokyo 135-6007, Japan. President, The Yoei Holdings Co., Ltd., (Residential and Office Building Development), June 2002 to June 2008, 7-14-16 Ginnza, Chuo-Ku, Tokyo 104-0061, Japan.
Osamu Yasaka Director 3-21-14 Kinuta, Setagaya-ku Tokyo, Japan	President & CEO of Marunouchi Capital, (Private Equity), April 2006 to Present; President & CEO of Nikko Investor Relations from April 2005 to March 2008; Board Director of Joyful Honda from August 2009 to Present.
Kazuhiro Kojima Director 3-31-17 Akatsutsumi, Setagaya-ku, Tokyo, Japan	Managing Director of Marunouchi Capital, April 2008 to Present, 1-3-1, Marunouchi, Chiyoda-ku, Tokyo Japan. Employee, Mitsubishi Corporation, (General Trading Company), Presently, 2-3-1, Marunouchi, Chiyoda-ku, Tokyo Japan
Minoru Rikiishi Head of Domestic Sales	Senior Executive Officer, Head of Domestic Sales, TOMY Company, Ltd., October 2008 to Present, Senior Executive Officer, Deputy Head of Domestic Sales, July to September 2008, Executive Officer, Deputy Head of Domestic Sales, July 2007 to June 2008, Senior General Manager, Domestic Sales, March to June 2007, Senior General Manager, Domestic Sales Strategy Office, June 2006 to March 2007, General Manager, Domestic Sales Group, March to May 2006.
Shunji Kamio Head of Research & Development	Executive Officer, Head of R&D, TOMY Company, Ltd., October 2008 to Present, Executive Officer, Toy Marketing, October 2006 to September 2008, Executive Officer, Frontier Marketing, June 2006 to September 2006, Executive Officer, Frontier Business, March 2006 to May 2006.
Kenichi Kuroki Head of Asia Business	Executive Officer, TOMY Company, Ltd., Head of Asia Business, January 2010 to Present, Asia Business, October 2008 to December 2009, Asia Business & Trading Card Game & Hobby, April 2008 to September 2008, Trading Card Game & Hobby, June 2006 to March 2008, Trading Card Game, March 2006 to May 2006.

Name and Position, Business Address (if applicable)	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Masaya Sawada Head of Marketing	Executive Officer, TOMY Company, Ltd., Head of Marketing, October 2008 to Present, Brands & Content Planning, April 2008 to September 2008, Strategy Marketing, October 2006 to March 2008, Deputy Head, Global Sales, June 2006 to September 2006, Contents Business, January 2006 to May 2006.
Kenichi Susa Head of Production and Procurement	Executive Officer, TOMY Company, Ltd., March 2006 to Present.
Shoji Tajima Head of Business Administration	Executive Officer, Head of Business Administration, TOMY Company, Ltd., July 2007 to Present. Deputy Head of Administration, TOMY Company, Ltd., March 2006 to Jun 2007.
Yoshitaka Sako Domestic Sales Corporate Business Administration	Executive Officer, TOMY Company, Ltd., July 2008 to Present; General Manager, January 2006 to June 2008.
Masaru Nakajima Head of Global Business	Executive Officer, Head of Global Business, TOMY Company, Ltd., January 2010 to Present, General Manager, Deputy Head of Global Business, October 2007 to December 2009, General Manager, Entertainment Toy Group, April 2007 to September 2007, General Manager, North America Group, June 2006 to March 2007, General Manager, Global Sales & Marketing Group, March 2006 to May 2006.
Msanori Mizunuma Head of Tomica/Plarail Business	Executive Officer, Head of Tomica/Plarail Business, TOMY Company, Ltd., January 2010 to Present, Executive Officer, Head of Toy Business, October 2008 to December 2010, Executive Officer, Toy Marketing Section 1, July 2008 to September 2008, Senior General Manager, Toy Marketing Section 1, October 2007 to June 2008, General Manager, Tomica Business Group, March 2006 to May 2006.
Yoshikazu Abe Head of Character Business	Executive Officer, Head of Character Business, TOMY Company, Ltd., July 2009 to Present, Senior General Manager, Head of Character Business, October 2008 to June 2009, General Manager, Toy Sales Group and Sales Group 1, March 2006 to September 2008.
Yoshihiro Morioka* Head of Digital Business	Executive Officer, Head of Digital Business, TOMY Company, Ltd., July 2009 to Present, Senior General Manager, Head of Digital Business, October 2008 to June 2009, General Manager, Deputy Head of Digital Business, April 2008 to September 2008, General Manager, Digital Entertainment, March 2006 to March 2007.
Robert Mann Executive Officer Bureau of Corporate Strategy Citizen of the United Kingdom	Executive Officer, Bureau of Corporate Strategy, TOMY Company, Ltd., July 2010 to Present. President and CEO, Tomy UK, Ltd., January 2005 to Present, St. Nicolas House, St. Nicholas Rd., Sutton Surrey SM1 1EH United Kingdom. President and CEO, Tomy France, SARL Parc D'Affaires International BP358 Archamps 74166, January 2005 to Present.

* Yoshihiro Morioka will no longer be an executive officer as of March 31, 2011.

2. Directors and Officers of Purchaser

The name, business address, present principal occupation or employment and material occupations, positions, offices or employment for the past five years of each of the directors and executive officers of Purchaser are set forth below. Unless otherwise specified below, the business address and phone number of each such director and executive officer is 7-9-10 Tateishi, Katsushika-ku, Tokyo 124-8511, Japan, +81-3-5654-1288, and each is a citizen of Japan.

Name and Position, Business Address (if applicable)	Present Principal Occupation or Employment; Material Positions Held During the Past Five Years
Kantaro Tomiyama Sole Director and President	See description under "Directors and Officers of Parent."
Masayuki Nagatake Secretary	Executive General Manager, Corporate Strategy, TOMY Company, Ltd., May 2009 to Present.
2-24-19 Shinden, Ichikawa shi, Chiba, Japan, 272-0035	Director, UNIQLO International, Fast Retailing Co., Ltd. (Retail Clothing), April 2008 to April 2009, Kudankita 1-13-12, Chiyoda, Tokyo, Japan CEO, UNIQLO UK. (Retail Clothing), Ltd., July 2003 to March 2008, 3rd Floor, 311 Oxford Street, London, W1C 2HP, U.K. President, Fast Retailing France S.A.S. (Retail Clothing), April 2005 to March 2008, 50/52 Boulevard Haussmann, 75009, Paris, France
Toshiki Miura Treasurer	See description under "Directors and Officers of Parent."

Manually signed facsimiles of the Letter of Transmittal, properly completed, will be accepted. The Letter of Transmittal and certificates evidencing Shares and any other required documents should be sent or delivered by each stockholder or its, his or her broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below:

The Depositary for the Offer is:

Computershare

By First Class Mail:	***By Registered, Certified or Express Mail or by Overnight Courier:***
Computershare c/o Voluntary Corporate Actions P.O. Box 43011 Providence, RI 02940-3011	Computershare c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, MA 02021

Questions or requests for assistance may be directed to the Information Agent at its address and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may also be obtained from the Information Agent. Stockholders may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

The Information Agent for the Offer is:

437 Madison Avenue, 28th Floor
New York, New York 10022

Stockholders may call toll free (877) 869-0171
Banks and Brokers may call collect (212) 297-0720
Email: info@okapipartners.com

Exhibit (a)(1)(B)

LETTER OF TRANSMITTAL
To Tender Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
Pursuant to the Offer to Purchase dated March 24, 2011
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

The Depositary for the Offer is:

Computershare

By First Class Mail:	***By Registered, Certified or Express Mail or by Overnight Courier:***
Computershare c/o Voluntary Corporate Actions P.O. Box 43011 Providence, RI 02940-3011	Computershare c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, MA 02021

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE PROVIDED BELOW, WITH SIGNATURE GUARANTEE, IF REQUIRED, AND COMPLETE THE SUBSTITUTE FORM W-9 SET FORTH BELOW, IF REQUIRED. THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

THE OFFER IS NOT BEING MADE TO (NOR WILL TENDER OF SHARES BE ACCEPTED FROM OR ON BEHALF OF) HOLDERS OF SHARES IN ANY JURISDICTION IN WHICH THE MAKING OF THE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES, BLUE SKY OR OTHER LAWS OF SUCH JURISDICTION.

DESCRIPTION OF SHARES TENDERED			
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on certificate(s) or, in the case of Shares in a DRS Account, on the registry maintained by RC2 Corporation's transfer agent)(1) (Attach additional signed list if necessary)	**Shares Tendered**		
	Certificate Number(s)(2)	**Total Number of Shares Represented by Certificate(s)(2)**	**Number of Shares Tendered(3)**
	Total Shares		

(1) The term "Shares" refers to shares of common stock, par value $0.01 per share, of RC2 Corporation, a Delaware corporation ("RC2"). A "DRS Account" is a book-entry/direct registration account maintained by RC2's transfer agent. If you hold Shares in a DRS Account and need information about the account, please contact RC2's transfer agent, Computershare Trust Company, N.A., by telephone at 877-373-6374.

(2) Need not be completed with respect to Shares held in a DRS Account or Shares being tendered by book-entry transfer. See "Additional Information Regarding Delivery of Shares" on page 2 of this Letter of Transmittal.

(3) Unless otherwise indicated, it will be assumed that all Shares described above are being tendered. See Instruction 4.

This Letter of Transmittal, as amended or supplemented from time to time (this "Letter of Transmittal"), is to be used by stockholders of RC2 if certificates for Shares (the "Share Certificates") are to be forwarded herewith, if Shares are being tendered from a DRS Account or, unless an Agent's Message (as defined in Section 2 of the Offer to Purchase (as defined herein)) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at The Depository Trust Company ("DTC") pursuant to the procedures described in Section 3 of the Offer to Purchase. Stockholders whose Share Certificates are not immediately available, or who cannot complete the procedure for book-entry transfer on a timely basis, or who cannot deliver all other required documents to the Depositary on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase), must tender their Shares according to the guaranteed delivery procedures described in Section 3 of the Offer to Purchase in order to participate in the Offer (as defined herein). See Instruction 2. Delivery of documents to DTC does not constitute delivery to the Depositary.

Additional Information if Shares Have Been Lost

If Share Certificates you are tendering with this Letter of Transmittal have been lost, stolen, destroyed or mutilated, you should contact Computershare Trust Company, N.A., RC2's transfer agent at 877-373-6374 regarding the requirements for replacement. You may be required to post a bond to secure against the risk that the Share Certificates may be subsequently recirculated. You are urged to contact RC2's transfer agent immediately in order to receive further instructions, for a determination of whether you will need to post a bond and to permit timely processing of this documentation. See Instruction 11.

Additional Information Regarding Delivery of Shares

☐ CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC AND COMPLETE THE FOLLOWING (ONLY DTC PARTICIPANTS MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution _____

Account Number at DTC _____

Transaction Code Number _____

☐ CHECK HERE IF TENDERED SHARES ARE HELD IN A DRS ACCOUNT AND COMPLETE THE FOLLOWING:

DRS Account Number _____

☐ CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING TO THE EXTENT APPLICABLE:

Name(s) of Tendering Stockholder(s) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution that Guaranteed Delivery _____

Account Number at DTC (if delivery is by book-entry transfer) _____

DRS Account Number (if tendered Shares are held in a DRS Account) _____

Ladies and Gentlemen:

The undersigned hereby tenders to Galaxy Dream Corporation, a Delaware corporation ("Purchaser"), the above described shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), pursuant to Purchaser's offer to purchase all of the outstanding Shares, at a purchase price of $27.90 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 24, 2011 (as it may be amended or supplemented from time to time, the "Offer to Purchase"), and in this Letter of Transmittal (as it may be amended or supplemented from time to time, this "Letter of Transmittal") (which offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, constitutes the "Offer").

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), and effective upon acceptance for payment of the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to or upon the order of Purchaser all right, title and interest in and to all of the Shares that are being tendered hereby (and any and all dividends, distributions, rights, other Shares or other securities issued or issuable in respect thereof on or after the date hereof (collectively, "Distributions")) and irrevocably constitutes and appoints Computershare Trust Company, N.A., as the depositary for the Offer (the "Depositary"), the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and any and all Distributions) or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by DTC, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares (and any and all Distributions) for transfer on the books of RC2 and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

By executing this Letter of Transmittal, the undersigned hereby irrevocably appoints the designees of Purchaser the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, (i) to vote at any annual or special meeting of RC2's stockholders or any adjournment or postponement thereof or otherwise in such manner as each such attorney-in-fact and proxy or its, his or her substitute shall in its, his or her sole discretion deem proper with respect to, (ii) to execute any written consent concerning any matter as each such attorney-in-fact and proxy or its, his or her substitute shall in its, his or her sole discretion deem proper with respect to and (iii) to otherwise act as each such attorney-in-fact and proxy or its, his or her substitute shall in its, his or her sole discretion deem proper with respect to, all of the Shares (and any and all Distributions) tendered hereby and accepted for payment by Purchaser. This appointment will be effective if and when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Such acceptance for payment shall, without further action, revoke any prior powers of attorney and proxies granted by the undersigned at any time with respect to such Shares (and any and all Distributions), and no subsequent powers of attorney, proxies, consents or revocations may be given by the undersigned with respect thereto (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for the Shares to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares (and any and all Distributions), including voting at any meeting of RC2's stockholders.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all Distributions) and that, when the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title to such Shares (and any and all Distributions), free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby (and any and all Distributions). In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be

entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby or deduct from such purchase price the amount or value of such Distribution as determined by Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment).

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price of all of the Shares purchased and, if appropriate, return any certificates for the Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of all of the Shares purchased and, if appropriate, return any certificates for the Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered." In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and, if appropriate, return any certificates evidencing Shares not tendered or not accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and, if appropriate, return any such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Unless otherwise indicated herein in the box entitled "Special Payment Instructions," please (i) credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at DTC designated above and (ii) credit any Shares tendered hereby from a DRS Account that are not accepted for payment by crediting the DRS Account designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the "Special Payment Instructions," to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of the Shares so tendered.

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SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if (i) the check for the purchase price of Shares accepted for payment and/or (ii) Shares not tendered or not accepted are to be issued in the name of someone other than the undersigned.

_____

(Taxpayer Identification or Social Security No.)
(Also Complete Substitute Form W-9 Below)

☐ Issue check and/or certificates to:

Name: _____
(Please Print)

Address: _____

_____

_____
(Include Zip Code)

☐ Credit unpurchased Shares delivered by book-entry transfer to the following DTC account:

Account Number at DTC: _____

☐ Credit unpurchased Shares tendered from DRS Account to the following DRS Account:

DRS Account Number: _____

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if the check for the purchase price of Shares accepted for payment and/or certificates for Shares not tendered or not accepted are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown above.

Mail check and/or certificates to:

Name: _____
(Please Print)

Address: _____

_____

_____
(Include Zip Code)

IMPORTANT
STOCKHOLDER: SIGN HERE
(U.S. persons: Please also complete and return the attached Substitute Form W-9 below)
(Non-U.S. persons: Please also obtain, complete and return appropriate IRS Form W-8)

_____

_____

(Signature(s) of Holder(s) of Shares)

Dated: _____

Name(s): _____

(Please Print)

Capacity (full title) (See Instruction 5): _____

Address: _____

_____

(Include Zip Code)

Area Code and Telephone No.: _____

Tax Identification or Social Security No. (See Substitute Form W-9 enclosed herewith): _____

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) (or, in the case of Shares held in a DRS Account, as set forth in the registry maintained by RC2's transfer agent) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

Guarantee of Signature(s)
(If Required — See Instructions 1 and 5)

Authorized Signature: _____

Name: _____

Name of Firm: _____

Address: _____

(Include Zip Code)

Area Code and Telephone No.:
_____ Dated: _____

(Place Medallion Guarantee in Space Below)

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. *Guarantee of Signatures*. No signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Instruction, includes any participant in DTC's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith, unless such holder has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on this Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing in the Securities Transfer Agents Medallion Program or any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. *Requirements of Tender*. In order for a stockholder to validly tender Shares pursuant to the Offer, either (i) this Letter of Transmittal (or a manually signed facsimile of this Letter of Transmittal), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of this Letter of Transmittal) and any other documents required by this Letter of Transmittal must be received by the Depositary at one of its addresses set forth above and, except in the case of Shares held in a DRS Account (and not through a financial institution that is a participant in the system of DTC), either (A) the Share Certificates evidencing such Shares must be received by the Depositary at such address or (B) such Shares must be tendered pursuant to the procedure for book-entry transfer described in Section 3 of the Offer to Purchase and confirmation of a book-entry transfer of such Shares (a "Book-Entry Confirmation") must be received by the Depositary, in each case on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) or the expiration of the subsequent offering period, if any, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures described below in this Instruction 2 and in the Offer to Purchase. Stockholders whose Share Certificates are not immediately available, or who cannot complete the procedure for delivery by book-entry transfer or the tender of Shares from a DRS Account on a timely basis or who cannot deliver the Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date, may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, must be received by the Depositary on or prior to the Expiration Date and (iii) the Depositary must receive, within three NASDAQ Global Select Market trading days after the date of execution of such Notice of Guaranteed Delivery either (1) in the case of Shares other than those held in a DRS Account, the Share Certificates (or a Book-Entry Confirmation) evidencing all such tendered Shares, in proper form for transfer, in each case together with this Letter of Transmittal (or a manually signed facsimile hereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal or (2) in the case of Shares held in a DRS Account, this Letter of Transmittal (or a manually signed facsimile hereof), properly completed and duly executed, with any required signature guarantees, and any other documents required by this Letter of Transmittal. If Share Certificates are forwarded separately to the Depositary, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. The Notice of Guaranteed Delivery may be transmitted by manually signed facsimile transmission or mailed to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser. The procedures for guaranteed delivery described above and in the Offer to Purchase may not be used during any subsequent offering period.

The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through DTC, is at the option and risk of the tendering stockholder, and the delivery of all such documents will be deemed made only when actually received by the Depositary (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

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Purchaser will not accept any alternative, conditional or contingent tenders, and no fractional Shares will be purchased. By executing this Letter of Transmittal (or facsimile thereof), the tendering stockholder waives any right to receive any notice of the acceptance for payment of the Shares.

3. *Inadequate Space.* If the space provided herein is inadequate, the Share Certificate numbers and/or the number of Shares and any other relevant information should be listed on a separate schedule attached hereto.

4. *Partial Tenders.* If fewer than all the Shares represented by any Share Certificate delivered to the Depositary are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Total Number of Shares Tendered". In such case, a new certificate for the remainder of the Shares represented by the old certificate will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the appropriate box on this Letter of Transmittal, as promptly as practicable following the expiration or termination of the tender offer. All Shares represented by certificates delivered to the Depositary, and all Shares in any DTC account or DRS Account specified on the second page of this Letter of Transmittal, will be deemed to have been tendered unless otherwise indicated.

5. *Signatures on Letter of Transmittal; Stock Powers and Endorsements.*

(a) *Exact Signatures.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificates (or, in the case of Shares held in a DRS Account, as set forth in the registry maintained by RC2's transfer agent) without alteration, enlargement or any change whatsoever.

(b) *Joint Holders.* If any of the Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

(c) *Different Names on Certificates.* If any of the Shares tendered hereby are registered in different names on different certificates or (in the case of Shares not represented by certificates) in different accounts, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Shares.

(d) *When Endorsements or Stock Powers are Not Required.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless payment of the purchase price is to be made, or Shares not tendered or not purchased are to be returned, in the name of any person other than the registered holder(s). Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution.

(e) *When Endorsements or Stock Powers are Required*. If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Shares. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

(f) *Evidence of Fiduciary or Representative Capacity*. If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Depositary of the authority of such person so to act must be submitted.

6. *Stock Transfer Taxes.* Except as otherwise provided in this Instruction 6, Purchaser or any successor entity thereto will pay all stock transfer taxes with respect to the transfer and sale of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if Share Certificate(s) for Shares not tendered or not accepted for payment are to be registered in the name of, any person(s) other than the registered holder(s), or if tendered Share Certificate(s) are registered in the name of any person(s) other than the person(s) signing this Letter of Transmittal, or if a transfer tax is otherwise imposed with respect to Shares for any reason other than the transfer or sale of Shares to Purchaser pursuant to the Offer, then the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person(s) or otherwise) payable on account of the transfer to such other person(s) or otherwise will be deducted

from the purchase price of such Shares purchased unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Share Certificate(s) evidencing the Shares tendered hereby.

7. *Special Payment and Delivery Instructions.* If a check is to be issued in the name of, and, if appropriate, Share Certificates for Shares not tendered or not accepted for payment are to be issued or returned to, any person(s) other than the signer of this Letter of Transmittal or if a check and, if appropriate, such Share Certificates are to be returned to any person(s) other than the person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, or if Shares tendered by book-entry transfer or from a DRS Account and not accepted for payment are to be credited to a different DTC account or DRS Account, as applicable, than the applicable account specified on the second page of this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal must be completed and all signatures on this Letter of Transmittal (other than any signature on the Substitute Form W-9) must be guaranteed by an Eligible Institution.

8. *Substitute Form W-9.* To avoid backup withholding, a tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9, which is provided under "Important Tax Information" below, and to certify, under penalties of perjury, that such number is correct and that such stockholder is not subject to backup withholding of federal income tax, and that such stockholder is a U.S. person (as defined for U.S. federal income tax purposes). If a tendering stockholder has been notified by the Internal Revenue Service ("IRS") that such stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such stockholder has since been notified by the IRS that such stockholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to federal income tax withholding on the payment of the purchase price of all Shares purchased from such stockholder. If the tendering stockholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such stockholder should check the box in Part 3 of the Substitute Form W-9, and sign and date the Substitute Form W-9. If the box in Part 3 is checked and the Depositary is not provided with a TIN by the time of payment, the Depositary will withhold a portion of all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

Certain stockholders (including, among others, all corporations and certain non-U.S. individuals and entities) may not be subject to backup withholding. Non-U.S. stockholders should submit an appropriate and properly completed IRS Form W-8, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. Such stockholders should consult a tax advisor to determine which Form W-8 is appropriate. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

9. *Irregularities.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser, in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any and all tenders determined by Purchaser not to be in proper form or the acceptance for payment of which may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right to waive any defect or irregularity in the tender of any Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived to Purchaser's satisfaction. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Purchaser's interpretation of the terms and conditions of the Offer (including this Letter of Transmittal and the instructions hereto) will be final and binding.

10. *Requests for Additional Copies.* Questions and requests for assistance or additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery should be directed to the Information Agent at its telephone numbers and address set forth below.

11. *Lost, Destroyed or Stolen Certificates.* If any certificate representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify Computershare Trust Company, N.A., as transfer agent, at 877-373-6374. The

stockholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: This Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, and all other required documents, together (except in the case of Shares held in a DRS Account) with Share Certificates representing Shares being tendered (or Book-Entry Confirmation), must be received by the Depositary on or prior to the Expiration Date, or the tendering stockholder must comply with the procedure for guaranteed delivery.

IMPORTANT TAX INFORMATION

For purposes of this Letter of Transmittal, the term "U.S. person" means (i) an individual citizen or resident of the United States; (ii) a corporation, or an entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, or of any state or the District of Columbia; (iii) an estate, the income of which is subject to United States federal income tax regardless of its source; or (iv) a trust, if (A) a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons, within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended, have authority to control all of the trust's substantial decisions or (B) the trust has validly elected to be treated as a United States person for United States federal income tax purposes.

Under federal income tax law, a stockholder who is a U.S. person surrendering Shares must, unless an exemption applies, provide the Depositary (as payer) with the stockholder's correct TIN on IRS Form W-9 or on the Substitute Form W-9 included in this Letter of Transmittal. If the stockholder is an individual, the stockholder's TIN is such stockholder's Social Security number. If the correct TIN is not provided, the stockholder may be subject to a $50 penalty imposed by the IRS and payments of cash to the stockholder (or other payee) pursuant to the Offer may be subject to backup withholding at a rate of 28% on all payments of the purchase price. If a stockholder that is a U.S. person does not have a TIN, such stockholder should apply for a TIN, indicate on the Form W-9 or Substitute Form W-9 that such stockholder is awaiting a TIN, and sign and date the form. If the Depositary does not receive a TIN by the time payments are made to such stockholder, the payments will be subject to backup withholding at a rate of 28%.

Certain stockholders (including, among others, corporations and certain non-U.S. individuals and entities) may not be subject to backup withholding and reporting requirements. In order for an exempt non-U.S. stockholder to avoid backup withholding, such person should complete, sign and submit an appropriate IRS Form W-8 signed under penalties of perjury, attesting to his or her exempt status. A Form W-8 can be obtained from the Depositary or on the IRS website at http://www.irs.gov. Such stockholders should consult a tax advisor to determine which Form W-8 is appropriate. Exempt stockholders, other than non-U.S. stockholders, should furnish their TIN, check the box in Part 4 of the Substitute Form W-9 and sign, date and return the Substitute Form W-9 to the Depositary in order to avoid erroneous backup withholding. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

If backup withholding applies, the Depositary is required to withhold and pay over to the IRS a portion of any payment made to a stockholder. Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the IRS.

Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of the stockholder's correct TIN by completing the Substitute Form W-9 included in this Letter of Transmittal certifying (1) that the TIN provided on the Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN), (2) that the stockholder is not subject to backup withholding because (i) the stockholder is exempt from backup withholding, (ii) the stockholder has not been notified by the IRS that the stockholder is subject to backup withholding as a result of a failure to report all interest and dividends or (iii) the IRS

has notified the stockholder that the stockholder is no longer subject to backup withholding and (3) the stockholder is a U.S. person (as defined for U.S. federal income tax purposes).

What Number to Give the Depositary

The tendering stockholder is required to give the Depositary the TIN, generally the Social Security number or Employer Identification Number, of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, such stockholder should check the box in Part 3 of the Substitute Form W-9, sign and date the Substitute Form W-9 and sign and date the Certificate of Awaiting Taxpayer Identification Number, which appears in a separate box below the Substitute Form W-9. If the box in Part 3 of the Substitute Form W-9 is checked and the Depositary is not provided with a TIN by the time of payment, the Depositary will withhold a portion of all payments of the purchase price until a TIN is provided to the Depositary. If the Depositary is provided with an incorrect TIN in connection with such payments, the stockholder may be subject to a $50.00 penalty imposed by the IRS.

Corp Actions Voluntary_RCRC

PAYER'S NAME: COMPUTERSHARE TRUST COMPANY, N.A.		
SUBSTITUTE **FORM W-9**	**Part 1** — PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number or Employer Identification Number
Department of the Treasury **Internal Revenue Service** **Payer's Request for Taxpayer Identification Number ("TIN")**	CHECK APPROPRIATE BOX: ☐ Individual/Sole Proprietor ☐ Corporation ☐ Partnership ☐ Other	**Part 3** — Awaiting TIN ☐ **Part 4** — Exempt ☐
Please fill in your name and address below. **Name** Address (Number and Street) City, State and Zip Code	**Part 2** — **Certification** — Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends or (c) the IRS has notified me that I am no longer subject to backup withholding; and (3) I am a U.S. Person (including a U.S. resident alien). **Certification Instructions** — You must cross out Item (2) above if you have been notified by the IRS	
	Signature	Date

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ACCOMPANYING GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, a portion of all reportable payments made to me will be withheld, but that such amounts will be refunded to me if I then provide a Taxpayer Identification Number within sixty (60) days.

Signature _____ Date _____

Corp Actions Voluntary_RCRC

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER. — Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

WHAT NAME AND NUMBER TO GIVE THE PAYER

For this type of account:		Give name and SSN of:
1.	Individual	The individual
2.	Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3.	Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4.	a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)
	b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5.	Sole proprietorship or single-owner LLC	The owner(3)
6.	Sole proprietorship or single-owner LLC	The owner(3)
7.	A valid trust, estate, or pension trust	Legal entity(4)

For this type of account:		Give name and EIN of:
8.	Corporate or LLC electing corporate status on Form 8832	The corporation
9.	Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10.	Partnership or multi-member LLC	The partnership
11.	A broker or registered nominee	The broker or nominee
12.	Account with the Department of Agriculture in the name of a public entity (such as state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's SSN.

(3) You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, IRS encourages you to use your SSN.

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Corp Actions Voluntary_RCRC

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
PAGE 3

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan or a custodial account under Section 403(b)(7).
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc. Nominee List.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to non-resident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage interest paid to an individual.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments, other than interest, dividends, and patronage dividends, that are not subject to information reporting, are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICE — Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold a portion of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER — If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING — If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION — Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

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The Depositary for the Offer is:

Computershare

By First Class Mail:	***By Registered, Certified or Express Mail or by Overnight Courier:***
Computershare c/o Voluntary Corporate Actions P.O. Box 43011 Providence, RI 02940-3011	Computershare c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, MA 02021

Questions or requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be directed to the Information Agent at the address and telephone numbers set forth below. Stockholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the tender offer.

The Information Agent for the Offer is:

437 Madison Avenue, 28th Floor
New York, New York 10022

Stockholders may call toll free (877) 869-0171
Banks and Brokers may call collect (212) 297-0720
Email: info@okapipartners.com

Corp Actions Voluntary_RCRC

Exhibit (a)(1)(C)

NOTICE OF GUARANTEED DELIVERY
For Tender of Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
Pursuant to the Offer to Purchase dated March 24, 2011
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates representing shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), are not immediately available, (ii) time will not permit all the certificates representing Shares and all other required documents to reach Computershare Trust Company, N.A., as the depositary for the Offer (the "Depositary"), on or prior to the Expiration Date or (iii) the procedure for delivery of Shares by book-entry transfer or for the tender of Shares from a book-entry/direct registration account maintained by RC2's transfer agent cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be transmitted by manually signed facsimile transmission or mailed to the Depositary. See Section 3 of the Offer to Purchase (as defined below).

The Depositary for the Offer is:

Computershare

By First Class Mail:	***By Facsimile Transmission:***	***By Registered, Certified or Express Mail or by Overnight Courier:***
Computershare c/o Voluntary Corporate Actions P.O. Box 43011 Providence, RI 02940-3011	(For Eligible Institutions Only) (617) 360-6810 ***Confirm Facsimile Transmission:*** (781) 575-2332	Computershare c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, MA 02021

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION, OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE APPROPRIATE LETTER OF TRANSMITTAL.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal (as defined below) or an Agent's Message (as defined in the Offer to Purchase) and, if applicable, certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Ladies and Gentlemen:

The undersigned hereby tenders to Galaxy Dream Corporation, a Delaware corporation ("Purchaser"), upon the terms and subject to the conditions of Purchaser's offer to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares") of RC2 Corporation, a Delaware corporation ("RC2"), as set forth in the offer to purchase, dated March 24, 2011 (as it may be amended from time to time, the "Offer to Purchase"), and the related Letter of Transmittal (as it may be amended from time to time, the "Letter of Transmittal") (such offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares specified below, pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

Number of Shares and Certificate No(s) (if available): _____

_____

_____

_____

☐ Check here if Shares will be tendered by book entry transfer.

Account Number at The Depository Trust Company ("DTC"): _____

☐ Check here if Shares to be tendered are held in a book-entry/direct registration account maintained by RC2's transfer agent (a "DRS Account").

DRS Account Number: _____

Dated: _____

Name(s) of Record Holder(s): _____

_____

(Please type or print)

Address(es): _____

_____

(Zip Code)

Area Code and Tel. No.: _____

_____

_____

(Daytime telephone number)

Signature(s) _____

Corp Actions Voluntary_RCRC

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, an Eligible Institution (defined in Section 3 of the Offer to Purchase), hereby (i) with respect to the Shares tendered hereby that are not held in a DRS Account, guarantees delivery to the Depositary, at one of its addresses set forth above, of certificates representing such Shares, in proper form for transfer, or a confirmation of a book-entry transfer of such Shares into the Depositary's account at DTC, in either case together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) or, in the case of a book-entry transfer, an Agent's Message (defined in Section 2 of the Offer to Purchase), together with any other documents required by the Letter of Transmittal, all within three NASDAQ Global Select Market trading days after the date hereof and (ii) with respect to the shares tendered hereby that are held in a DRS Account, guarantees delivery to the Depositary, at one of its addresses set forth above, of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with any other documents required by the Letter of Transmittal, all within three NASDAQ Global Select Market trading days after the date hereof.

Name of Firm: _____

Address(es): _____

_____

_____

(Zip Code)

Area Code and Tel. No.: _____

_____

(Authorized Signature)

Name of Firm: _____

_____

(Please type or print)

Title: _____

Dated: _____

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

Corp Actions Voluntary_RCRC

Exhibit (a)(1)(D)

Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
Pursuant to the Offer to Purchase dated March 24, 2011
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

March 24, 2011

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

We have been engaged by Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of Tomy Company, Ltd., a company organized under the laws of Japan ("Parent"), to act as the Information Agent in connection with Purchaser's offer to purchase (the "Offer") all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share, net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 24, 2011 (the "Offer to Purchase"), and the related Letter of Transmittal enclosed herewith.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. the Offer to Purchase;

2. the Letter of Transmittal for your use in accepting the Offer and tendering Shares and for the information of your clients, which includes "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" providing information relating to backup federal income tax withholding;

3. a Notice of Guaranteed Delivery to be used to accept the Offer if (i) certificates representing the Shares are not immediately available, (ii) time will not permit all the certificates representing Shares and all other required documents to reach Computershare Trust Company, N.A., as the depositary for the Offer (the "Depositary"), on or prior to the Expiration Date or (iii) the procedure for delivery of Shares by book-entry transfer or for the tender of Shares from a book-entry/direct registration account maintained by RC2's transfer agent (a "DRS Account") cannot be completed on a timely basis;

4. a form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer; and

5. a return envelope addressed to the Depositary, for your use only.

Certain conditions to the Offer are described in Section 15 of the Offer to Purchase.

We urge you to contact your clients as promptly as possible. Please note that the Offer and withdrawal rights will expire at 12:00 midnight, New York City time, at the end of April 20, 2011, unless the Offer is extended or earlier terminated.

In order for a stockholder to validly tender Shares pursuant to the Offer, either (1) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) in lieu of the Letter of Transmittal) and any other documents required by the Letter of Transmittal must be received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase and, except in the case of Shares held in a DRS Account (and not through a financial institution that is a participant in the system of The Depository Trust Company), either (A) the certificates evidencing such Shares must be received by the Depositary at such address or (B) such Shares must be tendered pursuant to the procedure for book-entry transfer described in the Offer to Purchase and a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depositary, in each case on or prior to the Expiration Date or the expiration of the subsequent offering period, if any or (2) the tendering stockholder must comply with the guaranteed delivery procedures described in the Offer to Purchase, all in accordance with the Offer to Purchase and the Letter of Transmittal, as each may be amended or supplemented from time to time.

Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or any other person (other than to the Depositary and Information Agent as described in the Offer to Purchase) in connection with the solicitation of tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers. Purchaser will pay all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent at the address and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

Okapi Partners LLC

Nothing contained herein or in the enclosed documents shall render you the agent of Purchaser, the Information Agent or the Depositary or any affiliate of any of them or authorize you or any other person to use any document or make any statement on behalf of any of them in connection with the Offer other than the enclosed documents and the statements contained therein.

Exhibit (a)(1)(E)

Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
Pursuant to the Offer to Purchase dated March 24, 2011
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

March 24, 2011

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated March 24, 2011 (the "Offer to Purchase"), and the related Letter of Transmittal in connection with the offer (the "Offer") by Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of Tomy Company, Ltd., a company organized under the laws of Japan ("Parent"), to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share, net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions of the Offer.

We or our nominees are the holder of record of Shares held for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. **The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.**

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the enclosed Offer to Purchase and the Letter of Transmittal.

Please note carefully the following:

1. The offer price for the Offer is $27.90 per Share, net to you in cash, without interest thereon and less any applicable withholding taxes.

2. The Offer is being made for all outstanding Shares.

3. The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, at the end of April 20, 2011, unless the Offer is extended or earlier terminated.

4. The Offer is subject to certain conditions described in Section 15 of the Offer to Purchase.

5. Tendering stockholders who are record owners of their Shares and who tender directly to Computershare Trust Company, N.A., the depositary for the Offer, will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer.

We urge you to read the enclosed Offer to Purchase and Letter of Transmittal regarding the Offer carefully before instructing us to tender any of your Shares.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the Instruction Form on the detachable part hereof. An envelope to return your instructions to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise specified on the Instruction Form.

Your prompt action is requested. Your Instruction Form should be forwarded to us in ample time to permit us to submit the tender on your behalf prior to the Expiration Date.

The Offer is not being made to (nor will tender of Shares be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction.

INSTRUCTION FORM
With Respect to the Offer to Purchase for Cash
All Outstanding Shares of Common Stock
of
RC2 CORPORATION
at
$27.90 NET PER SHARE
Pursuant to the Offer to Purchase
dated March 24, 2011
by
GALAXY DREAM CORPORATION
a wholly owned indirect subsidiary of
TOMY COMPANY, LTD.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated March 24, 2011, and the related Letter of Transmittal, in connection with the offer (the "Offer") by Galaxy Dream Corporation, a Delaware corporation (the "Purchaser") and a wholly owned indirect subsidiary of Tomy Company, Ltd., a company organized under the laws of Japan ("Parent"), to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share, net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions of the Offer.

The undersigned hereby instruct(s) you to tender to Purchaser the number of Shares indicated below or, if no number is indicated, all Shares held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

ACCOUNT NUMBER: _____

NUMBER OF SHARES BEING TENDERED HEREBY:

_____ **SHARES***

The method of delivery of this document is at the election and risk of the tendering stockholder. If delivery is by mail, then registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Dated: _____

_____

Signature(s)

_____

Please Print Names(s)

Address: _____

_____

Include Zip Code

Area code and Telephone no. _____

Tax Identification or Social Security No. _____

_____

* Unless otherwise indicated, it will be assumed by the person to whom these instructions are directed that all Shares held by such person for the account of the tendering stockholder are to be tendered.

Exhibit (a)(l)(F)

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated March 24, 2011, and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tender of Shares be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock

of

RC2 CORPORATION

at

$27.90 NET PER SHARE

by

GALAXY DREAM CORPORATION

a wholly owned indirect subsidiary

of

TOMY COMPANY, LTD.

Galaxy Dream Corporation, a Delaware corporation ("Purchaser") and a wholly owned indirect subsidiary of Tomy Company, Ltd., a company organized under the laws of Japan ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value $0.01 per share (the "Shares"), of RC2 Corporation, a Delaware corporation ("RC2"), at a purchase price of $27.90 per Share (the "Offer Price"), net to the seller in cash, without interest thereon and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 24, 2011, and in the related Letter of Transmittal (which offer, upon such terms and subject to such conditions, as it and they may be amended or supplemented from time to time, constitutes the "Offer"). Stockholders of record who tender directly to Computershare Trust Company, N.A., the depositary for the Offer (the "Depositary"), will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, banker or other nominee should consult such institution as to whether it charges any service fees or commissions.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF APRIL 20, 2011, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE") OR EARLIER TERMINATED.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of March 10, 2011 (as it may be amended from time to time, the "Merger Agreement"), among Parent, Purchaser and RC2. The Merger Agreement provides, among other things, that following the consummation of the Offer and subject to certain conditions, Purchaser will be merged with and into RC2 (the "Merger"), with RC2 continuing as the surviving corporation, indirectly wholly owned by Parent. In the Merger, each Share outstanding

immediately prior to the effective time of the Merger (other than Shares held (i) in the treasury of RC2 or by Parent or Purchaser or any other direct or indirect wholly owned subsidiary of Parent, which Shares will be canceled and extinguished, or (ii) by stockholders who validly exercise appraisal rights under Delaware law with respect to such Shares) will be canceled and converted into the right to receive $27.90 or any greater per Share price paid in the Offer, without interest thereon and less any applicable withholding taxes. The Merger Agreement is more fully described in the Offer to Purchase.

The Offer is conditioned upon, among other things, the absence of a termination of the Merger Agreement in accordance with its terms and the satisfaction or waiver (to the extent permitted under the Merger Agreement) of the Minimum Condition and the Antitrust Condition (each as described below). The Minimum Condition requires that the number of Shares that have been validly tendered and not validly withdrawn prior to Expiration Date represent at least a majority of the Shares outstanding on a fully-diluted basis, excluding Shares tendered in the Offer pursuant to guaranteed delivery procedures. The Antitrust Condition requires that (i) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, has expired or been terminated and (ii) all approvals, clearances, filings or waiting periods or consents of governmental authorities required pursuant to any foreign antitrust laws applicable to the Offer or the Merger have expired, are deemed to have expired, or have been made or received or deemed received. The Offer also is subject to other conditions as described in the Offer to Purchase (together with the Minimum Condition and the Antitrust Condition, the "Offer Conditions").

The RC2 board of directors has, by a unanimous vote of those voting at a meeting at which all the directors of RC2 were present (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of RC2 and (ii) approved and adopted the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger. The RC2 board of directors recommends, by the unanimous vote of the directors who voted, that RC2's stockholders accept the Offer and tender their Shares into the Offer and, if necessary, approve and adopt the Merger Agreement.

The purpose of the Offer is for Purchaser to acquire control of, and the entire equity interest in, RC2. The Offer, as the first step in the acquisition of RC2, is intended to facilitate the acquisition of all outstanding Shares. The purpose of the Merger is to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. If the Offer is successful, subject to the satisfaction or waiver of the conditions contained in the Merger Agreement to the parties' obligations to effect the Merger, Purchaser intends to consummate the Merger as promptly as practicable. No appraisal rights are available to holders of Shares in connection with the Offer.

Under the Merger Agreement, Purchaser has the option (the "Top-Up Option"), subject to certain limitations, to purchase from RC2, at a price per Share equal to the Offer Price, a number of newly issued Shares that, when added to the number of Shares owned directly or indirectly by Parent or Purchaser or any of Parent's other subsidiaries at the time of such exercise, will constitute one Share more than 90% of the Shares that will be outstanding immediately after issuance of those newly issued Shares. Purchaser may exercise this option, in whole but not in part, at any time on or after the date Purchaser accepts for payment all Shares validly tendered and not withdrawn pursuant to the Offer and prior to earlier to occur of (1) the effective time of the Merger and (2) the termination of the Merger Agreement in accordance with its terms. The Top-Up Option cannot be exercised if the number of Shares to be issued pursuant to the Top-Up Option would exceed the number of authorized and unissued Shares not otherwise reserved for issuance.

In the event that Parent or Purchaser acquires, as a result of the Offer, the Top-Up Option or otherwise, at least 90% of the outstanding Shares, the Merger Agreement requires the parties (subject to the satisfaction or waiver of the conditions contained in the Merger Agreement to the parties' obligations to effect the Merger) to take all necessary and appropriate actions to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of RC2, as a "short-form" merger in accordance with Section 253 of the General Corporation Law of the State of Delaware.

Under the Merger Agreement, Purchaser is required to extend the Offer beyond the initial Expiration Date: (i) until April 25, 2011, if RC2 has delivered to Parent a written notice identifying an Extension Excluded Party (as defined in the Offer to Purchase) in accordance with the Merger Agreement, (ii) for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or its staff or the NASDAQ Stock Market applicable to the Offer, (iii) for one or more periods of no more than five business days each (or such longer period as Parent, Purchaser and RC2 may agree) until

the Antitrust Condition is satisfied or waived, provided that Purchaser is not required to extend the Offer beyond September 10, 2011 (the "Outside Date") or at any time that Parent or Purchaser is entitled to terminate the Merger Agreement, and (iv) on a single occasion for a five business day period, if on any scheduled Expiration Date, the Minimum Condition is not satisfied but all other conditions to the Offer are satisfied, provided that Purchaser is not required to extend the Offer beyond the Outside Date or at any time that Parent or Purchaser is entitled to terminate the Merger Agreement. In addition, if, on any scheduled Expiration Date, all conditions to the Offer have not been satisfied or waived, Purchaser may, in its sole discretion, extend the Offer for one or more periods of not more than five business days each beyond such Expiration Date; provided that Purchaser may not extend the Offer to any date occurring after the Outside Date. Purchaser may also increase the Offer Price and extend the Offer to the extent required by applicable law in connection with such increase in each case in its sole discretion and without the RC2's consent.

Parent and Purchaser expressly reserve the right to waive any of the conditions to the Offer and to make other changes in the terms and conditions of the Offer or to waive any condition of the Offer, except that RC2's prior written consent is required for Parent and Purchaser to (i) amend or waive the Minimum Condition, (ii) decrease the Offer Price, (iii) decrease the number of Shares sought in the Offer, (iv) change the form of consideration payable in the Offer, (v) impose conditions to the Offer that are in addition to the Offer Conditions, (vi) extend the Expiration Date of the Offer in any manner other than as permitted under the Merger Agreement or (vii) amend any of the terms and conditions of the Offer in any manner adverse to holders of Shares. Any extension, delay, termination waiver or amendment of the Offer will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to a national news service.

Under the Merger Agreement, Purchaser may, in its sole discretion, choose to provide for a subsequent offering period in accordance with Rule 14d-11 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), not more than 20 business days to meet the objective that there be validly tendered, in accordance with the terms of the Offer, prior to the Expiration Date and not validly withdrawn a number of Shares, which when added to the Shares already owned by Parent, Purchaser or any of Parent's other subsidiaries, represent at least 90% of the then outstanding Shares (including following the exercise of the Top-Up Option). The subsequent offering period, if included, will be an additional period of at least three business days and not more than 20 business days, beginning on the next business day following the expiration of the Offer, during which stockholders may tender, but not withdraw, any of their remaining Shares and receive the Offer Price. If Purchaser includes a subsequent offering period, Purchaser will immediately accept and promptly pay for all Shares that were validly tendered and not validly withdrawn during the initial offering period. During a subsequent offering period, tendering stockholders will not have withdrawal rights, and Purchaser will immediately accept and promptly pay for any Shares tendered during the subsequent offering period.

For purposes of the Offer (including during any subsequent offering period), Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not validly withdrawn as, if and when Purchaser gives oral or written notice to the Depositary of its acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depositary, which will act as paying agent for tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. If Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to its rights under the Offer, the Depositary may retain tendered Shares on its behalf, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as summarized below (and described more fully in the Offer to Purchase) and as otherwise required by Rule 14e-1(c) under the Exchange Act. **Under no circumstances will Purchaser pay interest on the purchase price for Shares by reason of any extension of the Offer or any delay in making such payment.**

In all cases (including during any subsequent offering period), Purchaser will pay for Shares accepted for payment pursuant to the Offer only after timely receipt by the Depositary of (i) except in the case of Shares held in a book-entry/direct registration account maintained by RC2's transfer agent ("DRS Account") (and not through a financial institution that is a participant in the system of the Depository Trust Company (the "DTC")), the certificates evidencing such Shares (the "Share Certificates") or confirmation of

a book-entry transfer of such Shares (a "Book-Entry Confirmation") into the Depositary's account at the DTC pursuant to the procedures described in the Offer to Purchase, (ii) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) in lieu of the Letter of Transmittal and (iii) any other documents required by the Letter of Transmittal. If a stockholder desires to tender Shares pursuant to the Offer and the Share Certificates evidencing such stockholder's Shares are not immediately available or such stockholder cannot deliver the Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date, or such stockholder cannot complete the procedure for delivery by book-entry transfer or the tender of Shares from a DRS Account on a timely basis, such stockholder may tender such Shares pursuant to the Offer by following the procedures for guaranteed delivery, including delivery of a properly completed and duly executed notice of guaranteed delivery substantially in the form made available by Purchaser (the "Notice of Guaranteed Delivery"),described in Section 3 of the Offer to Purchase.

Shares tendered pursuant to the Offer may be withdrawn at any time on or prior to the Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after May 22, 2011. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares to be withdrawn were tendered from a DRS Account, the applicable notice of withdrawal must also specify the name and number of the DRS Account to be credited with such withdrawn Shares, and if Shares to be withdrawn have been tendered pursuant to the procedure for book-entry transfer as described in Section 3 of the Offer to Purchase, the applicable notice of withdrawal must also specify the name and number of the account at DTC to be credited with such withdrawn Shares. Withdrawals of Shares may not be rescinded. Any Shares validly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered by again following one of the procedures described in the Offer to Purchase at any time on or prior to the Expiration Date or during the subsequent offering period, if any (except that Shares may not be re-tendered using the procedures for guaranteed delivery during any subsequent offering period).

Purchaser will determine, in its sole discretion, all questions as to the form and validity (including time of receipt) of any notice of withdrawal and its determination will be final and binding. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

The information required to be disclosed by paragraph (d)(1) of Rule 14d–6 of the General Rules and Regulations under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

RC2 has provided Purchaser with RC2's stockholder list and security position listings for the purpose of disseminating the Offer to Purchase, the Letter of Transmittal and other tender offer materials to holders of Shares. Copies of the Offer to Purchase and the Letter of Transmittal, in each case of March 24, 2011, will be mailed to record holders of Shares whose names appear on RC2's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction to U.S. Holders (as defined in the Offer to Purchase) for United States federal income tax purposes. See the Offer to Purchase for a more detailed discussion of the tax treatment of the Offer. **You are urged to consult with your own tax advisor as to the particular tax consequences to you of the Offer or the Merger.**

The Offer to Purchase and the related Letter of Transmittal contain important information. Stockholders should read both documents carefully and in their entirety before making a decision with respect to the Offer.

Questions or requests for assistance may be directed to the Information Agent at its address and telephone numbers listed below. Requests for copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent. Such copies will be furnished promptly at Purchaser's expense. Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or any other person (other than to the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

437 Madison Avenue, 28th Floor
New York, New York 10022

Stockholders may call toll free (877) 869-0171
Banks and Brokers may call collect (212) 297-0720
Email: info@okapipartners.com

March 24, 2011

NEWS RELEASE

Tomy Commences Tender Offer for Acquisition of RC2 Corporation

Tokyo, Japan / Oak Brook, IL, U.S.A., March 24, 2011 — Tomy Company, Ltd. (Tokyo Stock Exchange, First Section: 7867) ("Tomy") and RC2 Corporation (NASDAQ: RCRC) ("RC2") announced today that Tomy's wholly owned indirect subsidiary, Galaxy Dream Corporation, has commenced the previously announced tender offer for all outstanding shares of common stock of RC2 for $27.90 per share, net to the seller in cash, without interest and less any required withholding taxes.

On March 10, 2011, Tomy and RC2 announced that Tomy and RC2 had signed a definitive merger agreement pursuant to which the tender offer would be made. RC2's Board of Directors approved the terms of the merger agreement, including the tender offer.

Pursuant to the merger agreement, after completion of the tender offer and the satisfaction or waiver of all conditions, Galaxy Dream Corporation will merge with and into RC2, and all of the shares of common stock of RC2 not purchased in the tender offer (other than shares of common stock held in the treasury of RC2 or by Tomy, Galaxy Dream Corporation or any other direct or indirect wholly owned subsidiary of Tomy, which shares will be canceled and extinguished, or by stockholders of RC2 who validly exercise appraisal rights under Delaware law with respect to such shares) will be converted into the right to receive $27.90 in cash per share, without interest thereon and less any applicable withholding taxes.

Tomy and Galaxy Dream Corporation are filing with the Securities and Exchange Commission ("SEC") today a tender offer statement on Schedule TO, including an offer to purchase and related letter of transmittal, setting forth in detail the terms of the tender offer. Additionally, RC2 is filing with the SEC today a solicitation/recommendation statement on Schedule 14D-9 setting forth in detail, among other things, the recommendation of the RC2's board of directors that RC2's stockholders tender their shares of common stock into the tender offer.

The tender offer is conditioned on the tender of a majority of the outstanding shares of common stock of RC2 on a fully-diluted basis as well as other customary closing conditions.

The tender offer is scheduled to expire at the end of April 20, 2011, at 12:00 midnight, New York City time, unless extended or earlier terminated.

Notice to Investors

This news release is for informational purposes only and is not an offer to purchase or a solicitation of an offer to sell securities of RC2. Tomy will file a tender offer statement on a Schedule TO with the SEC, and RC2 will file with the SEC a solicitation/recommendation statement on Schedule 14D-9 with respect to the offer.

The tender offer statement (including offer to purchase, a related letter of transmittal and other offer documents) and the solicitation/recommendation statement will contain important information about the tender offer and proposed merger that should be read carefully before any decision is made with respect to the tender offer. RC2's stockholders can obtain all of these documents (and all other offer documents filed with the SEC) when they are filed and become available free of charge from the SEC's website at www.sec.gov. In addition, free copies of the tender offer statement and related material may be obtained, when they become available at Tomy's website at www.takaratomy.co.jp/company/release/ir/index.html; and the solicitation/recommendation statement, and related materials may be obtained, when available, without charge, by directing a request to 1111 West 22nd Street, Suite 320, Oak Brook, Illinois 60523, or on RC2's corporate website at www.rc2.com. The Schedule TO, Schedule 14D-9 and related materials may also be obtained for free from Okapi Partners LLC, 437 Madison Avenue, 28th floor, New York, New York 10022, Toll Free Telephone (877) 869-0171.

Exhibit (a)(5)(A)

Attorney Code 34944

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS

COUNTY DEPARTMENT, CHANCERY DIVISION

LABORERS' LOCAL #231 PENSION PLAN, Individually and on Behalf of All Others Similarly Situated,	)	Case No. **11CH10899**
	)	CLASS ACTION
Plaintiff,	)	COMPLAINT FOR BREACH OF FIDUCIARY DUTY
vs.	)	
RC2 CORPORATION, ROBERT E. DODS, CURTIS W. STOELTING, PETER J. HENSELER, JOHN S. BAKALAR, JOHN J. VOSICKY, PAUL E. PURCELL, THOMAS M. COLLINGER, MICHAEL J. MERRIMAN, JR., LINDA A. HUETT, JOAN K. CHOW, TOMY COMPANY, LTD. and GALAXY DREAM CORPORATION,	)	
Defendants.	)	

FILED
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MAR 22 2011

DOROTHY BROWN
CLERK OF THE CIRCUIT COURT
OF COOK COUNTY, IL

Plaintiff Laborers' Local #231 Pension Fund ("plaintiff"), by its attorneys, individually and on behalf of all others similarly situated, submits this Complaint for Breach of Fiduciary Duty against the herein-named defendants, and upon information and belief, alleges as follows:

SUMMARY OF THE ACTION

1. This is a direct shareholder class action brought by plaintiff individually and on behalf of the holders of RC2 Corporation ("RC2" or the "Company") common stock against RC2, the Company's Board of Directors (the "Board"), and TOMY Company, Ltd. ("TOMY") arising out of the proposed acquisition of RC2 by TOMY via an all-cash tender offer and second-step merger (the "Proposed Transaction"). In pursuing the Proposed Transaction, each of the herein-named defendants have violated applicable law by directly breaching and/or aiding an abetting breaches of fiduciary duties of loyalty and due care owed to plaintiff and the proposed class.

2. On March 10, 2011, RC2 and TOMY issued a joint press release announcing that they had entered into a Definitive Merger Agreement (the "Merger Agreement") pursuant to which TOMY will make a tender offer to acquire at least 90% of the outstanding shares of RC2 for the inadequate price of $27.90 per share, representing an approximate total value of $640 million.

3. The Proposed Transaction, which has already been approved by the boards of both companies and will not require a shareholder vote if TOMY acquires at least 90% of RC2's outstanding shares, is expected to close during the second quarter of 2011.

4. The Proposed Transaction is the product of a fundamentally flawed process that yielded an unfair price and was designed to ensure the acquisition of RC2 by TOMY on terms preferential to TOMY and RC2's Board members, but detrimental to plaintiff and the other public stockholders of RC2.

5. Indeed, the $27.90 per share offer consideration substantially undervalues the Company and is merely an attempt by TOMY to acquire RC2 for a bargain price during a temporary downturn in the economy.

6. Moreover, after consummation of the Proposed Transaction, RC2 officers and directors will continue in their positions as management of the new entity. To be sure, these insider benefits will not be enjoyed by the Company's public shareholders.

7. To make matters worse, consummation of the proposed transaction will not require a shareholder vote, and will be automatic if TOMY acquires at least 90% of the outstanding shares of RC2, which also can be accomplished without the cooperation of the Company's shareholders pursuant to the "Top-Up Option" contained in the Merger Agreement. The Top-Up Option gives TOMY an irrevocable option to purchase ***unissued*** shares of the Company, up to one share over 90% of the shares then outstanding, in order to consummate the Proposed Transaction, thus circumventing shareholder approval.

8. Finally, the Merger Agreement contains certain deal-protection provisions that essentially "lock-up" the deal by: (1) allowing RC2 only 30 days to solicit superior offers; and (2) requiring RC2 to pay TOMY a $20 million termination fee in the event that RC2 terminates the Proposed Transaction in favor of a superior offer, as the Board's fiduciary duties require (the "Lock-Up Provisions"). These provisions unduly bind the Board to the Proposed Transaction and make it highly unlikely that the Board will fulfill its fiduciary duties in the future without this Court's intervention.

9. This action seeks equitable relief only.

JURISDICTION AND VENUE

10. This Court has jurisdiction over R2 because R2 conducts business in Illinois, as it has at all relevant times been located at 1111 West 22nd Street, Suite 320, Oak Brook, Illinois 60523. This action is not removable.

11. Venue is proper in this Court because the conduct at issue took place and had an effect in this County, and at least one defendant, John J. Vosicky, is a resident of this County.

PARTIES

12. Plaintiff Laborers' Local #231 Pension Fund is, and at all material times was, a shareholder of RC2.

13. Defendant RC2 is a Delaware corporation with its principal place of business located at 1111 West 22nd Street, Suite 320, Oak Brook, Illinois 60523. RC2 is a leading designer, producer, and marketer of a broad range of innovative, high-quality products for mothers, infants and toddlers, as well as toys and collectible products sold to preschoolers, youths and adults. RC2 is publicly traded on the NASDAQ stock exchange under the stock ticker "RCRC."

14. Defendant Robert E. Dods ("Dods") is, and at all material times was, Chairman of the Board and a director of RC2.

15. Defendant Curtis W. Stoelting ("Stoelting") is, and at all material times was, Chief Executive Officer ("CEO") and a director of RC2.

16. Defendant Peter J. Henseler ("Henseler") is, and at all material times was, President and a director of RC2.

17. Defendant John S. Bakalar ("Bakalar") is, and at all material times was, a director of RC2.

18. Defendant John J. Vosicky ("Vosicky") is, and at all material times was, a director of RC2.

19. Defendant Paul E. Purcell ("Purcell") is, and at all material times was, a director of RC2.

20. Defendant Thomas M. Collinger ("Collinger") is, and at all material times was, a director of RC2.

21. Defendant Michael J. Merriman, Jr. ("Merriman") is, and at all material times was, a director of RC2.

22. Defendant Linda A. Huett ("Huett") is, and at all material times was, a director of RC2.

23. Defendant Joan K. Chow ("Chow") is, and at all material times was, a director of RC2.

24. The defendants identified in ¶¶14-23 above are sometimes collectively referred to herein as the "Individual Defendants."

25. Defendant TOMY is a Japan-based company mainly engaged in the design, development, manufacture and sale of toys.

26. Defendant Galaxy Dream Corporation is a wholly owned subsidiary of TOMY, and a vehicle through which the defendants seek to effectuate the Proposed Transaction.

27. Defendants TOMY and Galaxy Dream Corporation are collectively referred to herein as "TOMY."

CLASS ACTION ALLEGATIONS

28. Plaintiff brings this action on its own behalf and as a class action on behalf of all holders of RC2 stock who are being and will be harmed by defendants' actions described below (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendants.

29. This action is properly maintainable as a class action under 735 Ill. Comp. Stat. 5/2-801.

30. The Class is so numerous that joinder of all members is impracticable. According to the Company's latest annual report filed with the U.S. Securities and Exchange Commission ("SEC"), as of February 22, 2011, there were over 21 million shares of common stock outstanding. These shares are held by hundreds, if not thousands, of beneficial holders.

31. There are questions of law and fact which are common to the Class and which predominate over questions affecting solely individual Class members. The common questions include, *inter alia,* the following:

(a) whether the Individual Defendants have breached their fiduciary duties of undivided loyalty, independence, or due care with respect to plaintiff and the other members of the Class in connection with the Proposed Transaction;

(b) whether the Individual Defendants have breached their fiduciary duty to secure and obtain the best price reasonable under the circumstances for the benefit of plaintiff and the other members of the Class in connection with the Proposed Transaction;

(c) whether the Individual Defendants have breached any of their other fiduciary duties to plaintiff and the other members of the Class in connection with the Proposed Transaction, including the duties of good faith, diligence, honesty and fair dealing;

(d) whether the Individual Defendants, in bad faith and for improper motives, have impeded or erected barriers to discourage other strategic alternatives, including offers from interested parties for the Company or its assets;

(e) whether plaintiff and the other members of the Class would be irreparably harmed were the transactions complained of herein consummated; and

(f) whether RC2 and TOMY are aiding and abetting the wrongful acts of the Individual Defendants.

32. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff does not have any interests adverse to the Class.

33. Plaintiff is an adequate representative of the Class, has retained competent counsel experienced in litigation of this nature, and will fairly and adequately protect the interests of the Class.

34. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for the party opposing the Class.

35. Plaintiff anticipates that there will be no difficulty in the management of this litigation. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

36. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

THE INDIVIDUAL DEFENDANTS' FIDUCIARY DUTIES

37. Under applicable law, in any situation where the directors of a publicly traded corporation undertake a transaction that will result in either: (i) a change in corporate control; or (ii) a break up of the corporation's assets, the directors have an affirmative fiduciary obligation to obtain the highest value reasonably available for the corporation's shareholders, and if such transaction will result in a change of corporate control, the shareholders are entitled to receive a significant premium. To diligently comply with these duties, the directors and/or officers may not take any action that:

(a) adversely affects the value provided to the corporation's shareholders;

(b) will discourage or inhibit alternative offers to purchase control of the corporation or its assets;

(c) contractually prohibits them from complying with their fiduciary duties;

(d) will otherwise adversely affect their duty to search and secure the best value reasonably available under the circumstances for the corporation's shareholders; and/or

(e) will provide the directors and/or officers with preferential treatment at the expense of, or separate from, the public shareholders.

38. In accordance with their duties of loyalty and good faith, the Individual Defendants, as directors and/or officers of RC2, are obligated under applicable law to refrain from:

(a) participating in any transaction where the directors' or officers' loyalties are divided;

(b) participating in any transaction where the directors or officers receive, or are entitled to receive, a personal financial benefit not equally shared by the public shareholders of the corporation; and/or

(c) unjustly enriching themselves at the expense or to the detriment of the public shareholders.

39. Defendants are also obliged to honor their duty of candor to RC2's shareholders by, *inter alia*, providing all material information to the shareholders regarding a scenario in which they are asked to vote their shares. This duty of candor ensures that shareholders have all information that will enable them to make informed, rational and intelligent decisions about whether to vote their shares.

40. Because the Individual Defendants are knowingly or recklessly breaching their duties of loyalty, good faith and independence in connection with the Proposed Transaction, the burden of

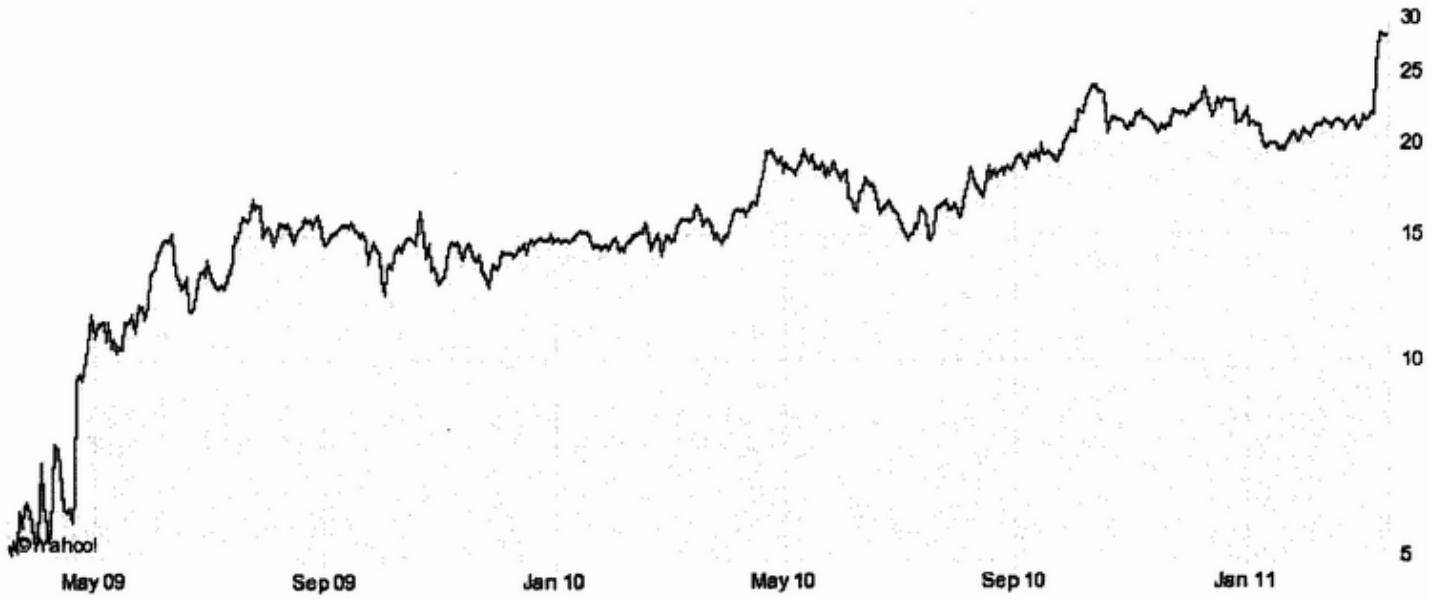
proving the inherent or entire fairness of the Proposed Transaction, including all aspects of its negotiation, structure, price and terms, is placed upon defendants as a matter of law.

FACTUAL ALLEGATIONS

The Company Is Poised for Success

41. RC2 is a leading designer, producer and marketer of a broad range of innovative, high-quality products for mothers, infants and toddlers, as well as toys and collectible products sold to preschoolers, youths and adults.

42. As reflected in its stock price, RC2 has been on a steady incline since May 2009, weathering the economic turmoil of recent years. Indeed, RC2's stock price rose from $15.81 per share on March 9, 2010 to $21.93 per share on March 9, 2011, reflecting a 38.7% increase in 12 months:



43. All indications are that RC2 is poised for continued growth and will soon surpass the Proposed Transaction consideration of $27.90 per share.

44. To be sure, even though the Company's earnings growth rates over the past 5 years has declined by -9.1%, in contrast to the industry standard growth rate of 1.6%, analysts predict that

RC2 will experience earnings growth rates of 32.40% in 2011 and 15.70% into 2012, significantly more than the industry as a whole:[1]

EARNINGS GROWTH RATES

	Last 5 Years	FY 2011	FY 2012	Next 5 Years	11 P/E
Company	-9.10%	+32.40%	+15.70%	NA	14.70
Industry	+1.60%	+3.30%	+8.80%	+11.60%	21.90
S&P 500	-3.00%	+46.80%	+11.10%	NA	15.60

45. Indeed, on April 21, 2010, RC2 announced its results for first quarter 2010:

RC2 Reports Improved Results for First Quarter 2010
and Maintains 2010 Financial Outlook

- Positive prior year comparisons in net sales, gross margin, operating and net income
- Strong balance sheet with positive cash flow from operations
- Transition on track for preschool, youth and adult products category including the launch of *Chuggington* die-cast products during the first quarter
- Consumer spending trends appear to be improving

... RC2 Corporation, today announced its results for the first quarter ended March 31, 2010. The Company reported net income for the first quarter 2010 of $3.4 million, or $0.15 per diluted share, compared with $1.8 million, or $0.10 per diluted share for the first quarter 2009. Net sales for the first quarter 2010 increased by 2.1% to $88.1 million compared with net sales of $86.3 million for the first quarter a year ago. Favorable fluctuations in foreign currency exchange rates increased 2010 first quarter consolidated net sales by approximately 4%.

The 2010 first quarter gross margin increased to 44.0% as compared with 40.2% in the prior year first quarter primarily due to favorable product mix, lower input costs and favorable foreign currency exchange rates. Selling, general and administrative expenses increased to $32.6 million, or 37.0% of net sales, in the first quarter 2010, as compared with $29.7 million, or 34.4% of net sales, in the first quarter 2009, primarily due to increases in variable selling and other related costs, as well as increased marketing and legal expenses.

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1 *Available at* http://moneycentral.msn.com/investor/invsub/analyst/earnest.asp?Page =EarningsGrowthRates&Symbol=rcrc (last visited Mar. 22, 2011).

Operating income increased to $6.0 million in the first quarter 2010, from $4.8 million in the first quarter 2009. Other expense, net decreased to less than $0.1 million during the first quarter 2010, from $0.7 million in the year ago period, primarily as a result of favorable currency transactions.

As of March 31, 2010, the Company had cash and cash equivalent balances of $101.0 million, outstanding term debt of $41.3 million and no borrowings under its $70.0 million line of credit. During the first quarter of 2010, the Company generated over $12 million in cash flow from operations.

46. On July 20, 2010, RC2 announced its results for second quarter 2010:

RC2 Reports Results for Second Quarter 2010;
Increases Lower-end of Expected 2010 Earnings Range

- Positive quarterly prior year comparisons in gross margin and net income
- Positive YTD prior year comparisons in net sales, gross margin, operating income and net income
- Net sales in mother, infant and toddler products category up 5% for the quarter
- Transition on track for preschool, youth and adult products category with strong initial consumer sales for new *Chuggington* and *Dinosaur Train* product lines

... RC2 Corporation, today announced its results for the second quarter and six months ended June 30, 2010. The Company reported net income for the second quarter 2010 of $3.8 million, or $0.17 per diluted share, compared with $3.3 million, or $0.19 per diluted share, for the second quarter 2009. The Company reported net income for the six months ended June 30, 2010, of $7.2 million, or $0.33 per diluted share, compared with $5.1 million, or $0.29 per diluted share for the six months ended June 30, 2009.

Net sales for the second quarter 2010 decreased by 1.1% to $86.1 million compared with net sales of $87.0 million for the second quarter a year ago. Net sales for the six months ended June 30, 2010, increased by 0.5% to $174.2 million compared with net sales of $173.3 million for the six months ended June 30, 2009. Favorable fluctuations in foreign currency exchange rates increased the 2010 second quarter and six months consolidated net sales by approximately 2% and 3%, respectively.

Second Quarter Results

The 2010 second quarter gross margin increased slightly to 42.5% as compared with 42.2% in the prior year second quarter primarily due to favorable inventory absorption and benefits from eliminating low-margin and low-volume items, partially offset by unfavorable product mix and increased promotional

allowances. Selling, general and administrative expenses increased slightly to $30.3 million, or 35.2% of net sales, in the second quarter 2010, as compared with $30.1 million, or 34.6% of net sales, in the second quarter 2009, primarily due to increases in marketing expenses offset by lower variable selling costs.

Operating income decreased to $6.0 million in the second quarter 2010, from $6.4 million in the second quarter 2009. The effective tax rate was 28.4% in the second quarter 2010, compared with 37.9% in the second quarter 2009. The second quarter 2010 effective rate was favorably impacted principally by the reversal of certain contingent tax reserves related to the results of a federal income tax audit completed during the quarter, the total of which positively affected second quarter fully diluted earnings per share by $0.01.

First Half Results

The first half 2010 gross margin increased to 43.3%, as compared with 41.2% in the prior year first half primarily due to lower input costs and favorable foreign currency exchange rates, partially offset by unfavorable product mix. Selling, general and administrative expenses increased to $62.9 million, or 36.1% of net sales, in the first half 2010, as compared with $59.8 million, or 34.5% of net sales, in the first half 2009, primarily due to increases in variable selling related costs, as well as increased marketing and legal expenses. Operating income increased to $11.9 million in the first half 2010, from $11.2 million in the first half 2009. The effective tax rate declined to 33.9% in the first half 2010, from 38.5% in the first half 2009, primarily due to differences in discrete items, the reversal of certain contingent tax reserves related to the results of a federal income tax audit completed during the second quarter and lower estimated full year tax rate recognition.

Cash and Outstanding Debt

As of June 30, 2010, the Company had cash and cash equivalent balances of $94.7 million, outstanding term debt of $41.3 million and no borrowings under its $70.0 million line of credit. During the first half of 2010, the Company generated over $8.4 million in cash flow from operations.

Commentary

Curt Stoelting, CEO of RC2 commented, “Second quarter sales reflected steady overall consumer spending and continued conservative retailer ordering. For the quarter, our international sales increased 12.8% due to strong international growth in the mother, infant and toddler products category, shipments of *Chuggington* train-play+ products and favorable foreign currency exchange rates.

“Net sales in our mother, infant and toddler products category increased by 5.4% in the second quarter due to increases in The First Years® care and gear product lines and Lamaze infant development toys. We continue to invest in our mother, infant and toddler products business, which represents approximately 44% of our total annual net sales, and expect continued future growth in this category.

"Net sales in our preschool, youth and adult products category decreased 8.2% in the second quarter due to declines in the discontinued Take Along *Thomas & Friends* die-cast product line. Excluding the impact on net sales from discontinued product lines of $8.3 million in the second quarter, net sales in this category increased by 16.3% due to increases from *Chuggington* diecast, *Thomas & Friends* Early Engineers™ and *Dinosaur Train* product lines. We are seeing very positive initial results for our new product lines and believe that the 2010 transition in our preschool, youth and adult category is on track.

"As expected, gross margin declined in the second quarter of 2010 compared with the first quarter of 2010. Raw materials and freight costs are at levels higher than in 2009. These higher input costs, along with China labor and currency inflation, continue to put pressure on our margins. We remain committed to our ongoing cost reduction efforts and continue to eliminate low-volume and low-margin items. We expect that these efforts and future price increases will help to offset input cost increases.

Stoelting concluded, "***We are pleased with our first half results*** but continue to plan for a challenging economic environment. We remain focused on our long-term strategic goals, which include both organic growth and growth through acquisition. Our strong financial position, our experienced, proven management team and our multi-category product portfolio provide us with the opportunity to continue to deliver solid results in 2010 during our preschool product line transitions, while building toward higher levels of sustainable growth in 2011 and beyond."

47. On October 19, 2010, RC2 announced its results for third quarter 2010:

RC2 Reports Results for Third Quarter 2010;
Reaffirms Full Year Outlook

- Positive quarterly and year-to-date consolidated net sales comparisons
- Net sales in mother, infant and toddler products category up 13%, including 6% organic growth
- Preschool, youth and adult products category transition on track — net sales down 4% but up 19% from continuing product lines
- Gross margins negatively impacted by infant sleep positioners product charges, unfavorable product costs and sales mix, increased promotional allowances and transportation costs

... RC2 Corporation, today announced its results for the third quarter and nine months ended September 30, 2010. The Company reported net income for the third quarter 2010 of $12.4 million, or $0.56 per diluted share, compared with $13.6 million, or $0.66 per diluted share, for the third quarter 2009. Excluding the impact of retailer product returns, inventory charges and costs related to infant sleep positioners and acquisition-related costs, net income was $13.9 million, or $0.63 per diluted share, for the third quarter 2010. The Company reported net income for the

nine months ended September 30, 2010, of $19.6 million, or $0.89 per diluted share, compared with $18.7 million, or $1.01 per diluted share, for the nine months ended September 30, 2009. Excluding the impact of retailer product returns, inventory charges and costs related to infant sleep positioners and acquisition-related costs, net income was $21.1 million, or $0.96 per diluted share, for the nine months ended September 30, 2010.

Net sales for the third quarter 2010 increased by 2.0% to $129.0 million compared with net sales of $126.5 million for the third quarter a year ago. Net sales for the nine months ended September 30, 2010, increased by l.l% to $303.2 million compared with net sales of $299.8 million for the nine months ended September 30, 2009. Favorable fluctuations in foreign currency exchange rates increased the 2010 nine month consolidated net sales by approximately 1.5%, but had no significant impact on third quarter consolidated net sales.

* * *

Third Quarter Results

The 2010 third quarter gross margin decreased to 41.4%, as compared with 46.4% in the prior year third quarter, of which infant sleep positioners retailer product returns and inventory charges reduced gross margin by 1.2 percentage points. The remaining gross margin decrease was primarily due to unfavorable product cost and sales mix, as well as increased promotional allowances and transportation costs. Selling, general and administrative expenses decreased to $34.7 million, or 27.0% of net sales, in the third quarter 2010, as compared with $36.8 million, or 29.1% of net sales, in the third quarter 2009, primarily due to lower royalty and other variable costs.

Operating income decreased to $18.2 million in the third quarter 2010, from $21.8 million in the third quarter 2009. Operating income for the third quarter of 2010 includes $2.0 million of retailer product returns, inventory charges and costs related to infant sleep positioners, as well as $0.3 million of acquisition-related costs. The effective tax rate was 33.4% in the third quarter 2010, compared with 36.7% in the third quarter 2009. The third quarter 2009 effective rate was unfavorably impacted principally by non-deductible discrete tax items.

Year-to-date Results

Gross margin decreased to 42.5% for the nine months ended September 30, 2010, as compared with 43.4% in the nine months ended September 30, 2009, of which infant sleep positioners retailer product returns and inventory charges decreased gross margin by 0.5 percentage points. The remaining gross margin decrease was primarily due to unfavorable product cost and sales mix, as well as increased promotional allowances and transportation costs. Selling, general and administrative expenses increased to $97.7 million, or 32.2% of net sales, in the nine months ended September 30, 2010, as compared with $96.6 million, or 32.2% of net sales, in the nine months ended September 30, 2009, primarily due to increased marketing and legal expenses, partially offset by lower royalty costs.

Operating income decreased to $30.1 million in the nine months ended September 30, 2010, from $33.0 million in the nine months ended September 30, 2009. Operating income for the nine months ended September 30, 2010, includes $2.0 million of retailer product returns, inventory charges and costs related to infant sleep positioners, as well as $0.3 million of acquisition-related costs. The effective tax rate declined to 33.6% in the nine months ended September 30, 2010, from 37.2% in the nine months ended September 30, 2009, primarily due to the prior year tax rate being unfavorably impacted by non-deductible discrete tax items and lower 2010 estimated full year tax rate recognition.

JJ Cole® Collections

On August 4, 2010, the Company completed the acquisition of substantially all of the assets of JJ Cole Collections, a privately-held, developer and marketer of mother, infant and toddler stylized travel, storage, comfort and convenience products. The Company funded the acquisition with approximately $41 million from its existing cash. JJ Cole Collections' senior management has retained approximately 9% carry-over ownership.

Cash and Outstanding Debt

As of September 30, 2010, the Company had cash and cash equivalent balances of $49.2 million, outstanding term debt of $41.3 million and no borrowings under its $70.0 million line of credit. During the nine months ended September 30, 2010, the Company generated over $4.0 million in cash flow from operations.

Commentary

Curt Stoelting, CEO of RC2 commented, "Third quarter sales reflected ***strong organic growth*** in our continuing product lines, initial contributions from our recent JJ Cole Collections acquisition and continued international sales growth. For the quarter, our international sales increased 18.7% due to strong growth in the mother, infant and toddler (MIT) products category and shipments of our new *Chuggington* train-play+ Die-cast and Interactive products lines. During the quarter, we also announced that we are launching *Chuggington* Die-cast in the U.S. exclusively at Toys "R" Us for the 2010 holiday season.

"Net sales in our MIT products category increased by 13.4% in the third quarter due to increases in The First Years® feeding and gear product lines and Lamaze infant development toys, as well as the acquisition of JJ Cole Collections. Excluding sales from the acquisition, our MIT sales grew organically by over 6%. We continue to invest in our MIT products business, which on an annualized pro forma basis now represents nearly 50% of our total annual net sales, and we expect continued growth in this category.

"Net sales in our preschool, youth and adult products category decreased 4.3% in the third quarter due to declines in the discontinued Take Along *Thomas & Friends* die-cast product line. Excluding the impact on net sales from discontinued product lines of $16.2 million in the third quarter, net sales in this category were up

19.4%, due to increases from the *Chuggington, Dinosaur Train* and *Thomas & Friends* Early Engineers™ product lines. We are seeing very positive overall results for our new product lines and are pleased with our year-to-date preschool, youth and adult products category transition.

"As expected, gross margin declined in the third quarter of 2010 compared with the prior year and with the first half of 2010. Higher input costs including ocean transportation costs, along with China labor and currency inflation, continue to put pressure on our margins. We remain focused on reducing costs and eliminating low-volume and low-margin items. These efforts and future price increases should help offset input cost increases.

Stoelting concluded, "We are pleased with our nine months results and believe we are well positioned for success for the important upcoming holiday season. We remain focused on our long-term strategic goals, which include both organic growth and growth through acquisitions. Our strong financial position, our experienced, proven management team and our multi-category product portfolio provide us with the opportunity to continue to deliver solid results in 2010 during our preschool product line transition, while building toward higher levels of sustainable growth in 2011 and beyond."

Financial Outlook

Sales and profits are dependent on a number of factors including the ongoing success and expansion of our product lines, successful introductions of new products and product lines, and retention of key licenses. Other key factors include the impact of foreign currency, seasonality, overall economic conditions, including consumer retail spending and shifts in the timing of that spending, and the timing and level of retailer orders. The Company continues to expect that diluted earnings per share for full year 2010 will be in the range of approximately $1.45 to $1.50, which includes the impact of the JJ Cole Collections acquisition, but excludes the impact of transaction and integration costs, and the impact of retailer product returns, inventory charges and costs related to infant sleep positioners.

48. Then, on February 15, 2011, RC2 announced its results for fourth quarter and full year 2010:

RC2 Reports Solid 2010 Fourth Quarter and Full Year Results;
Provides Preliminary Outlook for 2011

- Positive quarterly and full year net sales, operating income and net income comparisons
- Fourth quarter net sales in mother, infant and toddler products category increase 11% benefiting from the JJ Cole® Collections acquisition
- Preschool, youth and adult products category transition nearly complete; fourth quarter net sales down 3%, up 23% from continuing product lines

- Gross margins negatively impacted by higher product costs, unfavorable sales mix, increased retail promotional allowances
- JJ Cole Collections logistics, back office integration complete
- *Chuggington* train play Die-cast and Interactive product lines successfully launched

... RC2 Corporation, today announced its results for the fourth quarter and year ended December 31, 2010. The Company reported net income for the fourth quarter 2010 of $10.1 million, or $0.45 per diluted share, compared with $8.3 million, or $0.38 per diluted share, for the fourth quarter 2009. Excluding the impact of costs related to a litigation settlement regarding pre-acquisition Learning Curve intellectual property and JJ Cole acquisition and integration costs, net income was $10.9 million, or $0.49 per diluted share, for the fourth quarter 2010, as compared with $9.4 million, or $0.43 per diluted share, for the fourth quarter 2009, which excludes the impact of impairment charges.

The Company reported net income for the year ended December 31, 2010, of $29.7 million, or $1.34 per diluted share, compared with $27.0 million, or $1.39 per diluted share, for the year ended December 31, 2009. Excluding the impact of retailer product returns, inventory charges and costs related to infant sleep positioners, JJ Cole acquisition and integration costs and costs related to a litigation settlement regarding pre-acquisition Learning Curve intellectual property, net income was $32.0 million, or $1.45 per diluted share, for the year ended December 31, 2010, as compared with $28.1 million, or $1.45 per diluted share, for the year ended December 31, 2009, which excludes the impact of impairment charges.

Net sales for the fourth quarter 2010 increased by 2.3% to $124.2 million compared with net sales of $121.3 million for the fourth quarter a year ago. Net sales for the year ended December 31, 2010, increased by 1.5% to $427.3 million compared with net sales of $421.1 million for the year ended December 31, 2009. Favorable fluctuations in foreign currency exchange rates increased the 2010 full year consolidated net sales by approximately 1%, but had no significant impact on fourth quarter consolidated net sales.

Fourth Quarter Results

During the fourth quarter 2010, the Company incurred costs of $1.1 million in connection with a litigation settlement related to certain of its Learning Curve subsidiary's intellectual property from before the 2003 acquisition. Additionally, the Company incurred costs of $0.2 million primarily related to the successful integration of its JJ Cole subsidiary's logistics and back office operations. These costs are included in the Company's selling, general and administrative expenses for the fourth quarter 2010.

The 2010 fourth quarter gross margin decreased to 41.9%, as compared with 45.4% in the prior year fourth quarter. The decrease in gross margin was primarily due to higher product cost and unfavorable sales mix, as well as increased retail

promotional allowances and higher transportation costs. Selling, general and administrative expenses decreased to $36.6 million, or 29.5% of net sales, in the fourth quarter 2010, as compared with $40.9 million, or 33.7% of net sales, in the fourth quarter 2009, primarily due to lower royalty, stock based compensation and other variable costs partially offset by the litigation related charges and JJ Cole integration costs.

Operating income increased to $14.8 million in the fourth quarter 2010, from $11.7 million in the fourth quarter 2009. Operating income for the fourth quarter of 2009 includes $2.4 million of impairment charges. The effective tax rate was 31.1% in the fourth quarter 2010, compared with 23.4% in the fourth quarter 2009. Although the fourth quarter 2010 and 2009 effective tax rates were both favorably impacted principally by a favorable mix of taxable income in lower tax jurisdictions, the effective tax rate in 2009 also benefited from favorable discrete tax items which did not recur in 2010.

Full Year 2010 Results

Gross margin decreased to 42.3% for the year ended December 31, 2010, as compared with 44.0% in the year ended December 31, 2009, of which infant sleep positioners retailer product returns and inventory charges decreased 2010 gross margin by 0.4 percentage points. The remaining gross margin decrease was primarily due to higher product cost and unfavorable sales mix, as well as increased retail promotional allowances and higher transportation costs. Selling, general and administrative expenses decreased to $134.3 million, or 31.4% of net sales, in the year ended December 31, 2010, as compared with $137.4 million, or 32.6% of net sales, in the year ended December 31, 2009, primarily due to lower royalty and other variable costs partially offset by increased distribution, marketing and legal expenses.

Operating income increased slightly to $44.9 million in the year ended December 31, 2010, from $44.7 million in the year ended December 31, 2009. Operating income for the year ended December 31, 2010, includes $2.0 million of retailer product returns, inventory charges and costs related to infant sleep positioners, as well as $1.6 million of acquisition and integration costs related to its JJ Cole subsidiary and costs related to a litigation settlement regarding certain preacquisition Learning Curve intellectual property. Operating income for the year ended December 31, 2009, includes $2.4 million of impairment charges.

Cash and Outstanding Debt

As of December 31, 2010, the Company had cash and cash equivalent balances of $58.8 million, outstanding term debt of $41.3 million and no borrowings under its $70.0 million line of credit.

Commentary

Curt Stoelting, CEO of RC2 commented, “Despite soft retailer ordering in North America throughout much of December, fourth quarter sales reflected ***strong organic growth*** in our continuing preschool, youth and adult (PYA) products

category, contributions in the mother, infant and toddler (MIT) products category from our recent JJ Cole Collections acquisition and continued expansion in international markets. For the quarter and full year, our international sales increased 6.5% and 14.7%, respectively, due to strong growth in the MIT products category and the successful launch of our new *Chuggington* train-play+ Die-cast and Interactive products lines. During the quarter, we also successfully launched *Chuggington* Die-cast in the U.S. providing consumers a sneak peak of the multiple product line launches planned for 2011.

"Net sales in our MIT products category increased by 10.9% in the fourth quarter and by 6.6% for the full year due to organic growth in The First Years® gear product lines and Lamaze infant development toys as well as contributions from the acquisition of JJ Cole Collections. We continue to invest in new innovative feeding, care, gear, soft goods and play products and expect continued growth in the MIT products category in 2011.

"Net sales in our PYA products category decreased 2.8% in the fourth quarter due to the discontinued *Thomas & Friends* die-cast product line. Excluding the impact of the decrease in net sales from discontinued product lines of $16.0 million in the fourth quarter, net sales in this category were up 23.4%, due to increases from our new *Chuggington* and *Dinosaur Train* product lines. For the year, our PYA products category decreased by 2.5%. However, we grew PYA net sales from continuing product lines by 19.1% due to our new product line launches as well as positive results from our Ertl® and *Thomas & Friends* Wooden Railway product lines. With the full U.S. launch of our *Chuggington* product lines coupled with additional product line and geographic expansion of *Chuggington* internationally, we expect strong 2011 growth in the PYA products category.

"As expected, gross margin declined in the fourth quarter of 2010 compared with the prior year. Higher input costs including ocean transportation costs, along with China labor and currency inflation, continue to pressure our margins. Also, new product launches resulted in higher retail promotional allowances which reduced our net sales and margins. We remain focused on supply chain efficiencies and on eliminating low-volume and low-margin items. In addition, we are strategically working with our customers to implement 2011 price increases.

"During 2010 we continued to reduce our operating expenses. Our team members continued to generate significant annualized cost savings, much of which we reinvested to market our key brands and new product lines. We expect that 2011 sales will benefit from our increased marketing focus."

Stoelting concluded, "We are pleased with our results during the 2010 transition and ***believe we are well positioned for success in 2011 and beyond.*** We remain focused on our long-term strategic goals, which include both organic growth and strategic acquisitions. Our strong balance sheet and cash flow, our experienced, proven management team and our multi-category product portfolio provide us with the opportunity in 2011 to deliver sustainable growth in both our PYA and MIT product categories."

Preliminary 2011 Financial Outlook

Sales and profits are dependent on a number of factors including the on-going success and expansion of our product lines, successful introductions of new products and product lines, pricing for our products, and retention of retail shelf space and key licenses. Other key factors include the impact of foreign currency, seasonality, overall economic conditions, including consumer retail spending and shifts in the timing of that spending, and the timing and level of retailer orders. The Company's preliminary outlook for diluted earnings per share for full year 2011 ranges from $1.80 to $1.95. The Company expects that first quarter 2011 sales and profit as compared with first quarter 2010 will be hampered by continued soft retailer ordering and the impact of the $9.5 million discontinued product lines sell-off in first quarter 2010.

Defendants Announce the Proposed Transaction

49. Despite the Company's impressive performance over the past year and its promising outlook, on March 10, 2011, defendants announced the unfair Proposed Transaction:

TOMY Company, Ltd. Agrees to Acquire RC2 Corporation
for US$27.90 per Share in Cash

- US$640 million transaction strengthens global reach
- Leverages complementary global distribution networks
- Expands brand portfolio and strengthens product development capabilities

... TOMY COMPANY, LTD. ("Tomy"), a Japan based leading global toy and infant products company and RC2 Corporation ("RC2"), a U.S. based leading designer, producer and marketer of a broad range of innovative, high-quality toys and infant products, today announced that they have entered into a definitive agreement pursuant to which Tomy will acquire RC2 through an all-cash tender offer and second-step merger valued at approximately US$640 million.

The transaction was approved by the Board of Directors of Tomy. RC2's Board of Directors has also approved the agreement and recommended that RC2's stockholders tender their shares to Tomy pursuant to the offer. Tomy, through a U.S. subsidiary, will make an offer to purchase all outstanding shares of RC2 common stock for US$27.90 per share. The tender offer price represents a 30.9% premium to RC2's average closing stock price over the three-month period ended March 9, 2011, and a 27.2% premium over the closing price of RC2's common stock on March 9, 2011. The tender offer is scheduled to commence in 10 business days and is expected to close during the second quarter of 2011. The tender offer is subject to certain customary conditions, including the tender of a majority of the outstanding shares of RC2's common stock on a fully-diluted basis. The transaction is not conditioned on financing. Following completion of the tender offer, Tomy will

acquire the remaining outstanding shares of RC2's common stock for US$27.90 per share through a second-step merger.

The transaction will strengthen both companies and create a global platform to drive further growth from existing owned and licensed brands as well as launch new global brands and product lines, ultimately delivering significant benefits to consumers, customers and employees. The combined companies will benefit from a more diversified product portfolio, greater leverage of Tomy's extensive R&D, sourcing and manufacturing network and greater access to the U.S. and Japan, two of the world's largest toy and juvenile product markets. RC2's brands will continue to be managed by the current leadership team who are expected to drive future development of the business.

Kantaro Tomiyama, President & CEO of Tomy commented, "This merger further enables Tomy to move towards our goal of increasing our global profile adding significant additional business in North America and Europe, creating a stronger global platform for future growth. We have known and admired RC2's excellent team and their achievements over their 22-year history, and look forward to their contribution to our combined group. The operational fit and future growth prospects make this an excellent transaction for our customers, employees and shareholders."

Curt Stoelting, Chief Executive Officer of RC2, added, "This is an exciting day for all of us at RC2 and we couldn't be more pleased to be joining forces with the team at Tomy. First and foremost, I would like to thank our talented management and team members, our licensing partners, our customers, and our loyal consumers who have helped build RC2 into a leading mother, infant, toddler, preschool, youth and adult products company. Our management team together with Tomy's looks forward to expanding our existing product lines, developing additional new brands and product categories and increasing our global reach to better serve our licensing partners, customers and consumers."

RC2's mother, infant, toddler and preschool products are primarily marketed under its Learning Curve® family of brands, which includes The First Years®, Lamaze® and JJ Cole® Collections brands, as well as popular and classic licensed properties such as *Thomas & Friends, Bob the Builder, Special Agent Oso, Chuggington, Dinosaur Train, John Deere, Disney's Winnie the Pooh, Princesses, Cars, Fairies* and *Toy Story*, Ziploc and other well-known properties. RC2 markets its youth and adult products primarily under the Johnny Lightning® and Ertl® brands. RC2 reaches its target consumers through multiple channels of distribution throughout North America, Europe, Australia, Asia Pacific and South America.

Tomy is Japan's largest global toy and children's merchandise company with 25 subsidiaries and affiliated companies worldwide. This transaction is consistent with Tomy's strategic roadmap revealed in 2008 targeting re-engineering and globalization as keys for success during the period of FY2009 through FY2012. Acquiring RC2 allows Tomy to better leverage its leading position in Japan by expanding globally and increasing its geographic diversification. Tomy is already among the top five traditional toy companies in the world and has gained prominence

in the U.S. toy market since the 1970s with the establishment of Tomy Corporation in 1973. RC2's market-leading position will not only complement and strengthen Tomy's existing U.S. business, but will also form one of the strategic pillars of Tomy's global business platform.

Under the terms of the merger agreement, RC2 may solicit acquisition proposals from third parties for a period of 30 calendar days continuing through April 9, 2011, subject to extension for an additional 15 calendar days in limited circumstances. It is not anticipated that any developments will be disclosed with regard to this process unless RC2's Board of Directors decides to accept a superior proposal or to require Tomy to extend the offer in connection with a potential superior proposal in the limited circumstances provided in the merger agreement. The merger agreement provides Tomy with a customary right to match a superior proposal. There are no guarantees that this process will result in an alternative transaction.

BofA Merrill Lynch is acting as exclusive financial adviser to Tomy, while Skadden, Arps, Slate, Meagher & Flom LLP and Nishimura & Asahi are acting as legal advisers for Tomy with regard to the transaction. Robert W. Baird & Co. is acting as exclusive financial adviser to RC2 and ReinhartBoerner Van Deuren s.c. is acting as its legal adviser.

50. TOMY's offered consideration of $27.90 per share substantially undervalues RC2, and is merely an attempt by TOMY to acquire RC2 at a bargain price during a temporary downturn in the economy. Indeed. RC2's stock traded at $24.00 as early as October 14, 2010.

51. In light of RC2's impressive performance over the past year, RC2 is in a position where it can effectively bargain in order to receive higher bids for the Company, as the directors' fiduciary duties demand.

52. The Proposed Transaction, if consummated, will likely result in RC2's shareholders losing their equity stake in the Company at below the Company's true value. Unless enjoined by this Court, defendants will continue to breach and/or aid the breaches of fiduciary duties owed to plaintiff and the Class, and may consummate the Proposed Transaction, which will deprive Class members of their fair share of RC2's valuable assets and businesses to the irreparable harm of the Class.

53. Moreover, after consummation of the Proposed Transaction, RC2 officers and directors will continue in their positions as management of the new entity. To be sure, these insider benefits will not be enjoyed by the Company's public shareholders.

54. To make matters worse, consummation of the Proposed Transaction will not require a shareholder vote, and will be automatic if TOMY acquires at least 90% of the outstanding shares of RC2, which also can be accomplished without the cooperation of the Company's shareholders pursuant to the "Top-Up Option" contained in the Merger Agreement. The Top-Up Option gives TOMY an irrevocable option to purchase unissued shares of the Company, up to one share over 90% of the shares then outstanding, in order to consummate the Proposed Transaction, thus circumventing shareholder approval.

55. Finally, the Merger Agreement contains certain deal-protection provisions that essentially "lock-up" the deal by: (1) allowing RC2 only 30 days to solicit superior offers; and (2) requiring RC2 to pay TOMY a $20 million termination fee in the event that RC2 terminates the Proposed Transaction in favor of a superior offer, as the Board's fiduciary duties require. These Lock-Up Provisions unduly bind the Board to the Proposed Transaction and make it highly unlikely that the Board will fulfill its fiduciary duties in the future without this Court's intervention.

56. Plaintiff and the other members of the Class have no adequate remedy at law.

FIRST CAUSE OF ACTION

Claim for Breach of Fiduciary Duties
Against the Individual Defendants

57. Plaintiff repeats and realleges each allegation set forth herein.

58. Defendants have knowingly and recklessly and in bad faith violated fiduciary duties of care, loyalty, good faith, and independence owed to the public shareholders of RC2 and have acted to put the interests of TOMY ahead of the interests of RC2's shareholders.

59. By the acts, transactions and courses of conduct alleged herein, defendants, individually and acting as a part of a common plan, knowingly or recklessly and in bad faith are attempting to unfairly deprive plaintiff and other members of the Class of the true value of their investment in RC2.

60. As demonstrated by the allegations above, defendants knowingly or recklessly failed to exercise the care required, and breached their duties of loyalty, good faith and independence owed to the shareholders of RC2 because, among other reasons, they failed to:

(a) fully inform themselves of the market value of RC2 before entering into the agreement for the Proposed Transaction;

(b) act in the best interests of the public shareholders of RC2 common stock;

(c) maximize shareholder value;

(d) obtain the best financial and other terms when the Company's independent existence will be materially altered by the Proposed Transaction; and

(e) act in accordance with their fundamental duties of good faith, due care and loyalty.

61. By reason of the foregoing acts, practices and course of conduct, defendants have knowingly or recklessly and in bad faith failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward plaintiff and the other members of the Class.

62. Unless enjoined by this Court, defendants will continue to knowingly or recklessly and in bad faith breach their fiduciary duties owed to plaintiff and the Class, and may consummate the Proposed Transaction, which will exclude the Class from the maximized value they are entitled to, all to the irreparable harm of the Class.

63. As a result of defendants' unlawful actions, plaintiff and the other members of the Class will be irreparably harmed in that they will not receive the real value of their equity ownership of the Company.

64. Plaintiff and the other members of the Class have an inadequate remedy at law. Only through the exercise of this Court's equitable powers can plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

65. Plaintiff seeks to obtain a non-pecuniary benefit for the Class in the form of injunctive relief against the Individual Defendants. Plaintiffs counsel are entitled to recover their reasonable attorneys' fees and expenses as a result of the conference of a non-pecuniary benefit on behalf of the Class, and will seek an award of such fees and expenses at the appropriate time.

SECOND CAUSE OF ACTION

Aiding and Abetting the Individual Defendants' Breach of Fiduciary Duty Against Defendants RC2 and TOMY

66. Plaintiff repeats and realleges each allegation set forth herein.

67. Defendants RC2 and TOMY are sued herein as an aiders and abettors of the breaches of fiduciary duties outlined above by the Individual Defendants, as members of the Board of RC2.

68. The Individual Defendants breached their fiduciary duties of good faith, loyalty and due care to RC2's shareholders by failing to:

(a) fully inform themselves of the market value of RC2 before entering into the Proposed Transaction;

(b) act in the best interests of the public shareholders of RC2 common stock;

(c) maximize shareholder value;

(d) obtain the best financial and other terms when the Company's independent existence will be materially altered by the Proposed Transaction; and

(e) act in accordance with their fundamental duties of good faith, due care and loyalty.

69. Such breaches of fiduciary duties could not and would not have occurred but for the conduct of defendants RC2 and TOMY, which, therefore, aided and abetted such breaches via entering into the Merger Agreement.

70. Defendants RC2 and TOMY had knowledge that they were aiding and abetting the Individual Defendants' breach of their fiduciary duties to RC2's shareholders.

71. Defendants RC2 and TOMY rendered substantial assistance to the Individual Defendants in their breach of their fiduciary duties to RC2's shareholders.

72. As a result of the conduct of defendants RC2 and TOMY of aiding and abetting the Individual Defendants' breaches of fiduciary duties, plaintiff and the other members of the Class have been and will be damaged in that they have been and will be prevented from obtaining a fair price for their shares.

73. As a result of the unlawful actions of defendants RC2 and TOMY, plaintiff and the other members of the Class will be irreparably harmed in that they will not receive fair value for RC2's assets and business, and will be prevented from obtaining the real value of their equity ownership in the Company. Unless the actions of defendants RC2 and TOMY are enjoined by the Court, they will continue to aid and abet the Individual Defendants' breaches of their fiduciary duties owed to plaintiff and the other members of the Class, and will aid and abet a process that inhibits the maximization of shareholder value and the disclosure of material information.

74. Plaintiff and the other members of the Class have no adequate remedy at law.

75. Plaintiff seeks to obtain a non-pecuniary benefit for the Class in the form of injunctive relief against defendants RC2 and TOMY. Plaintiff's counsel are entitled to recover their

reasonable attorneys' fees and expenses as a result of the conference of a non-pecuniary benefit on behalf of the Class, and will seek an award of such fees and expenses at the appropriate time.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands injunctive relief, in its favor and in favor of the Class and against defendants as follows:

A. Declaring that this action is properly maintainable as a class action;

B. Declaring and decreeing that the Merger Agreement was entered into in breach of the fiduciary duties of defendants and is therefore unlawful and unenforceable;

C. Enjoining defendants, their agents, counsel, employees, and all persons acting in concert with them from finalizing and consummating the Proposed Transaction, unless and until the Company adopts and implements a procedure or process to: (i) obtain the highest possible value for shareholders; and (ii) provide all material disclosures to shareholders with which they are able to make informed decisions about whether to vote in favor of the Proposed Transaction;

D. Directing the Individual Defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of RC2's shareholders until the process for the sale or auction of the Company is completed and the highest possible value is obtained;

E. Rescinding, to the extent already implemented, the Merger Agreement or any of the terms thereof;

F. Implementation of a constructive trust, in favor of plaintiff, upon any benefits improperly received by defendants as a result of their wrongful conduct;

G. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

H. Granting such other and further equitable relief as this Court may deem just and proper.

DATED: March 22, 2011

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Attorneys for Plaintiff

Exhibit (b)(1)

CONFIDENTIAL

March 11, 2011

TOMY COMPANY, LTD. (the "Parent")

Project Galaxy
Commitment Letter

Ladies and Gentlemen:

1. You have advised Sumitomo Mitsui Banking Corporation ("we", "us" or the "Commitment Party") that you intend to acquire RC2 Corporation (the "Target") by means of the purchase of a majority of shares of the Target pursuant to a cash tender offer and the subsequent consummation of a merger as more fully described on Exhibit A attached hereto ("Transactions"). Unless otherwise provided, capitalized terms used but not defined herein have the meanings assigned to them in Exhibit B.

2. In connection with the Transactions, we are pleased to advise you of our commitment to provide the Total Commitment Amount of the Facilities upon the terms and subject to the conditions solely as set forth in paragraph 8 of this Commitment Letter and in Exhibit B hereto under the heading "Conditions precedent for borrowings" (such exhibit, the "Term Sheets").

3. You hereby appoint us to act, and we hereby agree to act, as arranger and syndication agent for the Facilities on the terms and subject to the conditions set forth or referred to in this Commitment Letter and in the Term Sheets. It is understood and agreed that other co-agents, co-arrangers, bookrunners, managers or co-managers may be appointed by you, other titles may be awarded by you and compensation may be paid by you in connection with the Facilities. In such case, we are willing to accept such appointment of co-agents, co-arrangers, bookrunners, managers or co-managers, giving such titles and/or payment of such compensation upon the prior reasonable discussion with us.

4. We reserve the right, prior to or after the execution of definitive documentation for any of the Facilities (the "Facilities Documentation") and after consultation with you, to syndicate all or a portion of its commitment hereunder to one or more financial institutions reasonably acceptable to you that will become parties to the Facilities Documentation pursuant to syndications to be managed by us (the financial institutions becoming parties to the Facilities Documentation being collectively referred to as the "Lenders"); provided, that each of the Lenders shall be a financial institution which has its lending office in Japan and shall be capable of making loans in JPY to the Parent in Japan in accordance with this Commitment Letter and the Term Sheets; provided, further, that one or more Lender(s) with the aggregate commitment amount not less than JPY15 billion shall also have its or their respective lending office(s) in the U.S. and shall be capable of making loans in USD to the U.S. Sub in the U.S. in accordance with this Commitment Letter and the Term Sheets (each such Lender, a "Qualifying Lender"). Notwithstanding our right to syndicate the Facilities and receive commitment with respect thereto, we will not be relieved of all or any portion of our commitments hereunder prior to the initial borrowing of the Facilities. Without limiting your obligations to assist with syndication efforts as set forth herein, we agree that completion of such syndication is not a condition to our commitments hereunder. You understand that the Total Commitment Amount may be tranched as one or more Facilities (consisting of US Dollars and/or Japanese Yen) and each such Facility may be separately syndicated, and you agree actively to assist us, to the extent commercially reasonable, in completing syndications reasonably satisfactory to us. Such assistance shall include (a) the Parent using commercially reasonable efforts to ensure that the syndication efforts benefit materially from the existing banking relationships of the Parent and its subsidiaries, (b) direct contact between the Parent's senior management, representatives and advisors, on the one hand, and the proposed Lenders, on the other hand, (c) the Parents and its subsidiaries' assistance (including the use of commercially reasonable efforts to cause their representatives and advisors to assist) in the preparation of a customary confidential information

memorandum for the Facilities and other customary marketing materials to be used in connection with the syndication and (iv) the hosting, with us, of one or more conference calls with or meetings of prospective Lenders at times and locations mutually agreed upon. You understand that we may decide to commence syndication efforts for the Facilities promptly after the date hereof.

5. We will manage, in consultation with you, all aspects of the syndication, including, without limitation, selection of Lenders (each of which shall be a Qualifying Lender), determination of when we will approach potential Lenders and the time of acceptance of the Lenders' commitments, any naming rights, the final allocations of the commitments among the Lenders and the distribution of fees among the Lenders. To assist us in our syndication efforts, you agree, as soon as practicable following our request, to (i) use your commercially reasonable efforts to provide relevant information with respect to the Target and (ii) provide projections of the Parent and to use your commercially reasonable efforts to provide projections of the Target (collectively, the "Projections"), in each case as we may reasonably request in connection with the structuring, arrangement and syndication of the Facilities.

6. You hereby represent and warrant that (a) all written information (other than the Projections and information of a general economic or industry nature) (the "Information") with respect to the Parent and its subsidiaries and, to your knowledge, the Target, that has been or will be made available to us by you or any of your subsidiaries or on your behalf by any of your authorized representatives in connection with the Transactions, taken as a whole, is or will be, when furnished, correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections (which shall be limited to your knowledge to the extent it relates to the Target or its subsidiaries or businesses) that have been or will be prepared or confirmed by you or on your behalf by any of your authorized representatives and made available to us have been or will be prepared or confirmed in good faith based upon assumptions believed by you to be reasonable at the time of the preparation or confirmation thereof (it being understood that such Projections are as to future events and are not to be viewed as facts and are subject to significant uncertainties and contingencies, many of which are beyond your control, and that no assurance can be given that any particular Projections will be realized and that actual results during the period or periods covered by any such Projections may differ significantly from the projected results and such differences may be material). If, at any time after the date hereof and before the date of the initial borrowing under the Facilities (the date of the initial borrowing under the Facilities will be provided for in the Facilities Documentation so that the funds drawn down as the initial borrowing can be applied to the settlement of the tender offer in respect of the Target; such date shall be referred to as the "Initial Borrowing Date"), you become aware that the representation and warranty set forth in clause (a) of this paragraph 6 would be incorrect in any material respect if the Information were being furnished, and such representation being made, on such date, you agree to supplement the Information from time to time until the Initial Borrowing Date such that the representation and warranty set forth in clause (a) of this paragraph 6 remains true in all material respects under those circumstances. In arranging the Facilities, including the syndications of the Facilities, we will be entitled to use and rely primarily on the Information and the Projections without responsibility for independent verification thereof.

7. As consideration for our commitment hereunder and our agreement to structure, arrange and syndicate the Facilities, you agree to pay (or to cause to be paid) to us the nonrefundable fees as set forth in the Fee Letter dated the date hereof and delivered herewith with respect to the Facilities (collectively, the "Fee Letters").

8. Our commitment hereunder and our agreement to perform the services described herein are solely subject to satisfaction of each of the following conditions precedent on the applicable borrowing date (as further described in the Term Sheets under the heading "Conditions precedent for borrowings"), and, as applicable, upon satisfaction of the following conditions, funding of the borrowings of the Facilities shall occur:

(a) solely the case of the initial borrowings on the Initial Borrowing Date, prior to the expiration of the tender offer as extended from time to time, there not having occurred, since the date of the Merger Agreement (as defined in Exhibit A), a Closing Material Adverse Effect (as defined below); and

(b) satisfaction of the other conditions set forth in the Term Sheets under the heading "Conditions precedent for borrowings;"

it being understood that there are no conditions (implied or otherwise) to our commitments hereunder (including compliance with the terms of the Commitment Letter, the Fee Letter and the Facilities Documentation) other than those that are expressly stated herein and therein to be conditions to the funding of the Facilities.

For purposes hereof, "Closing Material Adverse Effect" means "Company Material Adverse Effect" as defined in the Merger Agreement.

9. Notwithstanding anything in this Commitment Letter, the Term Sheets, the Fee Letters, the Facilities Documentation or any other letter agreement or other undertaking concerning the financing of the Transactions to the contrary, (i) the only representations relating to the Borrowers, TC, Target and their respective subsidiaries and their respective businesses the making of which and compliance with which shall be a condition to availability of the borrowings under the Facilities shall be the Specified Representations (as defined below) and (ii) the terms of the Facilities Documentation shall be in a form such that they do not impair availability of the Facilities on the applicable borrowing dates (as further described in the Term Sheets under the heading "Conditions precedent for borrowings") if the conditions expressly set forth in paragraph 8 hereof and in the Term Sheets under the heading "Conditions precedent for borrowings" are satisfied. For purposes hereof, "Specified Representations" means the representations and warranties referred to in the Term Sheet relating to corporate existence of the Borrowers, corporate power and authority (as they relate to due authorization, execution, delivery and performance by the Borrowers of the Facilities Documentation), due authorization, execution and delivery and enforceability (in each case as they relate to the entering into and performance by the Borrowers of the Facilities Documentation), solvency of the Borrowers on a consolidated basis, compliance with margin regulations (any such representations to include appropriate carve-outs to comply with any applicable margin regulations) and the Investment Company Act. This paragraph and the provisions contained herein shall be referred to as the "Certain Funds Provision."

10. You agree (a) to indemnify and hold harmless us, our affiliates and our officers, directors, employees and agents (collectively, the "indemnified persons"), from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Fee Letters, the Term Sheets, the Transactions, the Facilities or any claim, litigation, investigation or proceeding (any of the foregoing, a "Proceeding") relating to any of the foregoing, regardless of whether any such indemnified person is a party thereto or whether a Proceeding is brought by a third party or by you or any of your affiliates, and to reimburse each such indemnified person within 30 days of a written demand therefor (together with backup documentation supporting such reimbursement request) for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating or defending any of the foregoing by one firm to such indemnified persons taken as a whole and, solely in the case of a conflict of interest, one additional firm to the affected indemnified persons taken as a whole (and, if reasonably necessary, of one local firm in any relevant material jurisdiction), provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they have resulted from the wilful misconduct, bad faith or gross negligence of, or breach of this Commitment Letter or the Facilities Documentation by, such indemnified person or any of its affiliates, officers, directors, employees or agents (collectively, the "related persons"), and (b) if the Initial Borrowing Date occurs, to reimburse us on the Initial Borrowing Date for all reasonable and documented out-of-pocket expenses that have been invoiced at least three business days prior to the Initial Borrowing Date (including, without limitation, expenses of our due diligence investigation, consultants' fees (to the extent any such consultant has been retained with your prior consent), syndication expenses, travel expenses and limited, in the case of legal fees and expenses, to the reasonable fees, disbursements and other charges of one firm to the agents and the lenders, taken as a whole, and identified in the Term Sheets (and, if reasonably necessary, one local firm in any relevant material jurisdiction)) incurred in connection with the Facilities and the preparation of this Commitment Letter, the Term Sheets, the Fee Letters and the Facilities Documentation. Notwithstanding any other provision of this Commitment Letter, none of any indemnified person or any of its related persons or you or any of your related persons shall be liable for any damages arising from (i) the use by others of information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent such damages have resulted from the willful misconduct, bad faith or gross negligence of any indemnified person or any of its related persons or you or any of your related persons or (ii) for any special, indirect, consequential or punitive damages in connection with its activities related to the Facilities.

11. You shall not be liable for any settlement of any Proceedings effected without your consent (which consent shall not be unreasonably withheld), but if settled with your written consent or if there is a final non-appealable judgment of a court of competent jurisdiction for the plaintiff in any such Proceedings, you agree to indemnify and hold harmless each indemnified person from and against any and all losses, claims, damages, liabilities and expenses by

reason of such settlement or judgment in accordance with paragraph 10. You shall not, without the prior written consent of an indemnified person (which consent shall not be unreasonably withheld or delayed), effect any settlement of any pending or threatened Proceedings in respect of which indemnity could have been sought hereunder by such indemnified person unless (i) such settlement includes an unconditional release of such indemnified person in form and substance reasonably satisfactory to such indemnified person from all liability on claims that are the subject matter of such Proceedings and (ii) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any indemnified person. Notwithstanding the foregoing, each indemnified person (and its related persons) shall be obligated to refund and return any and all amounts paid by you under this paragraph to such indemnified person (or its related persons) for any such fees, expenses or damages to the extent such indemnified person is not entitled to payment of such amounts in accordance with the terms hereof.

12. You acknowledge and agree that (a) you are capable of evaluating and understanding, and you understand and accept, the terms, risks and conditions of the transactions contemplated by this Commitment Letter, (b) you have consulted your own legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate and (c) the Commitment Party and its affiliates may be providing debt financing, equity capital or other services (including, without limitation, financial advisory services) to other companies in respect of which you may have conflicting interests regarding the Transactions. None of the Commitment Party and its affiliates will use confidential information obtained from you by virtue of the Transactions or any of their other relationships with you in connection with the performance by them and their affiliates of services for other companies, and none of the Commitment Party or any of its affiliates will furnish any such information to other companies. You also acknowledge that none of the Commitment Party and its affiliates has any obligation to use in connection with the transactions contemplated by this Commitment Letter, the Term Sheets, the Fee Letters and the Facilities Documentation or to furnish to the Borrowers or their subsidiaries, confidential information obtained by the Commitment Party and their affiliates from other companies.

13. You hereby agree that you shall not, until the Initial Borrowing Date, without our prior written consent, raise, borrow, issue, arrange, syndicate or incur (or attempt to or announce an intention to raise, borrow, issue, arrange, syndicate or incur) any other debt finance in the international or any relevant domestic money, debt, bank or capital markets (including, but not limited to, any private or public bond issue, private placement, note issuance, bilateral or syndicated loan, letter of credit or trade financing facility or other debt raising arrangement) for the purposes of financing the Transaction.

14. This Commitment Letter and the commitments hereunder shall not be assignable by you without our prior written consent, and this Commitment Letter shall not be assignable by us without your prior written consent, and any attempted assignment without such consent shall be void. This Commitment Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each of the parties hereto. This Commitment Letter may be executed in any number of counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement. This Commitment Letter (including the exhibits hereto) and the Fee Letters are the only agreements that have been entered into among the parties hereto with respect to the Facilities and set forth the entire understanding of the parties hereto with respect thereto. This Commitment Letter is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto and the indemnified persons. We may perform the duties and activities described hereunder through any of our affiliates and the provisions of the third preceding paragraph shall apply with equal force and effect to any of such affiliates so performing any such duties or activities; provided, that we will not be relieved of all or any portion of our commitments hereunder notwithstanding our right to perform the duties and activities described hereunder through any of our affiliates. This Commitment Letter shall be governed by, and construed in accordance with, the laws of Japan. Notwithstanding the foregoing sentence and the provisions entitled “Governing Law” in the Term Sheets, it is understood and agreed that whether there shall have been a Closing Material Adverse Effect shall be determined under the laws of the State of Delaware.

15. (a) Each party hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the Tokyo District Court over any suit, action or proceeding arising out of or relating to this Commitment Letter, the Term Sheets or the Fee Letters or the performance of services hereunder or thereunder. Each party hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any such suit, action or proceeding brought in the Tokyo District Court and any claim that any such suit, action or proceeding has been brought in any inconvenient forum.

(b) Notwithstanding the immediately preceding paragraph, each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Court of Chancery or other courts

of the State of Delaware (a "Delaware Court"), and any appellate court from any such court, in any suit, action or proceeding arising out of or relating to whether there shall have been a Closing Material Adverse Effect, or for recognition or enforcement of any judgment resulting from any suit, action or proceeding in connection therewith, and each party hereby irrevocably and unconditionally agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in a Delaware Court. No party may move to (a) transfer any such suit, action or proceeding from a Delaware Court to another jurisdiction, (b) consolidate any such suit, action or proceeding brought in a Delaware Court with a suit, action or proceeding in another jurisdiction or (c) dismiss any such suit, action or proceeding brought in a Delaware Court for the purpose of bringing the same in another jurisdiction. Each party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to whether there shall have been a Closing Material Adverse Effect in a Delaware Court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court and (iii) the right to object, with respect to such suit, action or proceeding, that such court does not have jurisdiction over such party. Each party irrevocably consents to service of process in any manner permitted by law.

16. You agree that you will not disclose, directly or indirectly, this Commitment Letter, the Term Sheets, the Fee Letters, the contents of any of the foregoing or the activities of us pursuant hereto or thereto to any person without our prior written approval, except that you may disclose (a) the Commitment Letter, the Term Sheets, the Fee Letters and the contents hereof and thereof (i) to the Borrowers', TC's and Target's officers, directors, agents, employees, attorneys, accountants, representatives, legal advisors and other advisors on a confidential basis and (ii) in any legal, judicial or administrative proceeding or as otherwise required by applicable law or as requested by a governmental authority (in which case you agree, to the extent permitted by law, to inform us promptly thereof) and (b) to the extent required by applicable law, the existence and contents of this Commitment Letter and the Term Sheets in any public filing or prospectus or offering memorandum relating to or in connection with the Transactions or the financing thereof; provided, that the foregoing restrictions shall cease to apply (except in respect of the Fee Letters and the contents thereof) after the Facilities Documentation shall have been executed by the parties thereto.

17. The compensation, reimbursement, payment of fees, indemnification, jurisdiction, confidentiality, governing law and syndication provisions contained herein and in the Fee Letters shall remain in full force and effect regardless or whether the Facilities Documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter; provided that (a) on the execution of the Facilities Documentation, your obligations under this Commitment Letter (other than your obligations with respect to confidentiality of the Fee Letters and the contents thereof) shall automatically terminate and be superseded by the provisions of the Facilities Documentation, and you shall automatically be released from all liability in connection herewith and therewith at such time, and (b) you may terminate this Commitment Letter (other than with respect to the confidentiality and indemnification provisions) upon written notice to us upon the termination of the Merger Agreement.

Please indicate your acceptance of the terms hereof and of the Fee Letters by signing in the appropriate space below and in the Fee Letters and returning to us the enclosed duplicate originals (or facsimiles) of this Commitment Letter and the Fee Letters, in each case not later than 5:00 p.m., Tokyo time, on March 11, 2011, failing which our commitments hereunder will expire at such time. In the event that the initial borrowing under the Facilities does not occur on or before March 31, 2012, then this Commitment Letter and the commitments hereunder shall automatically terminate unless we shall, in our discretion, agree to an extension.

We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours,

SUMITOMO MITSUI BANKING CORPORATION
(Tokyo-Chuo Corporate Business Office- I)

By: /s/ Toshiki Ito
Name: Toshiki Ito
Title: General Manager

Accepted and agreed to as of the date first written above:

TOMY COMPANY, LTD.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President and CEO

EXHIBIT A

TRANSACTION DESCRIPTION

Capitalized terms used but not defined in this Exhibit A shall have the meanings set forth in the Commitment Letter to which this Exhibit A is attached, including all Exhibits thereto (collectively, the **"Commitment Letter"**).

TOMY COMPANY, LTD. ("**you**" or the **"Borrower"**), through an indirect wholly-owned subsidiary, intends to acquire all of the outstanding capital stock of RC2 Corporation (**"Target"**).

In connection with the foregoing:

(i) The Borrower has formed an indirect wholly-owned indirect subsidiary incorporated under Delaware law, named GALAXY DREAM CORPORATION (**"MergerSub"**), which intends to acquire 100% of the equity interests in Target pursuant to the Tender Offer and subsequent Merger (as defined below).

(ii) MergerSub will make a tender offer (the **"Tender Offer"**) to purchase each of the issued and outstanding shares of common stock, without par value, of Target (the "**Shares**") for $27.90 per share in cash, less any applicable withholding taxes and without interest, pursuant to a definitive merger agreement, including exhibits and schedules thereto (as amended, restated, waived, supplemented or otherwise modified from time to time, provided that any such amendments, restatements, waivers, supplements or other modifications that are materially adverse to the interests of the Lenders must be approved by the Agent, the **"Merger Agreement"**) among you, MergerSub and Target. The date on which shares are initially accepted for payment under the Tender Offer is referred to as the **"Tender Closing Date"**. On the Tender Closing Date, the Borrower shall direct the Target to terminate all commitments and repay all outstanding indebtedness, if any, under that certain Credit Agreement, dated as of November 3, 2008, among Target and certain of its subsidiaries, Bank of Montreal, as administrative agent, and various lenders and other parties thereto (the **"Target Refinancing"**).

(iii) Following the Tender Closing Date, so long as permitted under applicable law, at any time prior to the consummation of the Merger, MergerSub may make one or more additional purchases (such purchases, **"Subsequent Offer Purchases"**) of Shares of Target (such additional Shares, **"Subsequent Offer Shares"**) with the intent that (x) MergerSub shall own Shares representing at least 90% of the then outstanding shares and (y) a "short form" merger may be effected under applicable law and without any approval by the shareholders of Target (as used herein, "90% Condition" shall mean the satisfaction of the conditions described in preceding clauses (x) and (y), whether satisfied on the Tender Offer Closing Date or at any time thereafter (as a result of Subsequent Offer Purchases or otherwise, including through the exercise of the "top-up" option granted pursuant to the Merger Agreement) on or prior to the Merger Closing Date).

(iv) If the 90% Condition shall have been met (either on the Tender Offer Closing Date or at any time thereafter (prior to the consummation of the Merger)), MergerSub shall, as soon as practicable thereafter, merge with and into Target by way of a "short form" merger under Delaware law (a **"Short Form Merger"**), with Target surviving such Short-Form Merger as an indirect wholly-owned subsidiary of the Borrower. If the 90% Condition is not satisfied, MergerSub shall, as soon as practicable after the end of expiration of the Tender Offer, including as extended in connection with any Subsequent Offer Purchases, cause the merger (the **"Merger"**) of MergerSub with and into Target, in accordance with the Merger Agreement and applicable law (whether a Short Form Merger or a "long form" merger, the **"Merger"**), to be consummated, with Target surviving the Merger as an indirect wholly-owned subsidiary of the Borrower (the date on which the Merger is consummated, that **"Merger Closing Date"**). As used herein, (A) the term **"Acquisition"** shall mean the collective reference to the Tender Offer (and all purchases of Shares pursuant thereto), any purchase of Subsequent Offer Shares (if applicable) and the Merger and (B) the term **"Target"** shall include, after the consummation of the Merger, Target as the surviving corporation thereof.

(vi) The sources of funds needed to finance the Acquisition and the Target Refinancing, to pay all fees and expenses incurred in connection with the Transactions shall be provided solely from the sources described in the second paragraph of the Commitment Letter.

EXHIBIT B

Term sheet of the facilities (the **Facilities)**

Borrowers	:	TOMY COMPANY, LTD. (the **Parent)** GALAXY DREAM CORPORATION incorporated in the US, a direct 100% subsidiary of TOMY CORPORATION **(TC)** (the **US Sub)**
Guarantors		The Parent The US Sub
Arranger/Agent	:	Sumitomo Mitsui Banking Corporation (**SMBC**)
Commitment Amount (maximum amount)	:	Commitment Amount of JPY50 billion (the **Total Commitment Amount)** available for the Parent For the US Sub, only part of the Total Commitment Amount is available, the amount of which would be 15 billion.
Available currency	:	To Parent: JPY To US Sub: US dollar
Lenders and lending offices	:	To Parent: SMBC Tokyo-Chuo Corporate Business Office 1 **(SMBCTKY)** To US Sub: SMBC Los Angeles Branch **(SMBCLA)** In addition to SMBC and SMBCLA, one or more additional Lenders may make loans pursuant to the Facilities.
Commitment period	:	From April 15, 2011 to March 31, 2012
Drawdown request	:	Parent: Initial Borrowing : Prior to 2 business days After Initial Borrowing : Prior to 3 business days US Sub: Prior to 5 business days
Maturity Date	:	March 31, 2017
Minimum amount for drawdown	:	The amount to be requested must be 1.0% or more of the Total Commitment Amount and integral multiple of 1.0% of the Total Commitment Amount.
Maximum number of drawdown request		10 times per tranche

Use of proceeds	:	Funds for an acquisition of shares tendered in the tender offer (including during any subsequent offering periods), shares of Target cashed out in the merger (subsequent to the tender offer), repayment of the existing credit facility of Target, Target's equity awards and payment of costs and expenses in connection with the Transaction (including funds for making loans and/or equity contributions by the Parent or TC to the US Sub, the proceeds of which are used for such purposes).
Applicable interest rate	:	Loan to Parent: JBA TIBOR plus Spread Interest will accrue from day to day and shall be calculated on the basis of the actual number of days elapsed (from and including the first day of the relevant period to and excluding the last day of such period) in a year of 365 days Loan to US Sub: Our Cost determined by SMBCLA plus Spread
Method of repayment	:	2.5% of the loan amount shall be repaid at every three (3) months starting on June 30, 2012, and the remaining principal amount shall be repaid in lump-sum at the Maturity Date.
Commitment Fee	:	During the Commitment Period 0.25% of the unused Commitment Amount per annum (payable semi-annually in arrears, and calculated for each period from and including the first date of such period to and including the last date of such period.)
Prepayment	:	Prepayment is available for the whole amount or any part of the loans upon prior written notice to the Lenders and the Agent without premium or penalty other than break-funding costs.
Guarantee	:	Joint and several guarantee by the Parent for US Sub's obligations Joint and several guarantee by the US Sub for the Parent's obligations
Security	:	Unsecured
Conditions precedent for borrowings:		
(A) Conditions precedent for initial borrowing on the Initial Borrowing Date		Subject to the Certain Funds Provision, the initial borrowing under the Facilities on the Initial Borrowing Date will be subject only to the following conditions:

(1) Each of the Borrowers and Guarantors shall have executed and delivered the Facilities Documentation to which it is a party, in accordance with the terms of the Commitment Letter.

(2) Solely the deliverables set forth below for the Japanese Borrower and Guarantor:

- A certificate of seal impression of the representative of the Parent
- A certified copy of the commercial registry of the Parent
- A seal or signature registration in a form as prescribed by the Agent
- A copy of the minutes of the board meeting which has approved the execution of the Agreement, the drawdown in accordance with the Agreement and the guarantee of another Borrower's obligations under the Agreement

(3) Solely the deliverables set forth below for each of the US Borrower and Guarantors:

- Customary evidence of authority and officers certificates relating to (i) the organization, existence and good standing of each of the US Borrower and Guarantors in its jurisdiction of organization, (ii) the incumbency of the officers of each of the US Borrower and Guarantors executing the Facilities Documentation, (iii) the accuracy and completeness of copies of the certificate or articles of incorporation, certificate of limited partnership or certificate of formation, as applicable, of each of the US Borrower and Guarantors, in each case as certified by the applicable Secretary of State, (iv) the by-laws, partnership agreement, limited liability company agreement or other equivalent governing documents, as applicable, of each of the US Borrower and Guarantors and (v) the authorization by each of the US Borrower and Guarantors of the Transactions.

(4) The tender offer shall have been launched.

(5) Prior to consummation of the tender offer, the parties thereto shall have entered into the Merger Agreement (as defined in Exhibit A).

(6) No provision of the Merger Agreement (as in effect on the date of the Commitment Letter) shall have been waived, amended, restated, supplemented or otherwise modified in a manner materially adverse to the interests of the Lenders (without the prior written consent of the Agent).

(7) All fees required to be paid pursuant to the Fee Letter and all reasonable and documented out-of-pocket costs and expenses that have been invoiced at least three business days prior to the Initial Borrowing Date and that are required to be paid on or prior to the Initial Borrowing Date pursuant to the Commitment Letter shall have been paid (which amounts may be offset against the proceeds of the Credit Facilities).

(8) The Specified Representations shall be true and correct in all material respects.

(9) Each of the applicable Borrowers and Guarantors shall have provided the documentation and other information to the Lenders that is required by regulatory authorities under the applicable "know-your-customer" and anti-money laundering rules and regulations.

(10) The applicable Borrower(s) shall have delivered a drawdown request.

(B) Conditions precedent for borrowings after the Tender Closing Date and prior to the Merger Closing Date (other than the initial borrowing on the Initial Borrowing Date)	Subject to the Certain Funds Provision, borrowings under the Facilities after the Tender Closing Date and prior to the Merger Closing Date (other than the initial borrowing on the Initial Borrowing Date) will be subject only to the following conditions:

(1) The tender offer shall have been or shall be consummated and the initial borrowing under the Facilities shall have been made.

(2) The Merger Agreement shall remain in full force and effect.

(3) The applicable Borrower(s) shall have delivered a drawdown request.

(C) Conditions precedent for borrowings on or after the Merger Closing Date	Subject to the Certain Funds Provision, borrowings under the Facilities on or after the Merger Closing Date will be subject only to the following conditions:

(1) The merger shall have been consummated.

(2) The applicable Borrower(s) shall have delivered a drawdown request.

Representations Representations and warranties and warranties	Representations and warranties substantially consistent with those set forth in the Commitment Line Agreement dated March 30,

	of the Borrowers and Guarantors	2010 between, *inter alia*, the Parent and SMBC (the **Commitment Agreement),** as modified to reflect the Transactions to the extent necessary.
	Specified Representations of the Borrowers	As defined in the Commitment Letter
Covenants of the Borrowers and the Guarantors	:	Covenants substantially consistent with those set forth in the Commitment Agreement as modified to reflect the Transactions to the extent applicable. If the Borrowers receive any notice regarding a purchase of the Target's shares in tender from the paying agent, the Borrowers shall promptly forward the notice to the Agent and the Lenders. Upon the consummation of the merger between the US Sub and the Target, the Parent shall promptly submit to the Agent and the Lenders a certificate which confirms the amount which the Borrowers have actually utilised for the purpose stipulated in the "use of proceeds" provision **(Used Amount)** and repay the amount which is equivalent to the difference between the total amount which the Lenders have extended during the Commitment Period and the Used Amount. If the tender offer is not consummated, the initial borrowing under the Facilities should be promptly repaid. Financial covenants applicable to the Borrowers consist of (a) maintenance of percentage of shares in TC held by the Parent and percentage of shares in US Sub held by TC and (b) certain reasonable limitation to future borrowings. Covenants to include appropriate carve-outs to comply with any applicable margin regulations.
Events of default	:	Events of default substantially consistent with those set forth in the Commitment Agreement as modified to reflect the Transactions to the extent applicable. Events of default to include appropriate carve-outs to comply with any applicable margin regulations.
Early Termination of the Loan Agreement		The Agreement shall be automatically terminated if the Merger Agreement is terminated

Assignment of rights and obligations under the Agreement : 1. A Borrower may not assign its rights and obligations under the Agreement without consent of the Lenders and the Agent.

2. Within 6 months from the date of the Agreement, SMBC may, for the purpose of the syndication, assign its rights and obligations under the Agreement to financial institutions after consultation with the Borrowers; provided, that each of the assignees shall be a financial institution which has its lending office in Japan and shall be capable of making loans in JPY to the Parent in Japan in accordance with the Agreement; provided, further, that after such assignment, one or more Lender(s) with the aggregate commitment amount not less than JPY15 billion shall also have its or their respective lending office(s) in the U.S. and shall be capable of making loans in USD to the US Sub in the U.S. in accordance with the Agreement.

3. A Lender may assign its rights and obligations under the Agreement only if the Borrowers and the Agent consent to it in advance and all requirements set forth below are met.

   (i) The Borrowers consent to the assignment of all the Loans assigned at the same time, if any, and the certified fix date (*kakutei hiduke)* is obtained for such consent.

   (ii) The assignor and the assignee are bound by the Agreement.

   (iii) The assignee is a financial institution which has its lending office in Japan and shall be capable of making loans in JPY to the Parent in Japan in accordance with the Agreement.

   (iv) After such assignment, one or more Lender(s) with the aggregate commitment amount not less than JPY15 billion shall have its or their respective lending office(s) in the U.S. and shall be capable of making loans in USD to the US Sub in the U.S. in accordance with the Agreement.

   (v) Each Commitment Amount of the assignor and the assignee after the assignment is no less than JPY100 million.

   (vi) The interest and any other amount payable by the Borrowers to the assignee will not be increased as a result of the assignment.

Assignment of loan : A Lender may assign a loan only if the Agent consents to it in

		advance and if all requirements set forth below are met. (i) The assignee is bound by the Agreement. (ii) Assigned loan is whole (and not part of) individual loan. (iii) The interest and any other amount payable by the Borrowers to the assignee is not increased as a result of the assignment.
Increased costs, break-funding costs, default interests, indemnity and expenses	:	To set forth clauses substantially consistent with the provisions concerning increased costs set forth in the Commitment Agreement.
Gross-up for tax withholding		To set forth clauses customary for transactions of this type
Governing Law	:	Laws of Japan; provided that the laws of the State of Delaware shall apply to the Closing Material Adverse Effect condition
Jurisdiction	:	Tokyo District Court; provided that the Delaware Court of Chancery or other courts of the State of Delaware shall have exclusive jurisdiction in any suit, action or proceeding arising out of or relating to whether there shall have been a Closing Material Adverse Effect, or for recognition or enforcement of any judgment resulting from any suit, action or proceeding in connection therewith.
Language	:	Japanese language to separately attach an English translation (including a certificate)
Business Day	:	Tokyo, New York and Los Angeles

Exhibit (d)(1)

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

RC2 CORPORATION,

TOMY COMPANY, LTD.

AND

GALAXY DREAM CORPORATION

March 10, 2011

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is entered into as of March 10, 2011, among Tomy Company, Ltd., a company organized under the Laws of Japan ("Parent"), Galaxy Dream Corporation, a Delaware corporation and a wholly owned indirect subsidiary of Parent ("MergerSub"), and RC2 Corporation, a Delaware corporation (the "Company"). Certain capitalized terms used herein but not otherwise defined shall have the meanings set forth in Section 9.03.

RECITALS

A. It is proposed that, upon the terms and subject to the conditions of this Agreement, MergerSub make a cash tender offer (such tender offer, as it may be amended and supplemented from time to time as permitted by this Agreement, the "Offer") to purchase all outstanding shares of Company Common Stock for $27.90 per share, net to the seller in cash (such price, or any such higher price per share of Company Common Stock as may be paid in the Offer, is referred to herein as the "Offer Price").

B. It is proposed that, upon the terms and subject to the conditions of this Agreement and in accordance with the Delaware General Corporation Law (the "DGCL"), following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation (the "Merger").

C. The Board of Directors of the Company (the "Company Board") has by a unanimous vote of those voting (i) determined that this Agreement and the Transactions, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of the Company, (ii) approved and adopted this Agreement and the Transactions, including the Offer and the Merger, and (iii) resolved to recommend that the stockholders of the Company accept the Offer, tender their shares of Company Common Stock into the Offer, and approve and adopt this Agreement to the extent required by applicable Law.

D. The Board of Directors of Parent (the "Parent Board") and Board of Directors of MergerSub have approved and adopted this Agreement and the Transactions, including the Offer and the Merger, and the sole stockholder of MergerSub has approved and adopted this Agreement.

E. New employment agreements with each of Curtis W. Stoelting, Peter J. Henseler, Gregory J. Kilrea, Peter A. Nicholson, Helena Lo and Jamie A. Kieffer and a bonus agreement with Gary W. Hunter (collectively, the "New Employment Agreements") have been entered into prior to or on the date hereof, which are attached as Exhibits A-1 through A-7.

AGREEMENTS

In consideration of the foregoing recitals and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Parent, MergerSub and the Company hereby agree as follows:

ARTICLE I

THE OFFER

SECTION 1.01 The Offer.

(a) Provided that this Agreement shall not have been terminated in accordance with Section 8.01 and none of the events set forth in paragraphs (a)—(g) of Annex I hereto shall have occurred and be continuing, on the date that is the 10th Business Day after the date of this Agreement, MergerSub shall, and Parent shall cause MergerSub to, commence (within the meaning of Rule 14d-2 under the Exchange Act) the Offer to purchase for cash all of the outstanding shares of Company Common Stock at the Offer Price. The initial Expiration Date of the Offer shall be 12 midnight, New York City time, at the end of the 20th Business Day following commencement of the Offer. The obligations of MergerSub to, and of Parent to cause MergerSub to, accept for payment and to pay for any shares of Company Common Stock validly tendered on or prior to the expiration of the Offer and not validly withdrawn shall be subject only to (i) there being validly tendered and not validly withdrawn prior to the expiration of the Offer that number of shares of Company Common Stock which, when added to any shares of Company Common Stock already owned by Parent or any of the Parent Subsidiaries, if any, represents at least a majority of the shares of Company Common Stock outstanding on a Fully-Diluted Basis, excluding shares of Company Common Stock tendered in the Offer pursuant to guaranteed delivery procedures (the "Minimum Condition") and (ii) the satisfaction or waiver (to the extent permitted under this Agreement) of the other conditions set forth in Annex I hereto (collectively, the "Offer Conditions"). MergerSub expressly reserves the right, from time to time, to waive any of the Offer Conditions or to make other changes in the terms and conditions of the Offer; provided, however, that without the prior written consent of the Company, MergerSub shall not (A) amend or waive the Minimum Condition, (B) decrease the Offer Price, (C) decrease the number of shares of Company Common Stock sought in the Offer, (D) change the form of consideration payable in the Offer, (E) impose conditions to the Offer that are in addition to the Offer Conditions, (F) extend the Expiration Date of the Offer in any manner other than as permitted in this Section 1.01 or (G) amend any of the terms and conditions of the Offer in any manner adverse to the holders of the shares of Company Common Stock. Notwithstanding the foregoing, (u) if there shall have been one or more Extension Excluded Parties as of the Extension Excluded Party Notice Date and the Company shall have delivered to Parent the written notice identifying such Extension Excluded Party in accordance with Section 5.03(b), MergerSub shall extend the Offer until the first Business Day following the Cut-off Date, (v) if on the initial Expiration Date of the Offer or on any subsequent scheduled Expiration Date of the Offer, all Offer Conditions shall not have been satisfied or waived, MergerSub may, from time to time, in its sole discretion, extend the Offer for one or more periods of not more than five (5) Business Days each beyond such Expiration Date, provided, however, that MergerSub shall not be entitled to extend the Offer to any date occurring after the Termination Date, (w) MergerSub shall extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof or NASDAQ applicable to the Offer, (x) MergerSub shall extend the Offer for one or more periods of no more than five (5) Business Days each (or such longer period as the parties hereto agree) until the condition set forth in clause (ii) of the first paragraph of Annex I related to the HSR Act and Foreign Antitrust Laws is satisfied or waived; provided, however, that in no event shall MergerSub be required to extend

the Offer (1) beyond the Termination Date or (2) at any time that Parent or MergerSub is permitted to terminate this Agreement pursuant to Article VIII, (y) if on any scheduled Expiration Date, the Minimum Condition is not satisfied but all other Offer Conditions are satisfied, then MergerSub shall extend the Offer on a single occasion for a five (5) Business Day period; provided, however, that in no event shall MergerSub be required to extend the Offer (1) beyond the Termination Date or (2) at any time that Parent or MergerSub is permitted to terminate this Agreement pursuant to Article VIII, and (z) MergerSub may, in its sole discretion, provide a "subsequent offering period" in accordance with Rule 14d-11 under the Exchange Act (a "Subsequent Offering Period") of not more than twenty (20) Business Days to meet the objective that there be validly tendered, in accordance with the terms of the Offer, prior to the Expiration Date and not validly withdrawn, a number of shares of Company Common Stock, which when added to any shares of Company Common Stock already owned by Parent or any of the Parent Subsidiaries, represent at least 90% of the then outstanding shares of Company Common Stock at the Offer Closing (including following the exercise of the Top-Up Option at Parent or MergerSub's option). In addition, MergerSub may increase the Offer Price and extend the Offer to the extent required by applicable Law in connection with such increase in each case in its sole discretion and without the Company's consent. Subject to the prior satisfaction of the Minimum Condition and the prior satisfaction or waiver by Parent or MergerSub (to the extent permitted under this Agreement) of the other Offer Conditions, MergerSub shall, and Parent shall cause MergerSub to, in accordance with the terms of the Offer, consummate the Offer and accept for payment and pay for all shares of Company Common Stock validly tendered and not validly withdrawn pursuant to the Offer promptly (within the meaning of Rule 14e-1(c) promulgated under the Exchange Act) after expiration of the Offer (subject to the provisions of Rule 14d-11 under the Exchange Act, to the extent applicable). The Offer Price shall be net to the seller in cash, without interest, upon the terms and subject to the conditions of the Offer. Acceptance for payment of the shares of Company Common Stock pursuant to and subject to the conditions of the Offer after the expiration of the Offer is referred to in this Agreement as the "Offer Closing", and the date on which the Offer Closing occurs is referred to in this Agreement as the "Offer Closing Date". If the payment of the Offer Price is to be made to a Person other than the Person in whose name the tendered Certificate is registered, it shall be a condition of payment that (x) the Certificate so tendered be properly endorsed or shall be otherwise in proper form for transfer, and (y) the Person requesting such payment shall have paid all transfer and other Taxes required by reason of the payment of the Offer Price to a Person other than the registered holder of the Certificate tendered, or required for any other reason relating to such holder or requesting Person, or shall have established to the satisfaction of Parent and MergerSub that such Tax either has been paid or is not required to be paid.

(b) MergerSub shall not terminate the Offer prior to any scheduled Expiration Date without the prior written consent of the Company, except if this Agreement is terminated pursuant to Article VIII. If this Agreement is terminated pursuant to Article VIII, MergerSub shall, and Parent shall cause MergerSub to, promptly (and in any event within twenty-four (24) hours of such termination), irrevocably and unconditionally terminate the Offer, and MergerSub shall not in the event of any such termination pursuant to Article VIII acquire any shares of Company Common Stock pursuant to the Offer. If the Offer is terminated by MergerSub, or this Agreement is terminated prior to the acquisition of shares of Company Common Stock in the Offer, MergerSub shall promptly (within the meaning of Rule 14e-1(c) promulgated under the Exchange Act) return, and shall cause any depositary acting on behalf of

MergerSub to return, in accordance with applicable Law, all shares of Company Common Stock that have been tendered in the Offer to the registered holders thereof.

(c) As soon as practicable on the date the Offer is commenced, Parent and MergerSub shall file with the SEC a Tender Offer Statement on Schedule TO with respect to the Offer, which shall include the offer to purchase and forms of the related letter of transmittal and notice of guaranteed delivery and all other required or appropriate ancillary Offer documents (collectively, together with any amendments and supplements thereto, the "Offer Documents"). Subject to the Company's compliance with Section 1.02(c), Parent and MergerSub shall cause the Offer Documents to be disseminated to holders of shares of Company Common Stock as required by applicable U.S. federal securities Laws. Parent and MergerSub, on the one hand, and the Company, on the other hand, agree to promptly correct any information provided by it for use in the Offer Documents if it shall have become false or misleading in any material respect or as otherwise required by applicable Law. MergerSub further agrees to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and disseminated to holders of shares of Company Common Stock as required by applicable U.S. federal securities Laws. The Company shall promptly furnish to Parent and MergerSub all information concerning the Company that is required or reasonably requested by Parent or MergerSub in connection with the obligations relating to the Offer Documents contained in this Section 1.01(c). The Company and its counsel shall be given a reasonable opportunity to review and comment on the Offer Documents before they are filed with the SEC. In addition, Parent and MergerSub agree to: (i) provide the Company and its counsel with any comments or communications that Parent, MergerSub or their counsel may receive from time to time from the SEC or its staff with respect to the Offer Documents promptly after Parent's or MergerSub's, as the case may be, receipt of such comments or communications, (ii) cooperate with the Company and its counsel in responding to such comments or communications, and (iii) use their respective reasonable best efforts to respond promptly to such comments.

(d) Parent shall provide or cause to be provided to MergerSub on a timely basis the consideration necessary to pay for any shares of Company Common Stock that MergerSub becomes obligated to accept for payment and pay for pursuant to the Offer, and shall cause MergerSub to fulfill all of MergerSub's obligations under this Agreement.

SECTION 1.02 Company Actions.

(a) The Company hereby approves of and consents to the Offer, and represents and warrants that the Company Board, at a meeting duly called and held, at which all directors of the Company were present, by a unanimous vote of those voting, has (i) determined that this Agreement and the Transactions, including the Offer and the Merger, are advisable, fair to, and in the best interests of, the stockholders of the Company; (ii) approved and adopted this Agreement and the Transactions, including the Offer and the Merger; (iii) resolved to recommend that the stockholders of the Company accept the Offer, tender their shares of Company Common Stock into the Offer, and approve and adopt this Agreement to the extent required by applicable Law (the "Company Recommendation"); (iv) to the extent applicable, directed that this Agreement and the Merger be submitted to the stockholders of the Company for consideration in accordance with this Agreement; and (v) taken all actions required to be taken in order to exempt this Agreement and the Transactions from the requirements of any

Takeover Laws, which resolutions have not been amended, rescinded, modified or withdrawn in any way. The Company consents to the inclusion in the Offer Documents of the Company Recommendation contained in the Schedule 14D-9. The Company has been advised that all of the Company's directors and executive officers intend to tender all shares of Company Common Stock beneficially owned by them to MergerSub pursuant to the Offer.

(b) As soon as reasonably practicable on the date the Offer Documents are filed with the SEC, the Company shall, in a manner that complies with Rule 14d-9 under the Exchange Act, file with the SEC a Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments, supplements and exhibits thereto, the "Schedule 14D-9") which shall, subject to the provisions of Section 5.03(e), contain the Company Recommendation and shall include the Fairness Opinion and the information with respect to such opinion required to be disclosed by Item 1015(b) of Regulation M-A under the Exchange Act (regardless of whether such item is applicable). The Company agrees to cause the Schedule 14D-9 to be filed with the SEC and disseminated to holders of shares of Company Common Stock as required by applicable U.S. federal securities Laws. The Company, on the one hand, and Parent and MergerSub, on the other hand, agree to promptly correct any information provided by it for use in the Schedule 14D-9 if it shall have become false or misleading in any material respect or as otherwise required by applicable Law. The Company agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to holders of the shares of Company Common Stock as required by applicable U.S. federal securities Laws. Parent and MergerSub shall promptly furnish to the Company all information concerning Parent and MergerSub that is required or reasonably requested by the Company in connection with the obligations relating to the Schedule 14D-9 contained in this Section 1.02(b). Parent, MergerSub and their counsel shall be given the reasonable opportunity to review and comment on the Schedule 14D-9 before it is filed with the SEC. In addition, the Company agrees to: (i) provide Parent, MergerSub and their counsel in writing with any comments or communications that the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Schedule 14D-9 promptly after the Company's receipt of such comments or communications, (ii) cooperate with Parent and its counsel in responding to such comments or communications, and (iii) use its reasonable best efforts to respond promptly to such comments.

(c) In connection with the Offer, the Company shall promptly furnish (or cause its transfer agent to furnish) to MergerSub mailing labels or electronic files containing the names and addresses of all record holders of shares of Company Common Stock and security position listings of shares of Company Common Stock held in stock depositories, each as of a recent date, together with all other available listings or computer files containing the names, addresses and security position listings of the record holders and beneficial owners of the shares of Company Common Stock as of a recent date. The Company shall promptly furnish MergerSub with such additional information and such other assistance in disseminating the Offer Documents to holders of the shares of Company Common Stock (including lists of holders of the shares of Company Common Stock, updated periodically, and their addresses, mailing labels and lists of security positions) as MergerSub or its agents may reasonably request. The Company, Parent and MergerSub agree to disseminate the Offer Documents and the Schedule 14D-9 to the holders of shares of Company Common Stock together in the same mailing or other form of distribution. Subject to the requirements of applicable Law, and except for such steps as are

necessary to disseminate the Offer Documents and any other documents necessary to consummate the Offer, the Merger and the Transactions, Parent and MergerSub and their respective Representatives shall use the information provided pursuant to this Section 1.02(c) only in connection with the Offer and the Merger, shall keep confidential and not disclose such information and materials in accordance with the terms and conditions of the Confidentiality Agreement, and, if this Agreement shall be terminated, will deliver to the Company or destroy all copies of such information then in their possession or under their control in accordance with the Confidentiality Agreement upon the request of the Company.

SECTION 1.03 Top-Up Option.

(a) The Company hereby grants to MergerSub an irrevocable option (the "Top-Up Option") to purchase, at a price per share equal to the Offer Price, a number (but not less than that number) of newly issued shares of Company Common Stock (the "Top-Up Option Shares") that, when added to the number of shares of Company Common Stock owned, directly or indirectly, by Parent, MergerSub or any of the other Parent Subsidiaries, at the time of exercise of the Top-Up Option, constitutes one share of Company Common Stock more than ninety percent (90%) of the number of shares of Company Common Stock that will be outstanding immediately after the issuance of the Top-Up Option Shares. The Top-Up Option may be exercised, in whole but not in part, at any one time on or after the date MergerSub accepts for payment all shares of Company Common Stock validly tendered and not withdrawn pursuant to the Offer and prior to the earlier to occur of (1) the Effective Time and (2) the termination of this Agreement in accordance with Section 8.01; provided, however, that the obligation of the Company to deliver Top-Up Option Shares upon the exercise of the Top-Up Option is subject to the conditions that (A) upon exercise of the Top-Up Option, the number of shares of Company Common Stock owned, directly or indirectly, by Parent or MergerSub constitutes one share of Company Common Stock more than ninety percent (90%) of the number of shares of Company Common Stock that will be outstanding immediately after the issuance of the Top-Up Option Shares and (B) the number of Top-Up Option Shares issued pursuant to the Top-Up Option shall in no event exceed the number of authorized and unissued shares of Company Common Stock not otherwise reserved for issuance.

(b) Upon the exercise of the Top-Up Option in accordance with Section 1.03(a), MergerSub shall so notify the Company and shall set forth in such notice (1) the number of shares of Company Common Stock expected to be owned, directly or indirectly, by Parent or MergerSub immediately preceding the purchase of the Top-Up Option Shares, (2) the number of Top-Up Option Shares, and (3) a place and time for the closing of the purchase of the Top-Up Option Shares (the "Top-Up Option Closing"). At the Top-Up Option Closing, MergerSub shall pay the Company the aggregate purchase price required to be paid for the Top-Up Option Shares pursuant to this Section 1.03, and the Company shall cause to be issued to MergerSub a certificate representing the Top-Up Option Shares. At its election, MergerSub may pay the aggregate purchase price payable for the Top-Up Option Shares either (A) in cash by wire transfer of immediately available funds to an account designated by the Company, or (B) by (i) paying in cash, by wire transfer of immediately available funds to an account designated by the Company, an amount equal to not less than the aggregate par value of the Top-Up Option Shares and (ii) executing and delivering to the Company a promissory note having a principal amount equal to the aggregate purchase price payable for the Top-Up Option Shares less the amount paid

in cash pursuant to the preceding clause (i) (the "Promissory Note"). The Promissory Note (A) shall be due on the first anniversary of the Top-Up Option Closing, (B) shall accrue simple interest of 3% per annum, (C) shall be full recourse to Parent and MergerSub, (D) may be prepaid, in whole or in part, at any time without premium or penalty, (E) shall provide that the unpaid principal amount and accrued interest under the Promissory Note shall immediately become due and payable in the event that (x) MergerSub fails to make any payment of interest on the Promissory Note as provided therein and such failure continues for a period of 30 days or (y) MergerSub files or has filed against it any petition under bankruptcy or insolvency law or makes a general assignment for the benefit of creditors and (F) shall have no other material terms.

(c) Parent and MergerSub understand that the shares of Company Common Stock that MergerSub may acquire upon exercise of the Top-Up Option will not be registered under the Securities Act and will be issued in reliance upon an exemption thereunder for transactions not involving a public offering. MergerSub agrees that any Top-Up Option Shares to be acquired upon exercise of the Top-Up Option will be acquired for the purpose of investment and not with a view to or for resale in connection with any distribution thereof within the meaning of the Securities Act, and that any certificates representing the Top-Up Option Shares may include any legends required by applicable securities laws.

(d) The parties agree and acknowledge that in any appraisal proceeding with respect to Dissenting Shares and to the fullest extent permitted by applicable Law, the fair value of the Dissenting Shares shall be determined in accordance with Section 262(h) of the DGCL without regard to the Top-Up Option, the Top-Up Option Shares or any consideration paid or delivered by MergerSub to the Company in payment for the Top-Up Option Shares.

SECTION 1.04 Directors.

(a) Effective upon the Offer Closing and from time to time thereafter, Parent shall be entitled to elect or designate such number of directors, rounded up to the next whole number, on the Company Board as is equal to the product of the total number of directors on the Company Board (giving effect to the directors elected or designated by Parent pursuant to this Section 1.04(a)) multiplied by the percentage that the aggregate number of shares of Company Common Stock beneficially owned by MergerSub, Parent and any of the other Parent Subsidiaries bears to the total number of shares of Company Common Stock then outstanding (on a Fully-Diluted Basis). The Company shall, upon Parent's request, either take all actions necessary to promptly increase the size of the Company Board, or promptly secure the resignations of such number of its incumbent directors, or both, as is necessary to enable Parent's designees to be so elected or designated to the Company Board, and shall take all actions necessary to cause Parent's designees to be so elected or designated at such time. At such time, the Company shall, upon Parent's request, also cause Persons elected or designated by Parent to constitute the same percentage (rounded up to the next whole number) as is on the Company Board of (i) each committee of the Company Board, (ii) each board of directors (or similar body) of each Company Subsidiary, and (iii) each committee (or similar body) of each such board. The Company's obligations under this Section

1.04(a) shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 thereunder. The Company shall promptly take all actions required pursuant to such Section 14(f) and Rule 14f-1 in order to fulfill its obligations under this Section 1.04(a), including mailing to stockholders (together with the Schedule 14D-9) the information required by Section 14(f) and Rule 14f-1 as is necessary to enable Parent's designees to be elected or designated to the Company Board. Parent or MergerSub shall supply the Company with information with respect to either of them and their nominees, officers, directors and affiliates to the extent required by Section 14(f) and Rule 14f-1.

(b) Following the election or appointment of Parent's designees to the Company Board pursuant to Section 1.04(a) and until the Effective Time, the approval of a majority of the Continuing Directors, or the sole Continuing Director if there only be one Continuing Director, shall be required in order to (i) amend, modify or terminate this Agreement, or agree or consent to any amendment, modification or termination of this Agreement, in any case on behalf of the Company, (ii) extend the time for performance of, or waive, any of the obligations or other acts of Parent or MergerSub under this Agreement, (iii) waive or exercise any of the Company's rights under this Agreement or (iv) amend the Company's certificate of incorporation or by-laws in any manner that would adversely affect the Company's stockholders. The Continuing Directors shall have the authority to retain such counsel (which may include current counsel to the Company) and other advisors at the reasonable expense of the Company for the purpose of fulfilling their obligations hereunder, and shall have the authority following the election of Parent's designees to the Company Board pursuant to Section 1.04(a), to institute any action on behalf of the Company to enforce performance of this Agreement or in accordance with its terms. For purposes of this Section 1.04(b), "Continuing Director" shall mean a member of the Company Board who was a member of the Company Board as of immediately prior to payment by MergerSub for shares pursuant to the Offer; provided, however, that if prior to the Effective Time there shall be no Continuing Director for any reason, the other members of the Company Board shall designate a person to serve as a member of the Company Board who is not an officer, employee, director or designee of Parent or any of its affiliates and who is an "independent director" as defined by the NASDAQ Marketplace Rules (and such person designated shall be considered a Continuing Director for purposes of this Agreement).

ARTICLE II

THE MERGER

SECTION 2.01 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the DGCL, at the Effective Time, MergerSub shall be merged with and into the Company. As a result of the Merger, the separate corporate existence of MergerSub shall cease and the Company shall continue its existence under the DGCL as the surviving corporation of the Merger (the "Surviving Corporation").

SECTION 2.02 Closing. Unless this Agreement shall have been terminated and the Merger shall have been abandoned pursuant to Section 8.01 hereof, the closing (the "Closing") of the Merger shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 155 North Wacker Drive, Chicago, Illinois 60606 at 10:00 a.m., Central Time, on the 3rd Business Day after all of the conditions to the Closing set forth in Article VII hereof are satisfied or, if permitted, waived (in writing)

(other than those that by their terms cannot be satisfied prior to the Closing, but subject to the fulfillment or waiver, if permissible, (in writing) of such conditions at the Closing), unless another date and time is agreed to in writing by the parties hereto (the actual date of Closing being herein called the "Closing Date").

SECTION 2.03 Effective Time. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date the parties hereto shall cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a Certificate of Merger (the "Certificate of Merger"), in such form as is required by, and executed in accordance with the relevant provisions of, the DGCL. Notwithstanding the foregoing, if the Merger is to be consummated pursuant to Section 2.10, on the Closing Date Parent shall execute and file a Certificate of Ownership and Merger with the Secretary of State of the State of Delaware in accordance with the DGCL. The Merger shall become effective upon the date and time of the filing of the Certificate of Merger or the Certificate of Ownership and Merger, as the case may be, with the Delaware Secretary of State or on such later date or later time as Parent and the Company shall agree and specify in the Certificate of Merger or Certificate of Ownership and Merger, as the case may be (the "Effective Time").

SECTION 2.04 Effects of the Merger. At and after the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the DGCL.

SECTION 2.05 Certificate of Incorporation and By-Laws. The certificate of incorporation of the Company as in effect immediately prior to the Effective Time shall be amended at the Effective Time to read in the form of Exhibit B hereto and, as so amended, shall be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable Law. The by-laws of MergerSub as in effect immediately prior to the Effective Time shall be the by-laws of the Surviving Corporation, except that all references therein to MergerSub shall be deemed to be references to the Surviving Corporation, until thereafter changed or amended as provided therein, by the certificate of incorporation of the Surviving Corporation or by applicable Law.

SECTION 2.06 Directors. The directors of MergerSub immediately prior to the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation, each to hold office until the earlier of his or her death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and by-laws or until his or her successor is duly elected and qualified, as the case may be.

SECTION 2.07 Officers. The individuals specified by Parent prior to the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation, each to hold office until the earlier of each such Person's death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and by-laws or until his or her successor is duly elected and qualified, as the case may be.

SECTION 2.08 Subsequent Actions. If at any time after the Effective Time the Surviving Corporation shall determine, in its sole discretion, that any actions are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights or properties of MergerSub acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, then the officers and directors of the Surviving

Corporation shall be authorized to take all such actions as may be necessary or desirable to vest all right, title or interest in, to or under such rights or properties in the Surviving Corporation or otherwise to carry out this Agreement.

SECTION 2.09 Stockholders Meeting.

(a) If following the Offer Closing it is required by Law to consummate the Merger, the Company shall in accordance with applicable Law:

(i) duly call, give notice of, convene and hold a special meeting of its stockholders as soon as reasonably practicable following the Offer Closing Date (or, if later, following the termination of the Subsequent Offering Period, if any) for the purpose of considering and taking action upon this Agreement (the "Company Stockholders Meeting");

(ii) prepare and file with the SEC a preliminary proxy or information statement relating to the Merger and this Agreement and use its reasonable best efforts (A) to obtain and furnish the information required to be included by the SEC in the Proxy Statement and, after consultation with Parent, respond promptly to any comments made by the SEC with respect to the preliminary proxy or information statement and cause a definitive proxy or information statement (together with any amendments and supplements thereto, the "Proxy Statement") to be mailed to its stockholders as soon as reasonably practicable, which Proxy Statement shall include all information required under applicable Law to be furnished to the stockholders of the Company in connection with the Merger and the Transactions, and shall include the Company Recommendation and the Fairness Opinion and information with respect to such opinion required to be disclosed by Item 1015(b) of Regulation M-A under the Exchange Act (regardless of whether such item is applicable), and (B) to obtain the necessary approvals of this Agreement, the Merger and the other Transactions by the stockholders of the Company; and

(iii) use its reasonable best efforts to solicit from holders of shares of Company Common Stock proxies in favor of the Merger and take all actions reasonably necessary or, in the reasonable opinion of MergerSub, advisable to secure the approval of stockholders required by the DGCL, the Company's certificate of incorporation and any other applicable Law to effect the Merger.

(b) The Company shall ensure that the Company Stockholders Meeting is called, noticed, convened, held and conducted, and that all proxies solicited in connection with the Company Stockholders Meeting are solicited in compliance with applicable Law. Parent agrees that it will vote, or cause to be voted, all of the shares of Company Common Stock then owned by it or MergerSub in favor of the approval and the adoption of this Agreement.

(c) Without limiting the generality of the foregoing, the Company agrees that its obligation to duly call, give notice of, convene and hold the Company

Stockholders Meeting, as required by this Section 2.09, shall not be affected by the withdrawal, amendment or modification of the Company Recommendation.

SECTION 2.10 Merger Without Meeting of Stockholders. Notwithstanding Section 2.09, in the event that Parent or MergerSub shall acquire at least 90% of the outstanding shares of Company Common Stock, the parties hereto agree, subject to Article VII, to take all necessary and appropriate actions to cause the Merger to become effective as soon as practicable after such acquisition, without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

SECTION 2.11 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Parent, MergerSub, the Company or the holders of any of the following securities:

(a) Each share of Company Common Stock, issued and outstanding immediately prior to the Effective Time (other than any shares of Company Common Stock to be canceled pursuant to Section 2.11(b) and other than any Appraisal Shares) shall be converted, in accordance with Section 2.12, into the right to receive the Offer Price in cash, without interest (the "Merger Consideration"). From and after the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate or evidence of shares in book-entry form that immediately prior to the Effective Time represented any such shares of Company Common Stock (a "Certificate") shall thereafter cease to have any rights with respect thereto other than the right to receive the Merger Consideration into which such Company Common Stock has been converted pursuant hereto upon the surrender of such Certificate in accordance with Section 2.12, without interest thereon.

(b) Each share of Company Common Stock held in the treasury of the Company and each share of Company Common Stock owned by Parent, MergerSub or any direct or indirect wholly owned Parent Subsidiary immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) Each share of common stock, par value $0.01 per share, of MergerSub issued and outstanding immediately prior to the Effective Time shall be converted into and become one fully-paid and nonassessable share of common stock, par value $0.01 per share, of the Surviving Corporation held by the same holder thereof and shall constitute the only outstanding shares of capital stock of the Surviving Corporation. From and after the Effective Time, all certificates representing the common stock of MergerSub shall be deemed for all purposes to represent the number of shares of common stock of the Surviving Corporation into which they were converted in accordance with the immediately preceding sentence.

(d) Notwithstanding anything in this Agreement to the contrary, any shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time and that are held by stockholders of the Company who, in accordance with Section 262 of the DGCL (the "Appraisal Rights Provisions") (i) have not voted or consented to adopt and approve this Agreement and (ii) shall have demanded properly in writing appraisal for

such shares, and not effectively withdrawn, lost or failed to perfect their rights to appraisal (collectively, the "Appraisal Shares"), will not be converted as described in Section 2.11(a), but at the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, shall be canceled and shall cease to exist and shall represent the right to receive only those rights provided under the Appraisal Rights Provisions; provided, however, that all shares of Company Common Stock held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or lost their rights to appraisal of such shares under the Appraisal Rights Provisions shall thereupon be deemed to have been canceled and retired and to have been converted, as of the Effective Time, into the right to receive the Merger Consideration in the manner provided in Section 2.11(a) upon surrender of the Certificates representing such shares of Company Common Stock pursuant to Section 2.12. Persons who have perfected appraisal rights under the Appraisal Rights Provisions with respect to Appraisal Shares as aforesaid will not receive the Merger Consideration as provided in this Agreement and will have only such rights as are provided by the Appraisal Rights Provisions with respect to such Appraisal Shares. The Company shall give Parent prompt notice of any demands received by the Company for the exercise of appraisal rights with respect to any shares of Company Common Stock and withdrawals and attempted withdrawals of such demands and any other instruments served pursuant to the DGCL and received by the Company relating to rights of appraisal, and Parent shall have the right to direct all negotiations and proceedings with respect to such demands. The Company shall not, except with the prior written consent of Parent, make any payment with respect to, or settle or offer to settle, any such demands or approve any withdrawal of such demands.

(e) Without limiting the other provisions of this Agreement, if at any time during the period between the date of this Agreement and the Effective Time, any change in the number of outstanding shares of Company Common Stock shall occur as a result of a reclassification, recapitalization, stock split (including a reverse stock split), or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period, the Offer Price, Merger Consideration, Option/SAR Cancellation Value and RSU Cancellation Value shall be equitably adjusted to reflect such change and as so adjusted shall, from and after the date of such event, be the Offer Price, Merger Consideration, Option/SAR Cancellation Value and RSU Cancellation Value, subject to further adjustment in accordance with this sentence; provided that this Section 2.11(e) shall not be deemed to constitute a waiver of any breach by the Company of Section 5.01.

SECTION 2.12 Exchange of Certificates.

(a) Paying Agent. As of the Effective Time, Parent shall deposit, or shall cause to be deposited, with a bank or trust company designated by Parent and reasonably acceptable to the Company (the "Paying Agent"), and such deposit shall be solely for the benefit of the holders of shares of Company Common Stock (other than holders of Appraisal Shares), for exchange in accordance with this Article II through the Paying Agent, available funds sufficient to pay the aggregate Merger Consideration required to be paid pursuant to Section 2.11(a) (such cash being referred to herein as the "Exchange Fund") in exchange for the outstanding shares of Company Common Stock.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Corporation or Parent shall cause the Paying Agent to mail or personally deliver to each holder of record (or his or her attorney-in-fact) of a Certificate or Certificates, whose shares of Company Common Stock were converted into the right to receive the Merger Consideration pursuant to Section 2.11(a), (i) a letter of transmittal (which shall (A) include an accompanying IRS Form W-9 (or substitute IRS Form W-9) and IRS Form W-8BEN, (B) specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent, and (C) be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. After the Effective Time and upon surrender of a Certificate for cancellation to the Paying Agent, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as reasonably may be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration to which such holder is entitled pursuant hereto, and the Certificate so surrendered shall forthwith be canceled and the Merger Consideration shall be sent promptly to such holder. No interest will accrue or be paid with respect to any Merger Consideration to be delivered upon surrender of the Certificates. If the payment of the Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate is registered, it shall be a condition of payment that (x) the Certificate so surrendered be properly endorsed or shall be otherwise in proper form for transfer, and (y) the Person requesting such payment shall have paid all transfer and other Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of the Certificate surrendered, or required for any other reason relating to such holder or requesting Person, or shall have established to the satisfaction of Parent and MergerSub that such Tax either has been paid or is not required to be paid. Until surrendered as contemplated by this Section 2.12, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration to which the holder of such Certificate is entitled pursuant hereto, without interest thereon.

(c) No Further Rights in the Shares. All Merger Consideration paid upon conversion of the shares of Company Common Stock in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares.

(d) Termination of Exchange Fund. At any time following the one-year anniversary of the Closing Date, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any cash (including any interest or earnings received with respect thereto) that is held in the Exchange Fund and that has not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar Laws) only as general creditors thereof with respect to the payment of any Merger Consideration that may be payable upon surrender of any Certificates held by such holders, as determined pursuant to this Agreement, without any interest thereon. Notwithstanding the foregoing, none of Parent, MergerSub, the Company, the Surviving Corporation, the Paying Agent or any other Person shall be liable to any Person in respect of any Merger Consideration that would otherwise have been payable in respect of any Certificate which is delivered to a public official as required by applicable abandoned property, escheat or similar Laws. If any Certificate shall not have been surrendered prior to the date on which the

related Merger Consideration would, pursuant to applicable Law, escheat to or become the property of any Governmental Authority, any such Merger Consideration shall, to the extent permitted by applicable Law, immediately prior to such time, become the property of Parent, free and clear of all Claims and interests of any Person previously entitled thereto.

(e) Withholding Rights. Notwithstanding anything in this Agreement to the contrary, the Paying Agent, MergerSub, the Surviving Corporation and Parent shall be entitled to deduct and withhold from any cash consideration payable pursuant to this Agreement to any holder of shares of Company Common Stock or any holder of Company Stock Rights such amounts as it is required by Law to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local, or foreign Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock or Company Stock Rights, as applicable, in respect of which such deduction and withholding was made.

(f) Lost Certificates. If any Certificate shall have been lost, stolen, defaced or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen, defaced or destroyed and, if required by the Paying Agent or the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Paying Agent or the Surviving Corporation may direct as indemnity against any Claim that may be made against it with respect to such Certificate, the Paying Agent or the Surviving Corporation, as the case may be, shall pay the Merger Consideration in respect of such lost, stolen, defaced or destroyed Certificate.

(g) Investment of Exchange Fund. The Paying Agent shall invest any cash included in the Exchange Fund as directed by Parent, on a daily basis, provided that (i) no such investment or losses thereon shall relieve Parent, the Surviving Corporation or the Paying Agent from promptly making the payments required by this Article II or affect the amount of Merger Consideration payable to the holders of shares of Company Common Stock, and following any losses from any such investment, Parent shall promptly provide additional funds to the Paying Agent for the benefit of the holders of shares of Company Common Stock at the Effective Time in the amount of such losses, which additional funds will be deemed to be part of the Exchange Fund, and (ii) such investments shall be in short-term obligations of or guaranteed by the United States of America with maturities of no more than 30 days, or in commercial paper obligations rated A-1 or P-1 or better by Moody's Investor Services, Inc. or Standard & Poor's Corporation, respectively (or funds that invest in such obligations). The Exchange Fund shall not be used for any other purpose, except as provided in this Agreement. Any interest and other income resulting from such investments shall be the sole and exclusive property of Parent and shall be paid to Parent as provided in Section 2.12(d).

SECTION 2.13 Stock Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and there shall be no further registration of transfers of shares of Company Common Stock thereafter on the records of the Company. From and after the Effective Time, the holders of Certificates evidencing ownership of shares of Company Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares except as otherwise provided herein or by applicable

Law. On or after the Effective Time, any Certificates presented to the Paying Agent, the Surviving Corporation or Parent for any reason shall be canceled and converted into the Merger Consideration in accordance with this Article II.

SECTION 2.14 Treatment of Company Stock Rights; ESPP.

(a) Effective not later than immediately prior to the Effective Time, the Company shall terminate all Company Stock Plans. As soon as practicable following the date of this Agreement, the Company Board (or, if appropriate, any committee administering the Company Stock Plans) shall adopt such resolutions or take such other actions (including obtaining any required consents) as may be required to effect the following:

(i) immediately prior to the Effective Time, but conditioned upon the Merger, except as set forth in Exhibit C, each share of Company Restricted Stock shall become fully vested and free of restrictions and shall be treated as a share of Company Common Stock in accordance with Section 2.11(a);

(ii) except as set forth in Exhibit C, at the Effective Time, each Company RSU outstanding immediately prior to the Effective Time shall be canceled in full and the holder thereof shall be entitled to receive in consideration for such cancellation (the "RSU Cancellation Value") a cash payment equal to the product of the target number of shares of Company Common Stock that are subject to such Company RSU immediately prior to the Effective Time multiplied by the Merger Consideration, which RSU Cancellation Value shall be payable to such holder immediately following the Effective Time by the Surviving Corporation (or, if such Company RSU is subject to Section 409A of the Code, at such later date provided by the terms of such Company RSU); and

(iii) except as set forth in Exhibit C, at the Effective Time, each Company Option and each Company SAR outstanding immediately prior to the Effective Time, whether or not vested, shall be canceled in full and cease to exist and the holder thereof shall be entitled to receive in consideration for such cancellation (the "Option/SAR Cancellation Value") a cash payment equal to the product of (A) the number of shares of Company Common Stock that are subject to such Company Option or Company SAR immediately prior to the Effective Time, multiplied by (B) (x) the Merger Consideration reduced by (y) the exercise price per share of Company Common Stock subject to such Company Option or Company SAR, which Option/SAR Cancellation Value shall be payable by the Surviving Corporation to such holder immediately following the Effective Time.

(b) The ESPP shall continue to be operated in accordance with its terms and past practice for the Offering (as defined in the ESPP) that is in effect as of the date of this Agreement (the "Current Offering"). Promptly upon execution of this Agreement, the Company shall, subject to applicable Law, suspend the commencement of any future Offerings under the ESPP unless and until this Agreement is terminated and shall terminate the ESPP as of the Closing Date. In the event the Offering Termination Date (as defined in the ESPP) for the

Current Offering (the "Current Offering Termination Date") occurs following the Effective Time, the holder of each option then outstanding under the ESPP will be entitled to receive at the Current Offering Termination Date upon the exercise of such option for each share as to which such option shall be exercised, as nearly as reasonably may be determined, a cash payment equal to the Merger Consideration.

(c) All amounts payable pursuant to this Section 2.14 shall be subject to any required withholding taxes as provided in Section 2.12(e) and shall be paid without interest.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except (a) as is disclosed in any of the Filed Company SEC Documents (other than disclosures referred to in any "Risk Factors" or "Forward Looking Statements" sections of any such Filed Company SEC Document or any other statements in such Filed Company SEC Documents that are predictive, cautionary or forward-looking) or (b) as set forth in the Company Disclosure Schedule with reference to the sections or subsections in this Agreement to which the information in such Company Disclosure Schedule relates; provided, however, that any information set forth in one section or subsection of the Company Disclosure Schedule shall be deemed to apply to each other section or subsection thereof or hereof to which its relevance is readily apparent on its face, the Company hereby represents and warrants to Parent that:

SECTION 3.01 Organization and Qualification.

(a) The Company. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. The Company has the requisite corporate power and authority necessary to own, lease, and operate its properties and to carry on its business as it is now being conducted. The Company is duly qualified or licensed as a foreign corporation to do business and in good standing in each jurisdiction where the character of the properties owned, leased, or operated by it or the nature of its activities makes such qualification or licensing necessary, except for any such failure to be so duly qualified or licensed or in good standing that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) The Company Subsidiaries. Except for the Company Subsidiaries or as set forth in Section 3.01(b) of the Company Disclosure Schedule, the Company does not directly or indirectly own any equity interest in, or any interest convertible into or exchangeable or exercisable for any equity interest in, any corporation, partnership, limited liability company, joint venture or other Person. The Company Disclosure Schedule at Section 3.01(b) lists each Company Subsidiary and its jurisdiction of formation or incorporation. Each Company Subsidiary is a corporation or other entity duly organized and validly existing and in good standing under the Laws of the jurisdiction of its formation or incorporation. Each Company Subsidiary has the requisite corporate, limited liability company or other organizational power and authority necessary to own, lease, and operate its properties and to carry on its business as it is now being conducted. Each Company Subsidiary is duly qualified or licensed as a foreign corporation to do business and in good standing in each jurisdiction where the character of the

properties owned, leased, or operated by it or the nature of its activities makes such qualification or licensing necessary, except for any such failure to be so duly qualified or licensed or in good standing that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.02 Organizational Documents. The Company has heretofore delivered or made available to Parent complete and correct copies of the Organizational Documents, as amended or restated, of the Company and each of the Company's "significant subsidiaries" (as such term in defined in Rule 1-02(w) of Regulation S-X) and such Organizational Documents are in full force and effect. None of the Company or any Company Subsidiary are in violation of their respective Organizational Documents.

SECTION 3.03 Capitalization.

(a) Capitalization of the Company. The entire authorized capital stock of the Company consists of 28,000,000 shares of Company Common Stock. As of the date of this Agreement, (i) 21,584,878 shares of Company Common Stock are issued and outstanding (other than shares of Company Restricted Stock), all of which were duly authorized, validly issued, and are fully paid and nonassessable, (ii) 2,878,190 shares of Company Common Stock are held in the Company's treasury, (iii) a total of 1,369,156 shares of Company Common Stock are reserved for issuance upon the exercise of outstanding Company Options, (iv) a total of 1,260,267 shares of Company Common Stock are reserved for issuance upon the exercise of outstanding stock-settled Company SARs, (v) a total of 740,999 shares of Company Common Stock are reserved for future grant under the Company Stock Plans, (vi) a total of 416,846 shares of Company Common Stock are reserved for purchase under the ESPP, (vii) a total of 74,170 shares of Company Restricted Stock awards are issued and outstanding and (viii) a total of 140,000 target shares of Company Common Stock are subject to Company RSUs. All of the outstanding shares of the Company's capital stock have been, all shares of Company Common Stock which may be issued pursuant to the Top-Up Option will be, when issued in accordance with the terms of this Agreement, and all shares of Company Common Stock which may be issued pursuant to the exercise of outstanding Company Options, outstanding stock-settled Company SARs or outstanding Company RSUs will be, when issued in accordance with the terms of the applicable grant agreement, duly authorized, validly issued, fully paid and non-assessable and not subject to or issued in violation of pre-emptive or other similar rights. There is no indebtedness having general voting rights (or convertible into securities having such rights) ("Voting Debt") of the Company or any Company Subsidiary issued and outstanding. Except for the Top-Up Option and as set forth at Section 3.03(c) of the Company Disclosure Schedule, there are no options, warrants, pre-emptive rights, restricted stock, restricted stock units, stock appreciation rights, subscriptions, puts, calls, exchange rights or other rights, agreements, arrangements, understandings or commitments of any character relating to the issued or unissued capital stock of, or other equity interests in, the Company or obligating the Company to issue, deliver, transfer, register or sell or cause to be issued, delivered, transferred, registered or sold, any shares of capital stock or Voting Debt of, or other equity interests in, the Company or securities convertible into or exchangeable for such shares, equity interests or other securities, or obligating the Company to grant, extend or enter into any such option, warrant, pre-emptive right, restricted stock, restricted stock unit, stock appreciation right, subscription, put, call, exchange right or other right, agreement, arrangement, understanding or commitment. Except as

set forth at Section 3.03(a) of the Company Disclosure Schedule, there are no agreements, arrangements, understandings, commitments or obligations, contingent or otherwise, of the Company to repurchase, redeem, or otherwise acquire any shares of the capital stock of the Company or any capital stock or other equity interests in any Person or to make any investment (in the form of a loan, capital contribution, or otherwise) in any Person. Except as set forth at Section 3.03(a) of the Company Disclosure Schedule, there are no voting trusts, proxies or any other agreements, arrangements, understandings or commitments relating to the voting or disposition of any shares of the Company's capital stock or granting to any Person or group of Persons the right to elect, or to designate or nominate for election, a director to the Company Board.

(b) Capitalization of the Subsidiaries. Except as set forth on Section 3.03(b) of the Company Disclosure Schedule, all of the outstanding capital stock of, or other equity interests in, each Company Subsidiary (i) have been duly authorized, validly issued, and are fully paid and non-assessable and not subject to or issued in violation of preemptive rights or other similar rights, (ii) are owned, directly or indirectly, by the Company, free and clear of all Encumbrances, and (iii) are free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). There are no options, warrants, pre-emptive rights, restricted stock, restricted stock units, stock appreciation rights, subscriptions, puts, calls, exchange rights or other rights, agreements, arrangements, understandings or commitments of any character relating to the issued or unissued capital stock of, or other equity interests in, any Company Subsidiary or obligating any Company Subsidiary to issue, deliver, transfer, register or sell or cause to be issued, delivered, transferred, registered or sold, any shares of capital stock or Voting Debt of, or other equity interests in, any Company Subsidiary or securities convertible into or exchangeable for such shares, equity interests or other securities, or obligating any Company Subsidiary to grant, extend or enter into any such option, warrant, pre-emptive right, restricted stock, restricted stock unit, stock appreciation right, subscription, put, call, exchange right or other right, agreement, arrangement, understanding or commitment. Except as set forth at Section 3.03(b) of the Company Disclosure Schedule, there are no agreements, arrangements, understandings, commitments or obligations, contingent or otherwise, of any Company Subsidiary to repurchase, redeem, or otherwise acquire any shares of the capital stock or other equity interest in any Company Subsidiary or to make any investment (in the form of a loan, capital contribution or otherwise) in any Person. Except as set forth at Section 3.03(b) of the Company Disclosure Schedule, there are no voting trusts, proxies or any other agreements, arrangements, understandings or commitments relating to the voting or disposition of any shares of any Company Subsidiary's capital stock or other equity interests or granting to any Person or group of Persons the right to elect, or to designate or nominate for election, a director to the board of directors or similar body of any Company Subsidiary.

(c) Section 3.03(c) of the Company Disclosure Schedule sets forth a correct and complete list as of the date hereof of all record holders of Company Stock Rights and Company Restricted Stock, including for each such award (i) the number of shares of Company Common Stock subject to each award, (ii) the exercise or vesting schedule, as applicable, (iii) if applicable, the exercise price per share, (iv) the date of grant, (v) the expiration date, as applicable, and (vi) whether the Company Option is an incentive stock option (as defined in Section 422 of the Code) or a nonqualified stock option.

(d) Each grant of a Company Stock Right and Company Restricted Stock was validly issued and properly approved by the Company Board (or a duly authorized committee or subcommittee thereof) in compliance with all applicable Laws and recorded on the Company's financial statements in accordance with GAAP consistently applied, and no such grants involved any "back dating," "forward dating" or similar practices with respect to the effective date of grant. No Company Option or Company SAR has an exercise price that has been or may be less than the fair market value of a share of Company Common Stock as of the date such Company Option or Company SAR was granted or has any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of such option, in each case, determined in accordance with Treasury Regulation 1.409A-1(b)(5)(i) and other applicable regulations and guidance under Section 409A of the Code.

(e) Prior to the date hereof, the Company has delivered or made available to Parent accurate and complete copies of each of the Company Stock Plans and all forms of award agreements evidencing outstanding awards granted pursuant to the Company Stock Plans as of the date hereof as well as copies of all Section 83(b) of the Code elections for all Company Restricted Stock awards. No material changes have been made to any such forms in connection with any award.

(f) There are no accrued and unpaid dividends or other distributions with respect to any outstanding shares of capital stock of the Company.

SECTION 3.04 Authorization; Validity of Agreement; Necessary Action.

(a) Authorization and Validity of Agreement. The Company has all necessary corporate power and authority to execute and deliver this Agreement and the New Employment Agreements to which it is a party, to perform its obligations hereunder and to consummate the transactions provided for or contemplated hereby, including the Offer and the Merger and the transactions contemplated by the New Employment Agreements to which it is a party (collectively, the "Transactions"). The execution, delivery and performance of this Agreement and the New Employment Agreements to which it is a party by the Company and the consummation by the Company of the Transactions have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize the execution, delivery and performance by the Company of this Agreement or to consummate the Transactions (other than, with respect to the Merger, the Required Company Stockholder Vote, to the extent required under the DGCL). This Agreement and each of the New Employment Agreements to which it is a party has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and MergerSub, as applicable, constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at law or in equity (the "Bankruptcy and Equity Exception").

(b) Company Board Approval. The Company Board, at a meeting duly called and held, at which all directors of the Company were present, by a unanimous vote of the directors who voted, adopted resolutions (i) determining that this Agreement and the Transactions, including the Offer and the Merger are advisable, fair to, and in the best interests of, the stockholders of the Company, (ii) approving and adopting this Agreement and the Transactions, including the Offer and the Merger, (iii) making the Company Recommendation, (iv) to the extent applicable, directing that this Agreement and the Merger be submitted to the stockholders of the Company for consideration in accordance with this Agreement, and (v) taking all actions required to be taken in order to exempt this Agreement and the Transactions from the requirements of any Takeover Laws, which resolutions have not been amended, rescinded, modified or withdrawn in any way.

(c) Required Vote. Other than the affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock to approve and adopt this Agreement with respect to the Merger if required by the DGCL (the "Required Company Stockholder Vote"), no vote or consent of the holders of any class or series of capital stock of the Company is required to approve and adopt this Agreement, the New Employment Agreements to which it is a party or the Transactions.

SECTION 3.05 No Conflict; Required Filings and Consents.

(a) Except as set forth in Section 3.05(a) of the Company Disclosure Schedule, the execution, delivery and performance of this Agreement and each of the New Employment Agreements to which it is a party by the Company does not, and the consummation of the Transactions and the performance of this Agreement and such New Employment Agreements by the Company and the compliance by the Company with any provisions of this Agreement and such New Employment Agreements will not, (i) conflict with, violate or result in a breach of any provision of the Organizational Documents of the Company or any of the Company Subsidiaries, (ii) conflict with or violate any Law or Order applicable to the Company or any of the Company Subsidiaries, or by which any of their respective properties are bound or affected or (iii) result in a violation or breach of or the loss of any benefit under, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on, any of the properties of the Company or any of the Company Subsidiaries pursuant to any of the terms or provisions of any Contract, lien, Permit, franchise or other instrument or obligation to which the Company or any of the Company Subsidiaries is or are a party or by which the Company or any of the Company Subsidiaries or any of their respective properties is or may be bound or affected, except in the case of clauses (ii) and (iii) for any such conflicts, violations, breaches, defaults or other condition or state of facts that would not reasonably be expected to be, individually or in the aggregate, material to the Company and the Company Subsidiaries, taken as a whole, or to prevent or materially delay the consummation by the Company of the Transactions.

(b) No consent, approval or Order of, filing with, or notification to, or other Permit or authorization of, any Governmental Authority or any other Person is required to be made, obtained, performed or given to or with respect to the Company or any of the Company Subsidiaries in connection with the execution, delivery and performance of this Agreement or the

New Employment Agreements to which it is a party by the Company or the consummation by the Company of the Transactions, except for: (i) the filings required under, and compliance with other applicable requirements of, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the filings and receipt, termination or expiration, as applicable, of such other approvals or waiting periods required under any applicable Foreign Antitrust Law, or foreign investment control or similar Law; (ii) the filing with the SEC of (1) the Schedule 14D-9 and (2) the Proxy Statement if stockholder approval of the Merger is required by Law; (iii) such reports and filings under Section 13(a), 14(a) or 15(d) of the Exchange Act as may be required in connection with this Agreement and the Transactions; (iv) the filing and recordation of the Certificate of Merger or Certificate of Ownership and Merger, as the case may be, as required by the DGCL; (v) if required by the DGCL with respect to the Merger, the Required Company Stockholder Vote; (vi) the filing of appropriate documents with NASDAQ and the relevant authorities of any states where the Company is qualified to do business; (vii) the consents, approvals, Orders, filings, notifications, other Permits or authorizations set forth on Section 3.05(b) of the Company Disclosure Schedule; and (viii) such consents, approvals, Orders, filings, notifications, other Permits or authorizations, the failure to be made or obtained would not reasonably be expected to be, individually or in the aggregate, material to the Company and the Company Subsidiaries, taken as a whole, or to prevent or materially delay the consummation by the Company of the Transactions.

SECTION 3.06 Compliance; Permits. Except as set forth at Section 3.06 of the Company Disclosure Schedule, the Company and the Company Subsidiaries, the operation of the business of the Company and the Company Subsidiaries, and the Company's and the Company Subsidiaries' use and ownership of their respective assets are, and since December 31, 2008 have been, in compliance with all applicable Laws, including all energy, safety, environmental, zoning, health, export, import, trade practice, antidiscrimination, antitrust, wage, hour and price control Laws, except for such noncompliance that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, and no notice, Claim or assertion has been received by the Company or any Company Subsidiary or has been filed, commenced or, to the Company's Knowledge, brought, initiated or threatened against the Company or any Company Subsidiary alleging any violation of any of the foregoing, except for such violation that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company and the Company Subsidiaries have in effect all Permits that are necessary for them to own, lease or operate their properties and to carry on their businesses as currently being conducted or that are otherwise required under applicable Law, except for the failure to have such Permits that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The execution and delivery of this Agreement and each of the New Employment Agreements to which it is a party by the Company does not, and the consummation of the Transactions and compliance with the terms hereof and thereof would not reasonably be expected to, cause the revocation, withdrawal, non-renewal, suspension or cancellation of any such Permit, except for such revocation, withdrawal, non-renewal, suspension or cancellation that has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Neither the Company nor any Company Subsidiary has received any written communication from any Governmental Authority or any other Person that alleges that the Company or any Company Subsidiary is not in compliance in any material respect with, or is subject to material Liability under, any Permit or Law.

SECTION 3.07 SEC Documents and Financial Statements.

(a) Since December 31, 2008, the Company has timely filed all registration statements, prospectuses, forms, reports, schedules, statements, certifications, exhibits and other documents required to be filed by it with the SEC. Except to the extent available in full without redaction on the SEC's web site through the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") two (2) days prior to the date of this Agreement, the Company has delivered or made available to Parent copies in the form filed with the SEC of all registration statements, prospectuses, forms, reports, schedules, statements, certifications, exhibits and other documents required to be filed by it with the SEC since December 31, 2008 (the "Company SEC Documents" and, to the extent available in full without redaction on the SEC's web site through EDGAR two (2) days prior to the date of this Agreement, the "Filed Company SEC Documents"). The Company has delivered or made available to Parent complete and correct copies of all comment letters received by the Company from the staff of the SEC since December 31, 2008 and all responses to such comment letters by or on behalf of the Company. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the staff of the SEC with respect to any of the Company SEC Documents. The Company SEC Documents (i) were prepared in accordance with, and complied in all material respects with the requirements of, the Securities Act, the Exchange Act and SOX, as applicable, and (ii) did not at the time they were filed with the SEC, or if amended, at the date of the last such amendment, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each Company SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the Securities Act, as of the date such registration statement or amendment became effective, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. None of the Company Subsidiaries is required to file any forms, reports or other documents with the SEC. As used in this Section 3.07, the term "filed" shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

(b) Each of the principal executive officer of the Company and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of SOX with respect to the Company SEC Documents. For purposes of this Section 3.07, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in SOX. Neither the Company nor any of the Company Subsidiaries has outstanding, or has arranged any outstanding, "extensions of credit" to directors or executive officers within the meaning of Section 402 of SOX.

(c) The consolidated financial statements of the Company and the Company Subsidiaries included or incorporated by reference in any Company SEC Documents (including the related notes): (i) complied as to form, as of the respective dates of filing of such Company SEC Documents with the SEC, in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto (including Regulation

S-X), (ii) have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, to the extent permitted by Regulation S-X for Quarterly Reports on Form 10-Q) applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), and (iii) fairly present in all material respects the consolidated financial condition of the Company and the Company Subsidiaries at the dates thereof and the consolidated results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(d) The Company and the Company Subsidiaries have no Liabilities other than (i) Liabilities reflected or otherwise reserved against in the consolidated financial statements of the Company and the Company Subsidiaries included in the Filed Company SEC Documents, (ii) Liabilities arising under this Agreement or incurred in connection with the Transactions, (iii) Liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2010, and (iv) Liabilities that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(e) The Company is in compliance in all material respects with the applicable provisions of SOX and the applicable listing and governance rules and regulations of the NASDAQ Stock Market.

(f) The Company maintains "internal control over financial reporting" (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurance (i) that the Company maintains records that in reasonable detail accurately and fairly reflect its transactions and dispositions of assets, (ii) that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP, (iii) that receipts and expenditures are executed only in accordance with authorizations of management and the Company Board and (iv) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements. The Company has disclosed, based on the most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company Board (and made available to Parent a summary of the significant aspects of such disclosure) (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company'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 Company's internal control over financial reporting. The Company has not identified any material weaknesses in the design or operation of the Company's internal control over financial reporting.

(g) The Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) are reasonably designed to ensure that all information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

(h) Neither the Company nor any Company Subsidiary is a party to, nor does it have any commitment to become a party to, any "off-balance sheet arrangements" (as defined in Item 303(a)(4) of Regulation S-K of the SEC).

(i) To the Knowledge of the Company, there are no SEC inquiries or investigations, other inquiries or investigations by Governmental Authorities or internal investigations pending or threatened in each case regarding any accounting practices of the Company or any malfeasance by any director or executive officer of the Company. Since December 31, 2008, there have been no internal investigations regarding accounting or revenue recognition discussed with, reviewed by or initiated at the direction of the Company's chief executive officer, the Company's chief financial officer, the Company Board or any committee thereof.

SECTION 3.08 Absence of Certain Changes or Events. Except as set forth at Section 3.08 of the Company Disclosure Schedule, from December 31, 2010 to the date of this Agreement:

(a) neither the Company nor any Company Subsidiary has (i) suffered any Company Material Adverse Effect or (ii) become aware of any change, event, development, condition, action, violation, inaccuracy, circumstance or occurrence that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

(b) each of the Company and each Company Subsidiary has conducted its respective business only in the ordinary course of business consistent with past practice; and

(c) neither the Company nor any Company Subsidiary has taken any action that, if taken after the date of this Agreement, would constitute a breach of any of the covenants set forth in Section 5.01(b).

SECTION 3.09 Absence of Litigation. Except as set forth at Section 3.09 of the Company Disclosure Schedule: (a) neither the Company nor any of the Company Subsidiaries is or has been since December 31, 2008, subject to any material continuing Order of, or material investigation by, any Governmental Authority or the Company Board or any committee thereof, or any Order of any Governmental Authority, including cease-and-desist or other Orders of any Governmental Authority; and (b) there is no material Claim pending or, to the Knowledge of the Company, threatened against or naming the Company or any Company Subsidiary or affecting the assets of the Company or any Company Subsidiary.

SECTION 3.10 Employee Benefit Plans.

(a) The Company Disclosure Schedule at Section 3.10(a) sets forth a list of all Employee Benefit Plans maintained, sponsored or contributed to by the Company or any ERISA Affiliate or under which the Company or any ERISA Affiliate has any Liability.

(b) The Company has delivered or made available to Parent correct and complete copies of: (i) each Employee Benefit Plan and a written summary of any Employee Benefit Plan not in writing; (ii) the most recent determination letter received from the IRS with respect to any Employee Benefit Plan; (iii) the summary plan description, all summaries of

material modifications and employee booklets with respect to any Employee Benefit Plan; (iv) any service agreement, including third-party administration agreements or other similar Contracts related to each Employee Benefit Plan; (v) the two most recent annual reports on Form 5500 required to be filed for each Employee Benefit Plan including required attachments; (vi) the two most recent actuarial reports, if applicable; (vii) all related trust agreements, annuity contracts, insurance contracts, including stop-loss insurance contracts or other funding arrangements which relate to any Employee Benefit Plan, and the most recent periodic accounting of related plan assets; and (viii) the two most recent annual statements for the investments in which the assets of each Pension Plan is invested.

(c) Neither the Company nor any ERISA Affiliate sponsors, maintains or contributes to any multiple employer plan within the meaning of Code Section 413(c), any multiple employer arrangement within the meaning of ERISA Section 514 or any multi-employer plan within the meaning of ERISA Section 3(37).

(d) Except as disclosed in the Company Disclosure Schedule at Section 3.10(d), the consummation of the Transactions will not, either alone or in combination with another event: (i) entitle any present or former director, officer or employee of the Company or any ERISA Affiliate to severance pay, unemployment compensation, excess parachute payments (within the meaning of Section 280G of the Code) or any other payment; (ii) accelerate the time of payment or vesting of benefits under any of the Employee Benefit Plans; or (iii) increase the amount of compensation or benefits due under any of the Employee Benefit Plans with respect to any such present or former director, officer or employee of the Company or any Company Subsidiary.

(e) Each Employee Benefit Plan that is a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code) (each, a "409A Plan") (i) has been maintained and operated since January 1, 2005 in good faith compliance with Section 409A of the Code and all applicable IRS guidance promulgated thereunder so as to avoid any tax, penalty or interest under Section 409A of the Code, (ii) since January 1, 2009, has been in documentary and operational compliance with Section 409A of the Code and all applicable IRS guidance promulgated thereunder and (iii) to the extent any such plan was in existence before January 1, 2005 and is grandfathered from the application of Code Section 409A, has not been "materially modified" (within the meaning of IRS Notice 2005-1) at any time after October 3, 2004. No 409A Plan has been funded by an off-shore arrangement described in Section 409A(b)(1) of the Code, except for any such non-qualified deferred compensation plan that is grandfathered and not subject to Code Section 409A.

(f) No material Liability under Title IV or Section 302 of ERISA has been incurred by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a risk to the Company or any ERISA Affiliate of incurring any such Liability, other than Liability for premiums due the Pension Benefit Guaranty Corporation (which premiums have been paid when due). Insofar as the representation made in this Section 3.10(f) applies to Section 4064, 4069 or 4204 of ERISA, it is made with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which the Company, any Company Subsidiary or any ERISA Affiliate made, or was required to make, contributions during the six-year period ending on the last day of the most recent plan year ended

before the date of this Agreement. The Pension Benefit Guaranty Corporation has not instituted proceedings to terminate any Employee Benefit Plan and no condition exists that presents a material risk that such proceedings will be instituted.

(g) No Employee Benefit Plan which is subject to Title IV of ERISA ("Title IV Plan") or any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each Title IV Plan ended prior to the Effective Time. All contributions required to be made with respect to any Employee Benefit Plan on or prior to the Effective Time have been timely made, or have been reflected on the consolidated financial statements of the Company and the Company Subsidiaries included in the Filed Company SEC Documents.

(h) Each Employee Benefit Plan has been operated and administered in accordance with its terms and applicable Law, including ERISA and the Code, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(i) Each Employee Benefit Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501 (a) of the Code has received a favorable determination or opinion letter from the IRS with respect to each such Employee Benefit Plan as to its qualified status under the Code, and no fact or event has occurred since the date of such determination or opinion letter that would reasonably be expected to adversely affect the qualified status of any Employee Benefit Plan.

(j) Except as set forth at Section 3.10(j) of the Company Disclosure Schedule, no Employee Benefit Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of the Company or any Company Subsidiary for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable Law, (ii) death benefits under any Pension Plan, or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary).

(k) There are no pending, or, to the Knowledge of the Company, threatened or anticipated Claims by or on behalf of any Employee Benefit Plan, by any employee or beneficiary covered under any such Employee Benefit Plan, or otherwise involving any such Employee Benefit Plan (other than routine Claims for benefits), except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(l) None of the Company, any Company Subsidiary, any ERISA Affiliate, any of the Employee Benefit Plans, any trust created thereunder, nor to the Company's Knowledge, any trustee or administrator thereof has engaged in a transaction or has taken or failed to take any action in connection with which the Company, any Company Subsidiary or any ERISA Affiliate could be subject to any material Liability for either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975, 4976 or 4980B of the Code.

(m) Neither the Company nor any ERISA Affiliate is a party to any agreement or understanding, whether written or unwritten, with the Pension Benefit Guaranty Corporation, the IRS, the Department of Labor or the Centers for Medicare & Medicaid Services. No representations or communications, oral or written, with respect to the participation, eligibility for benefits, vesting, benefit accrual or coverage under any Employee Benefit Plan have been made to employees, directors or agents (or any of their representatives or beneficiaries) of the Company or any Company Subsidiary which are not in accordance with the terms and conditions of the Employee Benefit Plans.

(n) No "leased employee," as that term is defined in Section 414(n) of the Code, performs services for the Company or any ERISA Affiliate. The Company and each Company Subsidiary have at all times been in material compliance with applicable Law regarding the classification of employees and independent contractors.

(o) With respect to each material Employee Benefit Plan that is not subject to United States Law (each, a "Foreign Benefit Plan"):

(i) all employer and employee contributions to each Foreign Benefit Plan required by any applicable Law or by the terms of such Foreign Benefit Plan have been made, or, if applicable, accrued, in accordance with normal accounting practices;

(ii) the fair market value of the assets of each funded Foreign Benefit Plan, the Liability of each insurer for any Foreign Benefit Plan funded through insurance or the book reserve established for any Foreign Benefit Plan, together with any accrued contributions, is sufficient in all material respects to procure or provide for the accrued benefit obligations, as of the Effective Time, with respect to all current and former participants in such plan according to the actuarial assumptions and valuations most recently used to determine employer contributions to such Foreign Benefit Plan and no transaction shall cause such assets or insurance obligations to be materially less than such benefit obligations; and

(iii) each Foreign Benefit Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities.

(p) The Company acknowledges that certain payments have been made or are to be made and certain benefits have been granted or are to be granted according to employment compensation, severance and other employee benefit plans of the Company, including the Employee Benefit Plans (collectively, the "Arrangements") to certain holders of Company Common Stock and other securities of the Company (the "Covered Securityholders") including the New Employment Agreements to which it is a party. The Company represents and warrants that all such amounts payable under the Arrangements, including the New Employment Agreements to which it is a party (i) are being paid or granted as compensation for past services performed, future services to be performed, or future services to be refrained from performing, by the Covered Securityholders (and matters incidental thereto) and (ii) are not calculated based

on the number of shares of Company Common Stock tendered or to be tendered into the Offer by the applicable Covered Securityholder. The Company also represents and warrants that (i) the adoption, approval, amendment or modification of each Arrangement, including the New Employment Agreements to which it is a party, since the discussions relating to the Transactions between the Company and Parent began has been approved as an employment compensation, severance or other employee benefit arrangement solely by independent directors of the Company in accordance with the requirements of Rule 14d-10(d)(2) under the Exchange Act and the instructions thereto and (ii) the "safe harbor" provided pursuant to Rule 14d-10(d)(2) is otherwise applicable thereto as a result of the taking prior to the execution of this Agreement of all necessary actions by the Company Board, the Compensation Committee of the Company Board or its "independent directors" as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules. A correct and complete copy of any resolutions of any committee of the Company Board reflecting any approvals and actions referred to in the preceding sentence and taken prior to the date of this Agreement has been provided to Parent prior to the execution of this Agreement.

SECTION 3.11 Certain Contracts.

(a) Except (1) for Contracts filed or listed as an exhibit to the Company's annual report on Form 10-K for the year ended December 31, 2010, or (2) as listed and described in Section 3.11(a) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is a party to, nor are any of their respective properties bound by, any of the following types of Contracts (each, whether listed or required to be listed, a "Material Contract" and, collectively, the "Material Contracts"):

(i) Contract with any officer or director of the Company or any holder of 10% or more of the outstanding shares of Company Common Stock;

(ii) employment, consulting, retention, severance, change-of-control, non-competition, termination or indemnification Contract between the Company or any Company Subsidiary and any employee earning non-contingent cash compensation in excess of $100,000 per year as of the date of this Agreement;

(iii) Contract with any labor union, works council or other representative of employees, including collective bargaining agreements, arrangements with works councils and work rules and practices;

(iv) Contract for the future purchase of, or payment for, supplies or products, or for the performance of services by a third party, involving in any one case more than $250,000 that is not terminable within 30 days without payment by the Company or any of the Company Subsidiaries, other than purchase orders entered into in the ordinary course of business;

(v) Contract to sell or supply products or to perform services, involving in any one case more than $250,000 that is not terminable

within 30 days without payment by the Company or any of the Company Subsidiaries, other than purchase orders entered into in the ordinary course of business;

(vi) representative, sales agency or dealer Contract involving in any one case more than $250,000 in commissions in 2010;

(vii) distributor Contract involving in any one case more than $250,000 in sales in 2010;

(viii) lease with respect to personal property under which the Company or any Company Subsidiary is either lessor or lessee, involving in any one case more than $200,000 per year;

(ix) lease with respect to real property under which the Company or any Company Subsidiary is either lessor or lessee, involving in any one case more than $200,000 per year;

(x) note, debenture, bond, conditional sale agreement, equipment trust agreement, letter of credit agreement, loan agreement, credit agreement, indenture or other Contract for the borrowing or lending of money (including loans to or from any officer or director of the Company or any Company Subsidiary or any member of the immediate family of any such officer or director), agreement or arrangement for a line of credit or guarantee, pledge or undertaking of the indebtedness of any other Person;

(xi) Contract for any capital expenditure, involving in any one case more than $250,000;

(xii) Contract relating to any joint venture, partnership or other arrangement (however named) involving a sharing of the profits, losses, costs or Liabilities of the Company or any Company Subsidiary with any other Person;

(xiii) any Contract containing covenants or conditions that in any way purport to restrict or prohibit the business activity of the Company or any Company Subsidiary, or limit the freedom of the Company or any Company Subsidiary to engage in any line of business or to compete with any third party or to sell, supply or distribute any product or service, in each case, in any geographic area or to restrict or prohibit the Company or any Company Subsidiary from hiring any individual or group of individuals;

(xiv) any Contract (including letters of intent) regarding the acquisition of a Person or business, whether in the form of an asset purchase, merger, consolidation or otherwise (including any such Contract that has closed but under which one or more of the parties has executory indemnification, earn-out or other Liabilities);

(xv) any "single source" supply Contract pursuant to which goods or materials that are material to the Company's business are supplied from an exclusive source;

(xvi) any Contract under which the Company has granted any Person registration rights (including demand and piggy-back registration rights);

(xvii) any Contract pursuant to which the Company or any Company Subsidiary is granted or obtains or agrees to obtain any right to use any Intellectual Property (other than standard form Contracts granting rights to use readily available shrink wrap or click wrap Software) having an annual minimum license fee of more than $150,000 or a total guaranteed sum of $250,000 or more in the case of multi-year contract, is restricted in its right to use or register any Intellectual Property owned by the Company or any Company Subsidiary, or permits or agrees to permit any other Person, to use, enforce, or register any Intellectual Property owned by the Company or any Company Subsidiary, including any license agreements, coexistence agreements and covenants not to sue;

(xviii) any Contract with any Governmental Authority;

(xix) any Contract that by its terms limits the payment of dividends or other distributions by the Company or any Company Subsidiary;

(xx) any Contract that grants any right of first refusal or right of first offer or similar right or that limits or purports to limit the ability of the Company or any Company Subsidiary to own, operate, sell, transfer, pledge or otherwise dispose of any material amount of assets or businesses;

(xxi) any Contract that would be required to be filed by the Company as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K or would be required to be disclosed pursuant to Item 404 of Regulation S-K; or

(xxii) any amendments, supplements, modifications or renewals in respect of any of the foregoing.

(b) Except as disclosed in Section 3.11(b) of the Company Disclosure Schedule or as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect: (i) each of the Material Contracts is legally valid and binding and in full force and effect and is enforceable in accordance with its terms; (ii) neither the Company nor any Company Subsidiary, nor to the Knowledge of the Company, any other party thereto is in breach or default in the performance, observance or fulfillment of any provision or term of any Material Contract, and to the Knowledge of the Company, there has not occurred any event that, with the lapse of time or giving of notice or both could constitute such a breach or default; (iii) neither the Company nor any Company Subsidiary has received notice of termination of any Material Contract, nor has the Company or any Company Subsidiary received any notice of any facts or events which would reasonably be expected to result in any such

termination. The Company has delivered or made available to Parent complete and correct copies of all written Material Contracts and complete and correct written summaries of all oral Material Contracts.

SECTION 3.12 Schedule 14D-9 and the Proxy Statement; Information in the Offer Documents. The Schedule 14D-9 will comply in all material respects with the provisions of applicable U.S. federal securities Laws. The Schedule 14D-9 and the information supplied by the Company in writing expressly for inclusion in the Offer Documents, will not, at the respective times the Offer Documents and the Schedule 14D-9 or any amendments or supplements thereto are filed with the SEC or are first published, sent or given to stockholders of the Company, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The Proxy Statement, if any, will not, at the date that the Proxy Statement or any amendment or supplement thereto is first mailed to the Company's stockholders, at the time of the Company Stockholders Meeting and at the Effective Time, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will comply in all material respects with the requirements of the Exchange Act. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to statements made in the Schedule 14D-9 and the Proxy Statement, if any, based on information furnished in writing by Parent or MergerSub expressly for inclusion therein. The Company has received from Robert W. Baird & Co. a written opinion, dated March 10, 2011 (the "Fairness Opinion"), to the effect that, as of such date, the consideration the Company's stockholders will receive pursuant to the Offer and the Merger is fair to the Company's stockholders from a financial point of view, and a correct and complete copy of the Fairness Opinion has been delivered to Parent and MergerSub. The Company has been authorized by Robert W. Baird & Co. to permit the inclusion of the Fairness Opinion in its entirety and a discussion of Robert W. Baird & Co.'s analysis in preparing the Fairness Opinion in the Schedule 14D-9 and the Proxy Statement.

SECTION 3.13 Assets; Title to Property. The Company Disclosure Schedule at Section 3.13 identifies all real property owned, leased or used by the Company or any of the Company Subsidiaries. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) the Company and each of the Company Subsidiaries have good and marketable title to, or valid leasehold interests in, all of their respective properties, real and personal, tangible and intangible, free and clear of all Encumbrances, except Encumbrances for taxes not yet due and payable and Encumbrances as set forth in the Company Disclosure Schedule at Section 3.13, (b) all leases pursuant to which the Company or any of the Company Subsidiaries lease from others real or personal property are in good standing, valid, effective, binding and enforceable in accordance with their respective terms, except for the Bankruptcy and Equity Exception, and (c) there is not or there has not occurred, under any of such leases, any existing default or event of default (or event which with notice or lapse of time, or both, would constitute a default and in respect of which the Company or any of the Company Subsidiaries have not taken adequate steps to prevent such a default from occurring). Each of the Company and the Company Subsidiaries enjoys peaceful and undisturbed possession under all material real property leases to which it is a party. All of the

property, plant and equipment of the Company and each Company Subsidiary has been maintained in reasonable operating condition and repair, ordinary wear and tear excepted, and is in all material respects sufficient to permit the Company and each Company Subsidiary to conduct their operations in the ordinary course of business in a manner consistent with their past practices.

SECTION 3.14 Compliance with Environmental Laws.

(a) Except as set forth in Section 3.14(a) of the Company Disclosure Schedule, the Company and the Company Subsidiaries are, and for the past five years have been, in compliance with all Environmental Laws, except for any non-compliance which has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Except as disclosed in Section 3.14(b) of the Company Disclosure Schedule, to the Knowledge of the Company, there has been no Release of or exposure to any Hazardous Material at real property that is currently owned, operated or leased by the Company or any Company Subsidiaries or at any other location (including property formerly owned, operated and/or leased by the Company or any of the Company Subsidiaries as well as property where Hazardous Materials were disposed of or placed by the Company or any of the Company Subsidiaries) that would reasonably be likely to: (i) form the basis of any Environmental Claim against the Company or any of the Company Subsidiaries or against any Person whose Liabilities for such Environmental Claims the Company or any of the Company Subsidiaries has, or may have, retained or assumed, either contractually or by operation of Law; (ii) require the Company or any Company Subsidiary to report such Release to a Governmental Authority; or (iii) require the Company or any Company Subsidiary to undertake an investigation or remediation of said Release pursuant to Environmental Law.

(c) Except as disclosed in Section 3.14(c) of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries has received any written communication from any third party, including any Governmental Authority, alleging that the Company or such Company Subsidiary is in material violation of, or may have material Liability under, any Environmental Law or requesting information pursuant to any applicable Environmental Law with respect to a matter that could result in an Environmental Claim.

(d) Except as disclosed in Section 3.14(d) of the Company Disclosure Schedule, (i) each of the Company and the Company Subsidiaries possesses (or has timely applied for the renewal thereof) and is in compliance with all material Permits required under Environmental Laws ("Environmental Permits") for the current conduct of its operations and all of such Environmental Permits are valid and in good standing and (ii) neither the Company nor any of the Company Subsidiaries has been advised in writing by any Governmental Authority of any actual or potential change in any material respect in the status or terms and conditions of any such Environmental Permit.

(e) Except as disclosed in Section 3.14(e) of the Company Disclosure Schedule, there are no material Environmental Claims pending or, to the Knowledge of the Company, threatened against the Company or any of the Company Subsidiaries.

(f) To the Knowledge of the Company, neither the Company nor any of the Company Subsidiaries is identified as a potentially responsible party at any site relating to the investigation, characterization or remediation of Hazardous Materials.

(g) Neither the Company nor any Company Subsidiary has entered into any written agreement or incurred any legal or monetary obligation that is currently in effect that may require them to pay to, reimburse, guarantee, pledge, defend, indemnify or hold harmless any Person from or against any material Liabilities or costs arising out of or related to the generation, manufacture, use, transportation or disposal of Hazardous Materials, or otherwise arising in connection with or under Environmental Laws.

(h) The Company has made available to Parent all environmental reports, studies, audits, sampling results or correspondence with Governmental Authorities relating to any pending material Environmental Claims in its possession.

SECTION 3.15 Taxes. Except as set forth on Section 3.15 of the Company Disclosure Schedule:

(a) Each of the Company and each Company Subsidiary has duly filed or caused to be filed, in a timely manner, with the appropriate taxing authorities, all income tax and other material Tax Returns required to be filed by it (determined with regard to any timely extensions). Each such Tax Return filed or required to be filed (including any amendment thereto) is true, correct, and complete in all material respects, and all material Taxes (regardless of having been shown as due on any Tax Return) have been timely paid in full, or an adequate reserve has been established therefor on the financial statements included in the Filed Company SEC Documents. There are no extensions of time to file any Tax Returns that are pending.

(b) The amount of the Liability of the Company and the Company Subsidiaries for unpaid Taxes does not, in the aggregate, materially exceed the amount of the current Liability accruals for Taxes (excluding reserves for deferred Taxes) reflected in the financial statements included in the Filed Company SEC Documents for all periods ending on or before the date of such financial statements.

(c) There are no Encumbrances for Taxes on any of the assets of the Company or any Company Subsidiary except for Encumbrances for Taxes not yet due and payable.

(d) None of the Company or any Company Subsidiary is a party to or bound by any tax indemnity, tax sharing or tax allocation agreement, or any other contract, obligation, understanding or agreement to pay the Taxes of another Person or to pay the Taxes with respect to transactions relating to any other Person (other than the Company and Company Subsidiaries).

(e) There are no agreements or waivers extending the statutory period of limitation applicable to any Taxes of the Company or any Company Subsidiary for any period. There is no power of attorney given by or binding upon the Company or any Company Subsidiary with respect to Taxes for any period for which the statute of limitations (including any waivers or extensions) has not yet expired.

(f) No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are pending, being conducted or threatened in writing with respect to the Company or any Company Subsidiary.

(g) None of the Company or any Company Subsidiary has received from any foreign, federal, state or local taxing authority (including jurisdictions where the Company or any Company Subsidiary has not filed Tax Returns) any written notice indicating an intent to open an audit or other review, request for information relating to material Tax matters, or notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any taxing authority against the Company or any Company Subsidiary.

(h) None of the Company or any Company Subsidiary has ever been a member of any affiliated, combined, consolidated or unitary group (other than a group the common parent of which was the Company) for state income or franchise tax purposes and none of the Company or any Company Subsidiary files (or is required to file) combined, consolidated or unitary returns (other than for a group the common parent of which was the Company) for state income or franchise tax purposes.

(i) None of the Company or any Company Subsidiary has any Liability for the Taxes of any Person (other than the Company or any Company Subsidiary) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by Contract, by operation of Law or otherwise.

(j) None of the Company or any Company Subsidiary will be required to include any item of income, or exclude any item of deduction from, taxable income for any taxable period ending after the Effective Time as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Effective Time, (ii) closing agreement (as described in Section 7121 of the Code) executed on or prior to the Effective Time, (iii) installment sale or open transaction disposition made on or prior to the Effective Time, or (iv) prepaid amounts received on or prior to the Effective Time.

(k) None of the Company or any Company Subsidiary owns any real property in any jurisdiction in which a Tax is imposed upon the transfer of securities of an issuer having an interest in real property.

(l) The Company has disclosed on its federal income Tax Return all positions taken therein that could give rise to substantial understatement of federal income Taxes within the meaning of Section 6662 of the Code.

(m) None of the Company or any Company Subsidiary is or has been a party to any "listed transaction" as defined in Treasury Regulation Section 1.6011-4(b)(2).

(n) The Company has delivered or made available to Parent copies of the federal and state income Tax Returns and all foreign Tax Returns relating to the Company or any Company Subsidiary (and amended Tax Returns, revenue agents' reports, and other notices from the Internal Revenue Service or state taxing authorities) for each of the preceding five taxable years. The Company shall promptly deliver or make available to Parent copies of all other Tax Returns and other reports and statements made or received by or on behalf of any of

the Company or any of the Company Subsidiaries that relate to Taxes arising during such periods, including income tax audit reports, statements of income or gross receipts tax, franchise tax, sales tax and transfer tax received by or on behalf of the Company or any Company Subsidiary.

(o) The Company is not and has not been a "United States real property holding corporation" (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code, and the shares of Company Common Stock are "regularly traded on an established securities market" for purposes of Section 1445(b)(6) of the Code and Treasury Regulation Section 1.1445-2(c)(2).

(p) Neither the Company nor any Company Subsidiary has been a "controlled corporation" or a "distributing corporation" in any distribution of stock qualifying for tax-free treatment under Section 355 of the Code occurring during the two-year period ending on the date hereof.

SECTION 3.16 Insurance. The Company or a Company Subsidiary maintains policies of fire and casualty, liability and other forms of insurance in such amounts, with such deductibles and against such risks and losses as are customary for businesses in the Company's and the Company Subsidiaries' business. All such policies are in full force and effect and will not terminate by virtue of the Transactions, all premiums due thereon have been paid by the Company or the Company Subsidiaries, and the Company and the Company Subsidiaries are otherwise in compliance in all material respects with the terms and provisions of such policies. Furthermore, (a) neither the Company nor any Company Subsidiary has received any notice of cancellation or non-renewal of any such policy or arrangement nor is the termination of any such policies or arrangements threatened, (b) there is no Claim pending under any of such policies or arrangements as to which coverage has been questioned, denied or disputed by the underwriters of such policies or arrangements, (c) neither the Company nor any Company Subsidiary has received any notice from any of its insurance carriers that any insurance premiums will be increased in the future or that any insurance coverage presently provided for will not be available to the Company or any Company Subsidiary in the future on substantially the same terms as now in effect and (d) none of such policies or arrangements provides for any retrospective premium adjustment, experienced-based liability or loss sharing arrangement affecting the Company or any Company Subsidiary.

SECTION 3.17 Related Party Transactions. Except as disclosed in the Company Disclosure Schedule at Section 3.17, since December 31, 2008, no event or transaction has occurred or has been proposed and there have been no agreements, arrangements or understandings between the Company or any Company Subsidiaries on the one hand, and the affiliates of the Company, on the other hand, that would be required to be reported by the Company pursuant to Item 404 of Regulation S-K promulgated by the SEC.

SECTION 3.18 Labor Matters. Except as set forth on the Company Disclosure Schedule at Section 3.18 or as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) the Company and each Company Subsidiary are in compliance with all applicable Laws respecting employment and employment practices, including all Laws respecting terms and conditions of employment,

wages and hours, health and safety, child labor, immigration, employment discrimination, disability rights or benefits, equal opportunity, plant closures and layoffs, affirmative action, workers' compensation, labor relations, employee leave issues, and unemployment insurance, and are not engaged in any unfair labor practice, (b) the Company and each Company Subsidiary are neither party to, nor bound by, any labor or collective bargaining agreement or any other agreement with a labor union, labor organization, or works council and there are no labor or collective bargaining agreements or any other labor-related agreements or arrangements that pertain to any of the employees of the Company or any Company Subsidiary, nor are any such employees represented by any labor union, labor organization, or works council with respect to such employment, (c) no labor union, labor organization, works council, or group of employees of the Company or any Company Subsidiary has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority and the Company does not know of any labor union organizing activities with respect to any employees of the Company or any Company Subsidiary, (d) there is no unfair labor practice complaint or other allegation of labor law violation against the Company or any Company Subsidiary pending before the National Labor Relations Board or other Governmental Authority, (e) since December 31, 2008, there has been no labor strike, dispute, lockout, slowdown, representation campaign, or work stoppage actually pending or, to the Company's Knowledge, threatened against or affecting the Company or any Company Subsidiary, (f) no grievance or arbitration proceeding arising out of or under collective bargaining agreements is pending and no written Claim therefor has been asserted against the Company or any Company Subsidiary, (g) neither the Company nor any Company Subsidiary is experiencing any material work stoppage, (h) neither the Company nor any Company Subsidiary is bound by any court, administrative agency, tribunal, commission or board decree, judgment, decision, arbitration agreement or settlement relating to collective bargaining agreements, terms and conditions of employment, employment discrimination, attempts to organize a collective bargaining unit or any unlawful employment practices, (i) neither the Company nor any Company Subsidiary has received notice of any actual or threatened investigation, charge or complaint against the Company or any Company Subsidiary with respect to employees pending before the Equal Employment Opportunity Commission or any other Governmental Authority or in any other forum regarding an unlawful employment practice, breach of any contract of employment, or any other wrongful or tortious conduct in connection with the employment relationship, (j) the Company and each Company Subsidiary is, and has been since December 31, 2008, in compliance with all notice and other requirements under the Workers' Adjustment and Retraining Notification Act and any similar state, local or foreign Law, (k) to the Company's Knowledge, no employee of the Company or any Company Subsidiary is in any respect in violation of any term of any employment contract, non-disclosure agreement, common law nondisclosure obligation, fiduciary duty, noncompetition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company or any Company Subsidiary because of the nature of the business now being conducted by the Company or any Company Subsidiary or to the use of Trade Secrets or proprietary information of others, (l) to the Knowledge of the Company, the manufacturers, contractors and subcontractors engaged in the manufacturing of products for the Company and all Company Subsidiaries ("Manufacturers") are in compliance with all applicable Laws respecting employment and employment practices, and the Company and all Company

Subsidiaries require all of their Manufacturers to provide written assurances that they have complied with all such Laws, (m) the Company and all Company Subsidiaries have taken all reasonable steps to ensure that their Manufacturers do not utilize forced labor, prison labor, convict labor, indentured labor, child labor, corporal punishment or other forms of mental or physical coercion in connection with the manufacture of the products for the Company and any Company Subsidiary, including the maintenance of a compliance program to monitor activities of such entities, and to the Knowledge of the Company, no Manufacturer has engaged in such conduct and (n) to the Knowledge of the Company, no complaint or Claim has been made against any Manufacturers that would result in Liability to the Company or any Company Subsidiary. Neither the Company or any Company Subsidiary is or has been (i) a "contractor" or "subcontractor" (as defined by Executive Order 11246); (ii) required to comply with Executive Order 11246; or (iii) required to maintain an affirmative action plan.

SECTION 3.19 Brokers. Except as set forth in the Company Disclosure Schedule at Section 3.19, no broker, finder, financial advisor, investment bank or other Person is entitled to any brokerage fee, finder's fee or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company or any of the Company Subsidiaries. Correct and complete copies of all agreements between the Company and any Person entitled to such fees or commissions set forth in the Company Disclosure Schedule at Section 3.19, including any fee arrangements have been delivered or made available to Parent.

SECTION 3.20 Intellectual Property.

(a) Section 3.20(a) of the Company Disclosure Schedule sets forth a correct and complete list of all (i) issued Patents and Patent applications, (ii) Trademark registrations and applications, and (iii) Copyright registrations and applications, in each case which is owned by the Company and each Company Subsidiary in any jurisdiction in the world and used by the Company or any Company Subsidiary. The Company or a Company Subsidiary is the sole and exclusive beneficial and, with respect to applications and registrations (including Patents), record owner of all the Intellectual Property items set forth in Section 3.20(a) of the Company Disclosure Schedule, and all such Intellectual Property is subsisting, valid and enforceable, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) The Company and the Company Subsidiaries own, are properly licensed under, or otherwise possess the valid and enforceable right to use all Intellectual Property that is used in or necessary to the operation of their respective businesses as now being conducted, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(c) Except as set forth in Section 3.20(c) of the Company Disclosure Schedule, the consummation of the Transactions will not result in the loss or impairment of, or payment of any additional amounts with respect to, nor require the consent of any other Person in respect of, any Intellectual Property of the Company or any Company Subsidiary, as owned or used in their respective businesses as now being conducted, except as has not had and would not

reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Except as set forth in Section 3.20(d) of the Company Disclosure Schedule, there are no Claims or litigation pending, or to the Knowledge of the Company, threatened that challenge the Company's or any Company Subsidiary's right, title, and interest with respect to its use or continued use and its right to preclude others from using any material Intellectual Property used in their respective businesses as now being conducted; nor have any such Claims or litigation been asserted or, to the Knowledge of the Company, threatened (including in the form of offers or invitations to obtain a license) in the past three (3) years against the Company or any Company Subsidiary.

(e) Except as set forth in Section 3.20(e) of the Company Disclosure Schedule, the Company is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in violation of any licenses, sublicenses or other agreements as to which the Company or any Company Subsidiary is a party and pursuant to which the Company or any Company Subsidiary is authorized to use any third-party Intellectual Property rights, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(f) To the Knowledge of the Company, no third party is infringing, misappropriating or otherwise violating any material Intellectual Property owned or used by the Company or any Company Subsidiary, and no such Claims have been asserted or, to the Knowledge of the Company, threatened against any third party by the Company or any Company Subsidiary in the past three (3) years.

(g) Except as set forth in Section 3.20(g) of the Company Disclosure Schedule, to the Knowledge of the Company, the business of the Company and each Company Subsidiary as now being conducted (including the products and services of the Company and each Company Subsidiary) does not infringe, misappropriate, or otherwise violate, and, to the Knowledge of the Company, has not infringed upon, misappropriated or otherwise violated any other third-party Intellectual Property or other proprietary rights, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(h) No material Intellectual Property right of the Company or any Company Subsidiary is or has been judicially determined to be invalid or unenforceable. Except as set forth in Section 3.20(h) of the Company Disclosure Schedule, no Claim is currently pending or, to the Knowledge of the Company, threatened which challenges the validity, scope or enforceability of any material Intellectual Property right of the Company or any Company Subsidiary. The Company and each Company Subsidiary have not granted any Person any right to control the prosecution or registration of any material Intellectual Property owned by the Company and each Company Subsidiary or to commence, defend, or otherwise control any Claim with respect to such material Intellectual Property.

(i) To the Knowledge of the Company, there has not been any disclosure of any material Trade Secret of the Company and each Company Subsidiary

(including any such information of any third party disclosed in confidence to the Company or a Company Subsidiary) to any third Person in a manner that has resulted or is likely to result in the loss of a material Trade Secret or other material rights in and to such information.

(j) Except as set forth in Section 3.20(j) of the Company Disclosure Schedule, to the Knowledge of the Company, all products of the Company and each Company Subsidiary have been properly and correctly marked with the proper patent notices continuously since the issuance of the relevant Patent(s).

SECTION 3.21 Major Customers and Suppliers. Section 3.21 of the Company Disclosure Schedule sets forth a true, correct and complete list of the top ten customers of the Company and the Company Subsidiaries for the fiscal year ended December 31, 2010 (determined on the basis of the consolidated total dollar amount of net sales) showing the dollar amount of net sales from each such customer during such period. Section 3.21 of the Company Disclosure Schedule also sets forth a list of the top ten suppliers of the Company and the Company Subsidiaries (determined on the basis of the consolidated total dollar volume of purchases during such fiscal year) showing the dollar amount of the purchases from each such supplier during such period. Since December 31, 2010 to the date of this Agreement, there has been no termination, cancellation or material curtailment of the business relationship of the Company or any Company Subsidiary with any such customer or supplier or group of affiliated customers or suppliers nor has any such customer, supplier or group of affiliated customers or suppliers provided notice (written or oral) that it will so terminate, cancel or materially curtail its business relationship with the Company or any Company Subsidiary.

SECTION 3.22 Prohibited Payments. Neither the Company, any Company Subsidiary, nor any director, officer, agent, employee or other Person acting on behalf of the Company or any Company Subsidiary has (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payment to any foreign or domestic government official or employee or to foreign or domestic political parties or campaigns from corporate funds; (c) violated any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") or any other federal, foreign or state anti-corruption or anti-bribery Law or requirement applicable to the Company or any Company Subsidiary; or (d) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee. During the last three years, neither the Company nor any Company Subsidiary has received any written communication that alleges that the Company or any Company Subsidiary, or any director, officer, agent, employee or other Person acting on behalf of the Company or any Company Subsidiary, is in violation of, or has any material Liability under, the FCPA.

SECTION 3.23 State Takeover Laws. The Company has taken all action required to be taken in order to exempt this Agreement, the other agreements contemplated by this Agreement and the Transactions, from the requirements of any "moratorium," "control share," "fair price," "affiliate transaction," "anti-greenmail," "business combination" or other anti-takeover Laws of any jurisdiction, including Section 203 of the DGCL (collectively, "Takeover Laws").

SECTION 3.24 No Other Representations or Warranties. Except for the representations and warranties made by the Company in this Article III, the Company makes no representations or warranties, and the Company hereby disclaims any other representations or warranties, with respect to the Company, the Company Subsidiaries, or its or their businesses, operations, assets, Liabilities, condition (financial or otherwise) or prospects, notwithstanding the delivery or disclosure to Parent or its affiliates or Representatives of any documentation, forecasts, projections, memorandums or other information with respect to any one or more of the foregoing. Without limiting the generality of the foregoing, none of the Company or any Company Subsidiary nor any of their respective Representatives or any other Person has made a representation or warranty to Parent or MergerSub with respect to (a) any projections, estimates or budgets for the Company or any Company Subsidiary or (b) any material, documents or information relating to the Company or any Company Subsidiary made available to each of Parent or MergerSub, confidential memorandum, other offering materials or otherwise, except, in each case, as expressly and specifically covered by a representation or warranty set forth in this Article III.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGERSUB

Except as set forth in the Parent Disclosure Schedule, Parent and MergerSub hereby jointly and severally represent and warrant to the Company that:

SECTION 4.01 Organization and Qualification. Parent is a corporation duly organized, validly existing and in good standing under the Laws of Japan. MergerSub is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each of Parent and MergerSub has the requisite corporate power and authority necessary to own, lease, and operate its properties and to carry on its business as it is now being conducted. Each of Parent and MergerSub is duly qualified or licensed as a foreign corporation or entity to do business and in good standing in each jurisdiction where the character of the properties owned, leased, or operated by it or the nature of its activities makes such qualification or licensing necessary, except for any such failure to be so duly qualified or licensed and in good standing that has not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.02 Authorization and Validity of Agreement. Each of Parent and MergerSub has all necessary corporate power and authority to execute and deliver this Agreement, to perform their respective obligations hereunder and to consummate the Transactions. Except as set forth in Section 4.02 of the Parent Disclosure Schedule, the execution, delivery and performance of this Agreement by Parent and MergerSub and the consummation by Parent and MergerSub of the Transactions have been duly and validly authorized by all necessary corporate action on the part of Parent and MergerSub and no other corporate proceedings on the part of Parent or MergerSub are necessary to authorize the execution, delivery and performance of this Agreement or to consummate the Transactions. This Agreement has been duly and validly executed and delivered by each of Parent and MergerSub and, assuming the due authorization, execution and delivery by the Company, constitutes the

legal, valid and binding obligation of each of Parent and MergerSub enforceable against each of them in accordance with its terms, except for the Bankruptcy and Equity Exception.

SECTION 4.03 No Conflict; Required Filings and Consents.

(a) Except as set forth in Section 4.03(a) of the Parent Disclosure Schedule, the execution, delivery and performance of this Agreement by Parent and MergerSub does not, and the consummation of the Transactions will not, (i) conflict with, violate or result in a breach of any provision of the Organizational Documents of Parent or MergerSub, (ii) conflict with or violate any Law or Order applicable to Parent or MergerSub, or by which their respective properties are bound or affected or (iii) result in a violation or breach of or the loss of any benefit under, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on, any of the properties of Parent or MergerSub pursuant to any of the terms or provisions of any Contract, lien, Permit, franchise or other instrument or obligation to which Parent or MergerSub are a party or by which Parent or MergerSub or any of their respective properties is or may be bound or affected, except in the case of clauses (ii) and (iii) for any such conflicts, violations, breaches, defaults or other condition or state of facts that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(b) No consent, approval or Order of, filing with, or notification to, or other Permit or authorization of, any Governmental Authority or any other Person is required to be made, obtained, performed or given to or with respect to Parent or MergerSub in connection with the execution, delivery and performance of this Agreement by Parent and MergerSub or the consummation by Parent and MergerSub of the Transactions, except for: (i) the filings required under, and compliance with other applicable requirements of, the HSR Act, and the filings and receipt, termination or expiration, as applicable, of such other approvals or waiting periods required under any Foreign Antitrust Law; (ii) any filing pursuant to the DGCL; (iii) the consents, approvals, Orders, filings, notifications, other Permits or authorizations set forth on Section 4.03(b) of the Parent Disclosure Schedule; (iv) compliance with any applicable requirements of the Exchange Act; (v) the filing with the SEC and the NASDAQ Stock Market of the Schedule TO as required by Law; (vi) the filings required under, and in compliance with other applicable requirements of, the Japanese Foreign Exchange and Foreign Trade Act (*Gaitame-hou*) and the rules and regulations of the Tokyo Stock Exchange; and (vii) such consents, approvals, Orders, filings, notifications, other Permits or authorizations, the failure to be made or obtained would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.04 Absence of Litigation. There is no Claim pending or, to the Knowledge of Parent, threatened, against or naming the Parent or MergerSub except for matters which would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

SECTION 4.05 Offer Documents; Information in the Proxy Statement. The Offer Documents will comply in all material respects with the provisions of applicable U.S. federal securities Laws. The Offer Documents will not, at the time the Offer Documents are

filed with the SEC or first published, sent or given to the Company's stockholders, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Parent and MergerSub make no representation or warranty with respect to statements made in the Offer Documents based on information furnished by the Company for inclusion or incorporation by reference in the Offer Documents. None of the information supplied or to be supplied by Parent or MergerSub in writing expressly for inclusion or incorporation by reference in the Proxy Statement will, at the date the Proxy Statement or any amendment or supplement thereto is first mailed to the Company's stockholders, at the time of the Company Stockholders Meeting, and at the Effective Time, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

SECTION 4.06 MergerSub. MergerSub was formed solely for the purpose of engaging in the Offer, the Merger and the other Transactions. As of the date hereof and as of the Effective Time, all of the outstanding shares of capital stock of MergerSub are or will be owned indirectly by Parent. As of the date hereof and as of the Effective Time, except for Liabilities incurred in connection with its formation or organization and the Transactions, MergerSub has not and will not have incurred any Liabilities or engaged in any business activities of any type whatsoever or entered into any agreements or arrangements with any Person, which would, individually or in the aggregate, impair in any material respect the ability of MergerSub to perform its obligations under this Agreement or prevent the consummation of the Transactions.

SECTION 4.07 Available Funds. As of the date of this Agreement, Parent has sufficient funds, or commitments from financial institutions to enable it to borrow sufficient funds, to consummate the Transactions, including payment in full for all shares of Company Common Stock validly tendered into the Offer or outstanding at the Effective Time and the payment of any debt required to be repaid, redeemed, retired, canceled, terminated or otherwise satisfied in connection with the Transactions. At the Offer Closing and the Effective Time, Parent will have available to it sufficient funds necessary to satisfy all of its obligations hereunder and in connection with the Offer and the Merger, including payment in full for all shares of Company Common Stock validly tendered into the Offer or outstanding at the Effective Time and the payment of any debt required to be repaid, redeemed, retired, canceled, terminated or otherwise satisfied in connection with the Merger.

SECTION 4.08 Ownership of Company Common Stock. As of the date of this Agreement, (a) neither Parent, MergerSub nor any other Parent Subsidiary beneficially owns, directly or indirectly, any shares of Company Common Stock or other securities convertible into, exchangeable into or exercisable for shares of Company Common Stock, and (b) other than this Agreement and the Transactions, there are no voting trusts or other agreements, arrangements or understandings to which Parent, MergerSub or any other Parent Subsidiary is a party with respect to the voting of the Company Common Stock, nor are there any agreements, arrangements or understandings to which Parent, MergerSub or any other Parent Subsidiary is a party with respect to the acquisition, divestiture, retention, purchase, sale or tendering of the Company Common Stock. Prior to the Company Board approving this Agreement and the Transactions for purposes of the applicable provisions of the DGCL, neither Parent nor

MergerSub, alone or together with any other Person, was at any time, or became, an "interested shareholder" under Section 203 of the DGCL or has taken any action that would cause any Takeover Laws to be applicable to this Agreement, the Merger or any of the other Transactions.

SECTION 4.09 No Vote of Parent Stockholders. Except as set forth on Section 4.09 of the Parent Disclosure Schedule, no vote of the stockholders of Parent or the holders of any other securities of Parent (equity or otherwise) is required by any applicable Law, the Organizational Documents of Parent or the applicable rules of any exchange on which securities of Parent are traded, in order for Parent to consummate the Transactions.

SECTION 4.10 Brokers. Except as set forth in the Parent Disclosure Schedule at Section 4.10, no broker, finder, financial advisor, investment bank or other Person is entitled to any brokerage fee, finder's fee or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or any of the Parent Subsidiaries.

SECTION 4.11 No Other Representations or Warranties. Except for the representations and warranties made by Parent and MergerSub in this Article IV, Parent and MergerSub make no representations or warranties, and each of Parent and MergerSub hereby disclaim any other representations or warranties, with respect to Parent or MergerSub or their respective businesses, operations, assets, Liabilities, condition (financial or otherwise) or prospects, notwithstanding the delivery or disclosure to the Company or its affiliates or Representatives of any documentation, forecasts, projections, memorandums or other information with respect to any one or more of the foregoing.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE MERGER

SECTION 5.01 Conduct of Business by the Company.

(a) The Company hereby covenants and agrees with Parent that prior to the earlier of (1) such time as designees of Parent first constitute a majority of the Company Board pursuant to Section 1.04 and (2) the Effective Time, unless the prior written consent of Parent shall have been obtained (such consent not to be unreasonably withheld, delayed or conditioned) and except as expressly permitted by this Agreement, it will and it will cause each of the Company Subsidiaries to (i) operate its business only in the ordinary course consistent with past practices and (ii) use reasonable best efforts to: (A) preserve intact its business organization and assets, maintain its material rights and franchises, and maintain its relationships with material customers, suppliers contractors, distributors, licensees, licensors and others having material business dealings with it; (B) maintain and keep its material properties in as good repair and condition as at present, ordinary wear and tear excepted; (C) keep in full force and effect insurance and bonds comparable in amount and scope of coverage to that now maintained by it; (D) comply with and perform in all material respects all obligations and duties imposed upon it by all applicable Laws; and (E) keep available the services of its current officers, employees and consultants.

(b) Without limiting the generality of the foregoing Section 5.01(a), prior to the earlier of (x) such time as designees of Parent first constitute a majority of the Company Board pursuant to Section 1.04 and (y) the Effective Time, except (1) as set forth in the Company Disclosure Schedule at Section 5.01(b), (2) as required by applicable Law, (3) as expressly permitted by this Agreement and (4) with the prior written consent of Parent (such consent not to be unreasonably withheld, delayed or conditioned), the Company shall not do, or permit any of the Company Subsidiaries to do, any of the following:

(i) amend the Organizational Documents of the Company or any Company Subsidiary;

(ii) transfer, lease, license, sell, exchange or swap, mortgage, pledge, dispose of, encumber, abandon or fail to maintain any part of the assets or capital stock, businesses or properties of the Company or any Company Subsidiary outside the ordinary course of business;

(iii) declare, set aside for payment or pay any dividends on or make other distributions in respect of any of its capital stock, whether payable in cash, stock or property, except for cash dividends by a wholly owned Company Subsidiary to the Company or another wholly owned Company Subsidiary;

(iv) split, combine, subdivide or reclassify any of its capital stock or other equity interests or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or other equity interests;

(v) repurchase, redeem or otherwise acquire, directly or indirectly, any shares of its capital stock or other equity interests;

(vi) directly or indirectly, issue, deliver, grant, sell, transfer, encumber, pledge or dispose of, or authorize or propose the issuance, delivery, grant, sale, transfer, encumbrance, pledge or disposition of, any shares of its capital stock or other equity interests or any securities convertible into, exchangeable for or evidencing the right to subscribe for any such shares of its capital stock or other equity interests, or any rights, warrants, options or any other agreements of any character to acquire any such shares, equity interests or convertible or exchangeable securities, other than, with respect to the Company, the issuance of shares of Company Common Stock upon the exercise of Company Stock Rights outstanding as of the date of this Agreement under the Company Stock Plans or pursuant to the Current Offering under the ESPP;

(vii) adjust or otherwise modify any of the Company Stock Rights, the Company Stock Plans or the ESPP, other than as expressly contemplated by Section 2.14;

(viii) (A) change the compensation or benefits payable or to become payable to any of its officers, directors, employees or consultants, other

than annual salary increases to be effective as of April 1, 2011 to employees below the executive officer level in the ordinary course of business consistent with past practice and not to exceed 3.5% of current base salaries; (B) enter into any plan, program, arrangement or agreement that would otherwise constitute an Employee Benefit Plan or enter into any collective bargaining agreement or extend or amend any, collective bargaining agreement or consulting agreement; (C) make any loans to any of its officers, directors, employees, consultants or affiliates (other than travel advances or other advances to employees made in the ordinary course of business consistent with past practice) or change its existing borrowing or lending arrangements for or on behalf of any of such Persons pursuant to an employee benefit plan or otherwise; or (D) take any action to terminate or amend any of the New Employment Agreements or waive any provision thereof;

(ix) (A) pay or arrange for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any officer, director, employee or affiliate or pay or make any arrangement for payment to any officers, directors, employees or affiliates of the Company of any amount relating to unused vacation days, except payments and accruals made in the ordinary course of business consistent with past practice; (B) except as may be required pursuant to the terms of an Employee Benefit Plan as in effect as of the date of this Agreement, adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any pension, profit-sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any director, officer or employee, whether past or present; or (C) amend in any material respect any Employee Benefit Plan in effect as of the date of this Agreement;

(x) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of the Company Subsidiaries, other than the Merger;

(xi) (A) incur or assume any indebtedness or issue any debt securities; (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person; (C) make any loans, advances or capital contributions to, or investments in, any other Person (other than travel advances or other advances to employees made in the ordinary course of business consistent with past practice); or (D) acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof or any equity interest therein, except in the case of clauses (A) and (C) for any such transactions between or among the Company and the Company Subsidiaries;

(xii) (A) modify, extend, amend, terminate, cancel, renew or supplement any Material Contract or any Change in Control Contract; (B) waive, release or assign any rights or Claims under any such Material Contracts or Change in Control Contracts; or (C) enter into any Material Contract or Change in Control Contract;

(xiii) except as necessary to operate in the ordinary course consistent with past practices, grant or acquire, agree to grant to or acquire from any Person, or dispose of or voluntarily permit to lapse any rights to, any material Intellectual Property, or disclose or agree to disclose to any Person, other than Representatives of Parent and MergerSub, any Trade Secret;

(xiv) (A) change any of the accounting methods used by it except for such changes required by GAAP or (B) make any material new Tax election or change any material Tax election already made, adopt any material new Tax accounting method, change any material Tax accounting method, amend any U.S. federal income or other material Tax Return, forgo any material Tax refund, enter into any closing agreement or private letter ruling or settle any material Claim or assessment relating to Taxes or consent to any material Claim or assessment relating to Taxes or any waiver of the statute of limitations for any such Claim or assessment;

(xv) pay, discharge or satisfy any material Liabilities (whether absolute, accrued, contingent or otherwise), other than the payment, discharge or satisfaction of any such Liabilities in the ordinary course of business consistent with past practice, or of Liabilities reflected or reserved against in the consolidated financial statements of the Company and the Company Subsidiaries included in the Filed Company SEC Documents for the period ended December 31, 2010 or incurred since December 31, 2010 in the ordinary course of business consistent with past practice;

(xvi) (A) settle or commence any Claim or litigation involving an amount in excess of $50,000 or, in the aggregate, an amount in excess of $250,000 or (B) enter into any consent decree, injunction or other similar restraint or form of equitable relief in settlement of any Claim or litigation;

(xvii) make any capital expenditure or any commitment with respect to media or advertising (other than ordinary course payments or allowances to customers for co-op advertising) which is not in all material respects in accordance with the annual budget for the fiscal year 2011 (which expenditures shall not be accelerated inconsistent with past practice), a correct and complete copy of which is attached to the Company Disclosure Schedule at Section 5.01(b)(xvii);

(xviii) enter into any agreement, Contract or arrangement or make any commitment to take any of the actions prohibited by this Section 5.01.

SECTION 5.02 Access to Information; Confidentiality.

(a) Prior to the Effective Time and upon reasonable notice and without unreasonable disruption to the business carried on by the Company or the Company Subsidiaries, the Company shall (and shall cause the Company Subsidiaries to) afford to Parent, MergerSub and their respective Representatives reasonable access, during normal business hours, to its officers, employees, properties, books, Contracts, commitments, personnel and records (other than the portion of Company Board minutes which discuss merger proposals) as Parent may reasonably request, and, during such period, the Company shall (and shall cause each of the Company Subsidiaries to) furnish promptly to Parent and MergerSub (i) a copy of each report, schedule, registration statement and other document filed by it pursuant to the requirements of applicable U.S. federal securities Laws and (ii) all other information concerning its business, properties and personnel as Parent or MergerSub may reasonably request; provided that the foregoing shall not require the Company (A) to disclose any information that, in the reasonable judgment of the Company, would violate any applicable Law or (B) to disclose any information of the Company or any Company Subsidiary which would be reasonably likely to cause a waiver of any attorney-client privilege or attorney work product protection in the opinion of counsel to the Company (provided further that, in each such case under clauses (A) or (B), the Company shall use its reasonable best efforts to put in place an arrangement to permit such disclosure without violating such Law or without loss of such privilege or protection). Parent shall be entitled to undertake environmental investigations at any of the properties owned, operated or leased by the Company or any Company Subsidiary, provided, that such investigations shall not include any intrusive sampling without the consent of the Company, such consent not to be unreasonably withheld or delayed. All requests for information made pursuant to this Section 5.02(a) shall be directed to the executive officer or other Person designated by the Company. From the date of this Agreement to the Effective Time, the Company shall further afford to Representatives of Parent and MergerSub reasonable access to the officers of the Company for purposes of negotiating new or amended employment agreements between such executive officers and the Surviving Corporation. No investigation pursuant to this Section 5.02 shall affect any representation or warranty made by the parties hereunder.

(b) Any information provided to Parent by the Company or any of the Company Subsidiaries, whether prior to or subsequent to the date of this Agreement, shall be kept confidential in accordance with the letter agreement between the parties dated November 9, 2010 regarding confidentiality (the "Confidentiality Agreement"), provided, however, that, notwithstanding the terms of the Confidentiality Agreement, Parent may provide information of the type covered by the Confidentiality Agreement to potential financing sources subject to customary confidentiality arrangements with such persons regarding such information.

SECTION 5.03 No Solicitation; Acquisition Proposals.

(a) Notwithstanding any other provision of this Agreement to the contrary, during the period beginning on the date of this Agreement and continuing until 5:00 p.m. (New York City time) on the 30th calendar day following the date of this Agreement (the "No-Shop Period Start Date"), the Company and the Company Subsidiaries and their respective Representatives shall have the right (acting under the direction of the Company Board), directly or indirectly, to: (i) solicit, initiate, encourage, induce and facilitate, whether publicly or

otherwise, Acquisition Proposals (or inquiries, proposals or offers or other efforts or attempts that are reasonably expected to lead to an Acquisition Proposal), including by way of providing access to nonpublic information, provided, however, that the Company shall only permit such information to be provided pursuant to an Acceptable Confidentiality Agreement (a copy of which shall be provided by the Company to Parent promptly after its execution); provided, further, that the Company shall provide to Parent any nonpublic information regarding the Company or the Company Subsidiaries provided to any other Person which was not previously provided to Parent, such additional information to be provided substantially concurrently with the time such information is provided to such other Person and (ii) enter into, engage in, and maintain discussions or negotiations with respect to Acquisition Proposals or otherwise cooperate with or assist or participate in, or facilitate any such inquiries, proposals, discussions or negotiations.

(b) Except as expressly permitted by this Section 5.03 and except with an Excluded Party (for as long as such Person is an Excluded Party), on the No-Shop Period Start Date, the Company shall, and shall cause its Representatives to, immediately cease and cause to be terminated any solicitation, encouragement, discussions or negotiations with any Person that may be ongoing that relate to any Acquisition Proposal and shall use its reasonable best efforts to cause any such Person (other than an Excluded Party as provided above) and its Representatives in possession of confidential information about the Company or the Company Subsidiaries that was furnished by or on behalf of the Company to return or destroy all such information. In addition, promptly after any Excluded Party ceases to be an Excluded Party or any Extension Excluded Party ceases to be an Extension Excluded Party, as applicable, but subject to Section 5.03(c), the Company shall use its reasonable best efforts to cause any such Person and its Representatives in possession of confidential information about the Company or the Company Subsidiaries that was furnished by or on behalf of the Company to return or destroy all such information. Except as expressly provided in this Section 5.03, after the No-Shop Period Start Date until the earlier of the Effective Time or the termination of this Agreement pursuant to Section 8.01, the Company agrees that neither it nor any Company Subsidiary shall, and that it shall cause its and their respective Representatives not to, directly or indirectly, (i) solicit or initiate, or knowingly encourage (including by way of furnishing information or assistance) or induce, or take any other action designed to, or which would reasonably be expected to, facilitate any inquiry with respect to, or the making, submission or announcement of, any Acquisition Proposal or (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding an Acquisition Proposal with, furnish any nonpublic information to, or otherwise cooperate in any way with, any Person (other than Parent and its Representatives) relating to an Acquisition Proposal. On the No-Shop Period Start Date, the Company shall provide Parent with written notice identifying each Excluded Party as of such date and a summary of the Company Board's reasons for such determination. On the day that is one (1) Business Day prior to the initial scheduled Expiration Date of the Offer (the "Extension Excluded Party Notice Date"), the Company shall provide Parent with written notice identifying each Extension Excluded Party and a summary of the Company Board's reasons for such determination. The parties agree that, notwithstanding the commencement of the obligations of the Company under this Section 5.03(b) from and after the No-Shop Period Start Date, the Company may continue to engage in the activities described in Section 5.03(a) with an Excluded Party (and any of its Representatives) or an Extension Excluded Party (and any of its Representatives), as applicable, with respect to a bona fide written Acquisition Proposal submitted by such Excluded Party or Extension Excluded Party prior to the No-Shop Period Start Date that constitutes or is reasonably expected to result in a Superior Proposal, including with respect to any such amended or revised proposal submitted by such Excluded Party or

Extension Excluded Party, for as long as such Person is an Excluded Party or Extension Excluded Party, as applicable. Notwithstanding anything contained herein to the contrary, (i) any Excluded Party shall cease to be an Excluded Party for all purposes under this Agreement upon the earlier of (w) 5:00 pm (New York City time) on the Extension Excluded Party Notice Date or (x) immediately at such time as such Acquisition Proposal made by such party is withdrawn, terminated, expires or no longer constitutes or is no longer reasonably expected to result in a Superior Proposal and (ii) any Extension Excluded Party shall cease to be an Extension Excluded Party for all purposes under this Agreement upon the earlier of (y) 5:00 pm. (New York City time) on the 15th calendar day following the No-Shop Period Start Date (the "Cut-off Date") or (z) immediately at such time as such Acquisition Proposal made by such party is withdrawn, terminated, expires or no longer constitutes or is no longer reasonably expected to result in a Superior Proposal.

(c) Notwithstanding the limitations set forth in Section 5.03(b) or any other provision of this Agreement, if at any time following the No-Shop Period Start Date and prior to the Offer Closing, the Company receives, on an unsolicited basis and in the absence of any violation of this Section 5.03 relating thereto, a bona fide written Acquisition Proposal from a third party that the Company Board determines in good faith (after consultation with the Company's financial advisors and outside legal counsel) constitutes or would reasonably be expected to result in a Superior Proposal, then the Company may take the following actions prior to the Offer Closing: (A) furnish nonpublic information to the third party making such Acquisition Proposal and its Representatives pursuant to an Acceptable Confidentiality Agreement (a copy of which shall be provided to Parent promptly after its execution) and subject to the other restrictions imposed by Section 5.03(a)(i) and (B) engage in discussions or negotiations with the third party and its Representatives with respect to the Acquisition Proposal.

(d) At all times from and after the date of this Agreement until the earlier of the Effective Time or the termination of this Agreement pursuant to Section 8.01, the Company shall promptly (and in any event within twenty four-hours and substantially concurrently with providing any such Person with any non-public information) orally and in writing notify Parent if any inquiries, proposals or offers are received by, any information is requested from, or any negotiations or discussions are sought to be initiated or continued with, the Company or any of its Representatives, in each case, in connection with, or which would reasonably be expected to result in, an Acquisition Proposal, which notice shall identify the name of the Person making such inquiry, proposal or request or seeking such negotiations or discussions and the material terms and conditions of such inquiry, proposal or request and include copies of all correspondence and written materials provided to the Company or any of its Representatives that describe any material terms and conditions of any such inquiry, proposal or request (and any subsequent material changes to such terms and conditions). The Company shall (i) promptly keep Parent fully informed, in all material respects, of the status and details of any Acquisition Proposal or inquiries related thereto (including any changes in the material terms thereof) and (ii) promptly upon receipt or delivery thereof, provide Parent and its outside legal counsel with copies of all drafts and final versions (and any comments thereon) of agreements (including schedules and exhibits thereto) relating to any Acquisition Proposal exchanged

between the Company or any of its Representatives, on the one hand, and the Person making such Acquisition Proposal or any of its Representatives, on the other hand.

(e) Except as permitted by this Section 5.03(e), neither the Company Board nor any committee thereof shall (i) withdraw, modify or qualify in any manner adverse to Parent or MergerSub, or resolve to or publicly propose to withdraw, modify or qualify in a manner adverse to Parent or MergerSub, the Company Recommendation or otherwise take any action or make any statement in connection with the Transactions that is inconsistent with the Company Recommendation, (ii) approve, endorse or recommend, or resolve to or publicly propose to approve, endorse or recommend, any Acquisition Proposal (any of the foregoing actions in clauses (i) and (ii), a "Change of Recommendation") or (iii) adopt or recommend, or publicly propose to adopt or recommend, or allow the Company or any of the Company Subsidiaries to execute or enter into, any binding or non-binding letter of intent, agreement in principle, memorandum of understanding, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other agreement, commitment, arrangement or understanding contemplating or otherwise in connection with, or that is intended to or would reasonably be expected to lead to, any Acquisition Proposal (other than an Acceptable Confidentiality Agreement referred to in Sections 5.03(a) and (c)). Notwithstanding the foregoing, the Company Board may prior to the Offer Closing (A) in response to information obtained after the date of this Agreement and that was not reasonably capable of being known by the Company Board as of the date of this Agreement, make a Change of Recommendation if the Company Board determines in good faith, after consultation with the Company's outside legal counsel, that the failure of the Company Board to effect a Change of Recommendation would be reasonably likely to be inconsistent with the directors' fiduciary duties to the Company's stockholders under applicable Law or (B) in response to a Superior Proposal received by the Company after the date of this Agreement and in the absence of any violation of this Section 5.03 relating thereto, cause the Company to terminate this Agreement pursuant to Section 8.01(h) and concurrently with such termination cause the Company to enter into a definitive agreement with respect to such Superior Proposal, subject to satisfaction of its obligations under Section 8.03, if the Company Board determines in good faith, after consultation with the Company's outside legal counsel, that the failure to do so would be reasonably likely to be inconsistent with the directors' fiduciary duties to the Company's stockholders under applicable Law; provided, however, that the Company Board shall not be entitled to effect a Change of Recommendation or exercise its right to terminate this Agreement pursuant to Section 8.01(h) until after the fourth Business Day following Parent's receipt of written notice (a "Section 5.03(e) Notice") (it being understood and agreed that a Section 5.03(e) Notice, any resolution or determination of the Company Board to make a Section 5.03(e) Notice or negotiations with Parent relating thereto as provided below in this Section 5.03(e) shall not be deemed to constitute a Change of Recommendation) from the Company advising Parent that the Company Board intends to make a Change of Recommendation or terminate this Agreement pursuant to Section 8.01(h) and specifying the reasons therefor, including, if the basis of the proposed action by the Company Board is a Superior Proposal, the terms and conditions of any Superior Proposal and a copy of the proposed transaction agreement for any such Superior Proposal in the form to be entered into (it being understood and agreed that, in the event of an amendment to the financial terms or other material terms of such Superior Proposal, the Company Board shall not be entitled to exercise such right based on such Superior Proposal, as so amended, until after the second full Business Day following Parent's receipt of a new Section 5.03(e) Notice from the Company with respect

to such Superior Proposal as so amended). In determining whether to terminate this Agreement in response to a Superior Proposal or to make a Change of Recommendation, the Company Board shall take into account any proposals made by Parent to amend the terms of this Agreement, shall cause the Company's financial adviser and legal counsel to negotiate in good faith with Parent regarding any such proposals and shall not make a Change of Recommendation or terminate this Agreement unless, prior to the effectiveness of such Change of Recommendation or termination, the Company Board, after considering the results of any such negotiations and any revised proposals made by Parent, concludes that it continues to meet the requirements to make a Change of Recommendation under clause (A) above and/or that the Superior Proposal giving rise to the Section 5.03(e) Notice continues to be a Superior Proposal and that it continues to meet the requirements to terminate this agreement under clause (B) above.

(f) Nothing contained in this Section 5.03 shall prohibit the Company from complying with Rule 14e-2 and Rule 14d-9 promulgated under the Exchange Act with respect to an Acquisition Proposal that constitutes a tender offer or exchange offer so long as the requirements set forth in this Section 5.03 are satisfied, provided that such rules shall in no way eliminate or modify the effect that any action pursuant to such rules may otherwise have under this Agreement (including any such action which may constitute a Change of Recommendation, it being understood that a statement made pursuant to this Section 5.03(f) other than issuance by the Company of a "stop, look and listen" or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act that does not expressly reaffirm the Company Recommendation shall be deemed a Change of Recommendation).

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.01 Appropriate Action; Consents; Filings. Upon the terms and subject to the conditions set forth in this Agreement, the Company, Parent and MergerSub shall each use reasonable best efforts to as promptly as reasonably practicable: (a) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate and make effective the Transactions; (b) obtain all Permits, waivers or authorizations required under Law (including all rulings and approvals of Governmental Authorities and consents from parties to Contracts) in connection with the authorization, execution, and delivery of this Agreement and the consummation by them of the Transactions, including the Offer and the Merger; (c) defend any proceeding challenging this Agreement or the consummation of the Transactions, including seeking to have any stay or temporary restraining order vacated or reversed; and (d) make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement and the Merger required under the HSR Act or required under any Foreign Antitrust Laws; provided, that Parent and the Company shall cooperate with each other in connection with the making of all such filings, including providing copies of all such documents to the non-filing party and its advisors prior to filing and, if requested, to accept all reasonable additions, deletions, or changes suggested in connection therewith. The Company and Parent shall furnish all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable Law in connection with the Transactions. Without limiting the foregoing, each of

the parties shall use reasonable best efforts to (i) make or cause to be made the applications or filings required to be made by Parent, MergerSub or the Company or any of their respective Subsidiaries under or with respect to the HSR Act in connection with the authorization, execution and delivery of this Agreement and the consummation of the Merger and the other Transactions as promptly as is reasonably practicable, and in any event within 10 Business Days after the date of this Agreement, and concurrently with such filing or as soon as practicable thereafter, request early termination of the waiting period under the HSR Act, (ii) comply at the earliest practicable date with any request under or with respect to the HSR Act or Foreign Antitrust Laws for additional information, documents or other materials received by Parent or the Company or any of their respective Subsidiaries from the Federal Trade Commission or the Department of Justice or any other Governmental Authority in connection with such applications or filings or the Transactions and (iii) reasonably coordinate and cooperate with each other party in the making of any applications or filings (including furnishing any information the other party may require in order to make any such application or filing), or obtaining any approvals, required in connection with the Transactions under the HSR Act or Foreign Antitrust Laws. Notwithstanding anything contained herein, Parent shall have the right to take the lead in any communications or meetings with, and any dealings with, any third Person or Governmental Authority in connection with obtaining any such approvals, consents, Orders, exemptions or waivers, and the Company shall not take any actions, including entering into any agreements, arrangements or understandings, in connection therewith without the prior written consent of Parent. Each Party hereto shall promptly inform the other of any communication from any Governmental Authority regarding any of the Transactions unless otherwise prohibited by Law. Notwithstanding anything to the contrary contained herein, in connection with the receipt of any necessary approvals under the HSR Act or any Foreign Antitrust Laws, neither Parent nor the Company shall be required to divest or hold separate or otherwise take or commit to take any action that limits Parent's or the Company's freedom of action with respect to, or their ability to retain, any of the businesses, product lines, or properties of the Company or Parent, except for any such action as would be immaterial to Parent, the Company or the economic or business benefits of the Transactions to Parent.

SECTION 6.02 Notification of Certain Matters. The Company shall give prompt notice to Parent after obtaining Knowledge of the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which, as the case may be, would be reasonably likely to cause any condition set forth in Section 7.01 or Annex I to not be satisfied at any time as a result of any representation or warranty of the Company contained in this Agreement being untrue or inaccurate in any material respect or any failure of the Company to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder. Parent shall give prompt notice to the Company after obtaining Knowledge of the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which, as the case may be, would be reasonably likely to have, individually or in the aggregate, a Parent Material Adverse Effect as a result of any representation or warranty of Parent or MergerSub contained in this Agreement being untrue or inaccurate in any material respect or any failure of Parent or MergerSub to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 6.02 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice or the representations or warranties or covenants of the parties or the conditions to the obligations of the parties hereunder.

SECTION 6.03 Public Announcements. The parties shall issue a joint press release, mutually acceptable to the Company and Parent, promptly after the date hereof. Thereafter, Parent and the Company shall consult with each other before issuing any press release or otherwise making any public statements with respect to the Offer, the Merger or any other Transactions and shall not issue any such press release or make any such public statement prior to such consultation and with mutual consent of both Parent and the Company, except as may be required by Law or any listing agreement with NASDAQ or the rules of a securities exchange or trading market, in which case the party required to make the release or announcement shall use its reasonable best efforts to provide the other party with a reasonable opportunity to review and comment on such release or announcement in advance of its issuance; provided, however, that the Company will no longer be required to obtain the prior consent of or consult with Parent in connection with any such press release or public announcement if the Company Board has effected a Change of Recommendation.

SECTION 6.04 Employee Matters.

(a) For a period of one year following the Effective Time, Parent shall cause the Surviving Corporation and each Company Subsidiary to provide to those individuals employed by the Surviving Corporation or by one or more of the Company Subsidiaries as of the Effective Time (each, a "Retained Employee" and collectively, the "Retained Employees") salary and benefits under employee benefit plans (other than defined benefit pension plans, plans providing for retiree medical benefits, incentive pay plans, plans that provide equity-based compensation and plans that provide for payments or benefits upon a change in control) which are substantially no less favorable in the aggregate than the benefits provided by the Company and any Company Subsidiary to Retained Employees under the Employee Benefit Plans listed in Section 3.10(a) of the Company Disclosure Schedule as in effect immediately before the Effective Time (excluding defined benefit pension plans, plans providing for retiree medical benefits, incentive pay plans, plans that provide equity-based compensation and plans that provide for payments or benefits under a change in control); provided, however, that Retained Employees covered by a collective bargaining agreement shall not be subject to the foregoing sentence, but shall be subject to the applicable collective bargaining agreement.

(b) Effective upon the Effective Time, to the extent any employee benefit plan, program, or policy of Parent or Parent Subsidiary is made available to the Retained Employees: (i) service with the Company or its Subsidiaries (to the same extent such service is recognized under analogous plans, programs or arrangements of the Company or its affiliates prior to the Closing) by any Retained Employee immediately prior to the Effective Time shall be credited in determining such employee's eligibility, vesting and benefit levels, provided, however, that (x) such crediting of service shall not operate to duplicate any benefit or the funding of such benefit under any plan, or (y) require the crediting of past service for benefit accrual purposes under any defined benefit pension plan and (ii) with respect to any welfare benefit plans in which such Retained Employees may become eligible to participate, Parent shall cause such plans to provide credit for any co-payments or deductibles by such employees paid in respect of the plan year in which the Closing occurs, to the extent that, following the Closing, they participate in any other plan for which deductibles or co-payments are required and waive any pre-existing condition exclusions which were waived under the terms of any Employee Benefit Plan immediately prior to the Closing and waiting periods, other than waiting periods

that have not been satisfied under any welfare plans maintained by the Company for Retained Employees prior to the Effective Time. The requirement of this Section 6.04(b) shall not apply to any Retained Employee covered by a collective bargaining agreement, it being understood that the terms of the applicable collective bargaining agreement covering each such Retained Employee shall apply.

(c) Nothing in this Section 6.04, whether express or implied, shall (i) confer any rights upon any or remedies of any kind or description upon any Retained Employee or any other Person other than the Company and Parent and their respective successors and permitted assigns; (ii) constitute or create an employment agreement or otherwise contravene any employment-at-will relationship; (iii) constitute or be treated as an amendment, waiver, modification or adoption of any Employee Benefit Plan; (iv) prevent the amendment, modification or termination of any Employee Benefit Plan or interfere with the right or obligation of Parent or its affiliates to make such changes to the foregoing as are necessary to conform with applicable Law; or (v) limit the right of Parent, the Surviving Corporation, the Company or any of their respective affiliates to terminate the employment of any employee at any time or require Parent, the Surviving Corporation or any of their Subsidiaries to continue to employ any Retained Employees for any period of time following the Effective Time or otherwise to treat any such employee on any basis other than as an employee-at-will.

(d) The Company shall not, during the period prior to the Effective Time, make any written or other communication to its employees relating to employee, compensation or benefits without the prior approval of Parent, which approval shall not be unreasonably withheld, delayed or conditioned.

(e) Parent agrees to cause the Surviving Corporation to expressly assume those Employee Benefit Plans listed on Section 6.04(e) of the Company Disclosure Schedule.

(f) Prior to the Closing, the Company and all Company Subsidiaries, as applicable, shall fully comply with all notice, consultation, effects bargaining or other bargaining obligations to any labor union, labor organization, works council or group of employees of the Company and its Subsidiaries in connection with the Transactions. In connection with the foregoing, the Company, on behalf of itself and all Company Subsidiaries, shall periodically consult with Parent and keep Parent informed.

SECTION 6.05 Indemnification, Exculpation and Insurance.

(a) Each of Parent, MergerSub and the Surviving Corporation agrees that all rights to indemnification, advance and reimbursement of expenses, or exculpation existing in favor of, and all limitations on the personal liability of, each present and former director or officer of the Company with respect to acts or omissions arising on or before the Effective Time provided for in its Organizational Documents or in Contracts in effect as of the date hereof and disclosed to Parent shall continue in full force and effect after the Effective Time. From and after the Effective Time, Parent shall cause the Surviving Corporation to comply with their obligations that correspond to such rights.

(b) For a period of six years from the Effective Time, Parent shall cause to be maintained in effect the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by the Company with respect to acts or omissions arising on or before the Effective Time; provided, however, that Parent may substitute therefor policies of substantially equivalent coverage and amounts containing terms no less favorable to such directors or officers; provided further, however, that, after the Effective Time, Parent shall not be required to pay annual premiums in excess of 250% of the last annual premium for the Company's existing policies in respect of the coverages required to be obtained pursuant hereto (which annual premium is set forth on Section 6.05(b) of the Company Disclosure Schedule), but in such case shall purchase as much coverage as may be purchased for such amount. The Company may purchase, prior to the Offer Closing Date, or Parent may purchase or cause the Company to purchase, prior to the Effective Time, a six-year prepaid "tail" policy on terms and conditions providing substantially equivalent benefits as the current policies of directors' and officers' liability insurance and fiduciary liability insurance maintained by the Company with respect to acts or omissions occurring at or before the Effective Time, covering without limitation the Transactions; provided that the cost of such "tail" policy purchased by the Company prior to the Offer Closing Date shall not exceed 250% of the last annual premium paid by the Company for directors' and officers' liability insurance and fiduciary liability insurance. If such "tail" prepaid policy has been obtained, from and after the Effective Time Parent shall cause such policy to be maintained in full force and effect, for its full term, and cause all obligations thereunder to be honored by the Surviving Corporation, and no other party shall have any further obligation to purchase or pay for insurance hereunder.

(c) In the event Parent or the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, assume the applicable obligations set forth in this section.

(d) The provisions of this Section 6.05 (i) are intended to be for the benefit of, and will be enforceable by, each director, officer or other Person referred to herein, his or her heirs and his or her Representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by Contract or otherwise.

SECTION 6.06 Exemption from Liability Under Section 16(b). Prior to the Effective Time, the Company shall take all reasonable steps as may be required to cause the transactions contemplated by Section 2.14 and any other dispositions of Company equity securities (including derivative securities) in connection with this Agreement by each individual who is a director or officer of the Company subject to Section 16 of the Exchange Act to be exempt under Rule 16b-3 promulgated under the Exchange Act.

SECTION 6.07 Approval of Compensation Arrangements. If the Company enters into, adopts, amends, modifies or terminates any Arrangements, including the New Employment Agreements to which it is a party, with Covered Securityholders, all such amounts payable under such Arrangements (i) shall be paid or granted as compensation for past services

performed, future services to be performed, or future services to be refrained from performing, by the Covered Securityholders (and matters incidental thereto) and (ii) shall not be calculated based on the number of shares of Company Common Stock tendered or to be tendered into the Offer by the applicable Covered Securityholder. Moreover, the Company shall take all actions necessary so that, prior to the Expiration Date: (i) the adoption, approval, amendment or modification of each such Arrangement, including the New Employment Agreements to which it is a party, shall be approved as an employment compensation, severance or other employee benefit arrangement solely by independent directors of the Company in accordance with the requirements of Rule 14d-10(d)(2) under the Exchange Act and the instructions thereto and (ii) the "safe harbor" provided pursuant to Rule 14d-10(d)(2) is otherwise applicable thereto as a result of the taking prior to the Expiration Date of all necessary actions by the Company Board, the Compensation Committee of such Company Board or its "independent directors" as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

SECTION 6.08 Third Party Standstill Agreements During the period from the date of this Agreement through the Effective Time, the Company shall enforce to the fullest extent permitted under applicable Law (including obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court or other tribunal having jurisdiction) and shall not terminate, amend, modify or waive any standstill provision of any confidentiality or standstill agreement between the Company and other parties; provided, however, (a) from the date of this Agreement until the No-Shop Period Start Date, the Company may grant any such waiver solely to the extent necessary to permit any counterparty to any such agreement to make non-public submissions of Acquisition Proposals or amendments thereto to the Company Board prior to the No-Shop Period Start Date and (b) at any time from the date of this Agreement to the Offer Closing, the Company may grant any such waiver if the Company Board determines in good faith, after consultation with the Company's outside legal counsel, that the failure of the Company Board to grant such waiver would be reasonably likely to be inconsistent with the directors' fiduciary duties to the Company's stockholders under applicable Law. The Company shall provide written notice to Parent of the waiver or release of any standstill by the Company. The Company shall not, and shall not permit any of its Representatives to, enter into any confidentiality agreement subsequent to the date of this Agreement which does not expressly permit, or which contains any provision that adversely affects the rights of the Company under such confidentiality agreement upon, compliance by the Company with any provision of this Agreement.

SECTION 6.09 State Takeover Laws. From the date of this Agreement until the Closing or the earlier termination of this Agreement in accordance with its terms, the Company will not take any action that would cause the Transactions to be subject to requirements imposed by any Takeover Law. If any Takeover Law becomes or is deemed to become applicable to the Company or the Transactions, then the Company Board shall take all actions necessary to render such Takeover Law inapplicable to the foregoing.

SECTION 6.10 Stockholder Litigation. The Company shall give Parent the opportunity to participate in the defense or settlement of any stockholder litigation against the Company and/or its directors or executive officers relating to the Transactions, whether commenced prior to or after the execution and delivery of this Agreement. The Company agrees that it shall not settle or offer to settle any litigation commenced prior to or after the date of this

Agreement against the Company or any of its directors or executive officers by any stockholder of the Company relating to this Agreement, the Offer, the Merger, any other Transaction or otherwise, without the prior written consent of Parent.

SECTION 6.11 Financial Information and Cooperation. During the period prior to the Effective Time, the Company shall provide to Parent consolidated monthly financial statements and its complete monthly internal financial reporting package no later than 20 calendar days following the end of each fiscal month. The Company shall use, and shall cause its Representatives to use, their reasonable best efforts to cooperate and assist Parent and MergerSub with respect to the arrangement of Parent's financing (the "Financing"). Further, the Company shall provide, and shall cause the Representatives of the Company to provide, all reasonable cooperation in connection with the arrangement and consummation of the Financing, including (a) promptly providing to Parent's or MergerSub's financing sources all material financial and other pertinent information with respect to the Company and the Transactions reasonably requested by Parent, including information and projections prepared by the Company relating to the Company and the Transactions, (b) causing the Company's senior officers and other Representatives to be reasonably available to Parent's or MergerSub's financing sources in connection with such Financing, to participate in due diligence sessions, meetings and drafting sessions and to participate in presentations related to the Financing, including presentations to rating agencies, (c) assisting, and using its reasonable best efforts to cause its Representatives to assist, in the preparation of one or more appropriate offering documents (including the preparation of pro forma financial statements meeting the requirements of SEC Regulation S-X) and assisting Parent's or MergerSub's financing sources in preparing and delivering other appropriate marketing and closing materials, in each case to be used in connection with the Financing, (d) reasonably cooperating with the marketing efforts of Parent and its financing sources for any of the Financing, (e) providing and executing documents as may be reasonably requested by Parent, including a certificate of the chief financial officer of the Company with respect to solvency matters and assisting Parent in obtaining comfort letters of the Company's accountants, consents of the Company's accountants for use of their reports in any materials relating to the Financing, and legal opinions of the Company's counsel, and (f) reasonably facilitating the pledge of the Company's assets as collateral. The Company hereby consents to the use of its and its Subsidiaries' logos in connection with the Financing. Parent (i) acknowledges and agrees that the Company, the Company Subsidiaries and their respective Representatives shall not incur any Liability to any Person prior to Effective Time under the Financing and (ii) shall indemnify and hold harmless the Company, the Company Subsidiaries and their respective Representatives from and against any and all losses, damages, claims, costs or reasonable expenses suffered or incurred by any of them in connection with the arrangement of the Financing and any information used in connection therewith, except (A) with respect to any information provided by the Company or any of the Company Subsidiaries in writing for inclusion in customary offering documents and any historical financial information relating to the Company or the Company Subsidiaries contained in any Company SEC Documents and (B) for any of the foregoing to the extent the same is the result of willful misconduct or bad faith of the Company, any Company Subsidiary or their respective Representatives.

SECTION 6.12 Stock Exchange De-listing; Deregistration. Prior to the Closing Date, the Company shall cooperate with Parent and use reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, necessary, proper or

advisable on its part under applicable Laws and rules and policies of NASDAQ to cause the delisting of the Company and of the Company Common Stock from NASDAQ as promptly as practicable after the Effective Time and the deregistration of the Company Common Stock under the Exchange Act as promptly as practicable after such delisting. Prior to April 15, 2011, the Company shall amend its annual report on Form 10-K for the year ended December 31, 2010 to include the information required to be set forth in Part III thereof without reliance on incorporation by reference to the Company's proxy statement for its 2011 annual meeting of stockholders.

ARTICLE VII

CONDITIONS

SECTION 7.01 Conditions to Obligation of Each Party to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of each of the following conditions, any and all of which may be waived in whole or in part by Parent, MergerSub and the Company, as the case may be, to the extent permitted by applicable Law:

(a) Stockholder Approval. The Required Company Stockholder Vote shall have been obtained, if required pursuant to the requirements of the DGCL.

(b) Acceptance of Shares. MergerSub shall have accepted for payment all shares of Company Common Stock validly tendered and not validly withdrawn pursuant to the Offer.

(c) No Law or Order. No Law shall have been enacted or promulgated by any Governmental Authority which prohibits consummation of the Merger, and no Governmental Authority shall have issued any Order (whether temporary, preliminary, or permanent) which prohibits consummation of the Merger.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.01 Termination. This Agreement may be terminated and the Offer, the Merger and the other Transactions may be abandoned at any time prior to the Effective Time, whether before or after the Required Company Stockholder Vote has been obtained, upon written notice (other than in the case of Section 8.01(a) below) from the terminating party to the nonterminating party specifying the subsection of this Section 8.01 pursuant to which such termination is effected:

(a) by mutual written consent of Parent, MergerSub and the Company;

(b) by Parent, prior to the Offer Closing, if the Company shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in clause (d) or (e) of Annex I and (B) is incapable

of being cured by the Company by the date that is 20 Business Days after such breach or failure or, if capable of being cured by the Company by such date, the Company does not commence to cure such breach or failure within 10 Business Days after its receipt of written notice thereof from Parent and diligently pursue such cure thereafter;

(c) by the Company, prior to the Offer Closing, if (i) (A) Parent or MergerSub shall have breached any of its representations or warranties which breach (1) would result in any of the representations or warranties of Parent and MergerSub in Section 4.01 of this Agreement that is qualified as to "Parent Material Adverse Effect" not being true and correct in all respects or any such representation or warranty that is not so qualified as to "Parent Material Adverse Effect" not being true and correct in all material respects or (2) would result in any other representation and warranty of Parent and MergerSub in Article IV of this Agreement (without giving effect to any qualification as to "materiality" or "Parent Material Adverse Effect" qualifiers set forth therein) not being true and correct in all respects, except where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect or (B) Parent or MergerSub shall have breached or failed, in any material respect, to perform or comply with any of its agreements or covenants to be performed or complied with by it under this Agreement and (ii) such breach or failure to perform or comply is incapable of being cured by Parent or MergerSub by the date that is 20 Business Days after such breach or failure or, if capable of being cured by Parent or MergerSub by such date, Parent or MergerSub does not commence to cure such breach or failure within 10 Business Days after its receipt of written notice thereof from the Company and diligently pursue such cure thereafter;

(d) by either Parent or the Company if an Order shall have been entered permanently restraining, enjoining or otherwise prohibiting the consummation of the Offer, the Merger or the Transactions, and such Order shall have become final and non-appealable;

(e) by either Parent or the Company if (i) the Offer has not been consummated on or before September 10, 2011 (the "Termination Date") and (ii) the party seeking to terminate this Agreement pursuant to this Section 8.01(e) shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately caused or resulted in the failure of the Offer to have been consummated by such date;

(f) by either Parent or the Company if (i) the Offer shall have expired (taking into account any extensions as provided herein) or been terminated without any shares of Company Common Stock being purchased therein and (ii) the party seeking to terminate this Agreement pursuant to this Section 8.01(f) shall not have breached in any material respect any of its obligations under this Agreement in any manner that shall have proximately caused or resulted in the failure of the Offer to have been consummated;

(g) by Parent, prior to the Offer Closing, if (i) the Company Board or any committee thereof shall have effected a Change of Recommendation (whether or not in compliance with Section 5.03), (ii) after the No-Shop Period Start Date (or if later, the date after which there ceases to be an Excluded Party or Extension Excluded Party), the Company Board or any committee thereof shall have failed to publicly affirm the Company Recommendation within

three (3) Business Days of a request in writing to do so by Parent following the public announcement or public disclosure of an Acquisition Proposal, (iii) the Company shall fail to include the Company Recommendation in the Schedule 14D-9, or (iv) there is a Willful and material breach by the Company of its obligations under Section 5.03 (each of clauses (i)—(iv), a "Triggering Event");

(h) by the Company, prior to the Offer Closing, if the Company Board determines to enter into a definitive agreement providing for a Superior Proposal pursuant to and in compliance with Section 5.03 (including the payment to Parent of the Termination Fee concurrently with such termination in accordance with Section 8.03); or

(i) by the Company if (i) (A) in violation of Section 1.01, MergerSub fails to commence the Offer or (B) MergerSub, in violation of the terms of this Agreement, fails to accept for payment and to purchase any validly tendered shares of Company Common Stock pursuant to the Offer, (ii) the Company shall not have breached in any material respect any of its obligations under this Agreement in any manner that shall have proximately caused or resulted in the failure of the Offer to have been commenced or consummated by such date, as applicable and (iii) such violation and failure to perform is not cured within 2 Business Days after Parent's receipt of written notice thereof from the Company.

SECTION 8.02 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.01, this Agreement shall forthwith become void, except that the provisions of Section 5.02(b), this Section 8.02, Section 8.03 and Article IX shall survive any such termination, and there shall be no Liability on the part of any party hereto or their respective directors, officers, employees or stockholders; provided, however, that nothing herein shall relieve any party from any Liability for any Willful and material breach by such party of any of its representations, warranties, covenants or agreements set forth in this Agreement and all rights and remedies of such non-breaching party under this Agreement in the case of such a Willful and material breach, at law or in equity, shall be preserved.

SECTION 8.03 Termination Fee.

(a) Anything to the contrary notwithstanding, if this Agreement is terminated:

(i) by Parent pursuant to Section 8.01(g);

(ii) by the Company pursuant to Section 8.01(h); or

(iii) (A) (1) by Parent or the Company pursuant to Section 8.01(e), (2) by Parent or the Company pursuant to Section 8.01(f) in circumstances where the Offer shall have expired (taking into account any extensions as provided herein) or been terminated without any shares of Company Common Stock being purchased therein as a result of the failure to satisfy the Minimum Condition or (3) by Parent pursuant to Section 8.01(b) and (B) (1) an Acquisition Proposal shall have been publicly made or publicly disclosed or any Person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal prior to such termination and (2) within 12 months

after the termination of this Agreement, an Acquisition Transaction is consummated or a definitive agreement is entered into by the Company providing for an Acquisition Transaction,

then in each such case the Company shall pay Parent (or MergerSub, as directed by Parent) the Termination Fee. As used herein, the "Termination Fee" shall mean a cash amount equal to $20,940,000; except in the event that this Agreement is terminated by the Company pursuant to Section 8.01(h) (I) prior to the No-Shop Period Start Date or (II) after the No-Shop Period Start Date and prior to the Cut-off Date, to enter into a definitive agreement with an Excluded Party or Extension Excluded Party, in either case (I) or (II), the "Termination Fee" shall mean a cash amount equal to $11,280,000.

(b) If the Termination Fee becomes payable, the Company shall make payment by wire transfer of immediately available funds to an account designated in writing by Parent. The Termination Fee shall be paid within one (1) Business Day after termination of this Agreement in the case of the occurrence of any event described in clause (i) of Section 8.03(a) above, concurrently with the termination of this Agreement in the case of the occurrence of any event described in clause (ii) of Section 8.03(a) above, and upon the date the Acquisition Transaction is consummated in the case of the occurrence of any event described in clause (iii) of Section 8.03(a) above. For the avoidance of doubt, in no event shall the Company be obligated to pay the Termination Fee on more than one occasion. Except to the extent required by applicable Law, the Company shall not withhold any withholding Taxes on any payment under this Section 8.03.

(c) The Company acknowledges that the agreements contained in Section 8.03 are an integral part of the Transactions, and that, without these agreements, Parent would not enter into this Agreement. If the Company shall fail to pay the Termination Fee when due, the Termination Fee shall be deemed to include the out-of-pocket costs and expenses incurred by Parent (including reasonable fees and expenses of counsel) in connection with the collection under and enforcement of this Section 8.03, together with interest on such unpaid Termination Fee, commencing on the date that the Termination Fee became due, at a rate equal to the rate of interest publicly announced by Bank of America from time to time as such bank's prime rate plus two percent (2%).

SECTION 8.04 Amendments. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective Boards of Directors at any time prior to the Effective Time; provided, however, that after approval of the Merger by the stockholders of the Company, no amendment may be made which would (a) reduce the amount or change the type of consideration into which each share of Company Common Stock shall be converted pursuant to this Agreement upon consummation of the Merger or (b) alter or change any of the terms or conditions of this Agreement if any of such alterations or changes, alone or in the aggregate, would require approval of the Company's stockholders under the DGCL. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 8.05 Waiver. At any time prior to the Effective Time, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties contained

herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby. The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or demand such compliance.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.01 Non-Survival of Representations and Warranties. None of the representations and warranties in this Agreement shall survive the Effective Time.

SECTION 9.02 Notices. Each notice, request, demand or other communication under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States, return receipt requested, then such communication shall be deemed duly given and made upon receipt; (b) if sent by nationally recognized overnight air courier (such as DHL or Federal Express), then such communication shall be deemed duly given and made two (2) Business Days after being sent; (c) if sent by facsimile transmission or by electronic mail before 5:00 p.m. (New York City time) on any Business Day, then such communication shall be deemed duly given and made when receipt is confirmed; (d) if sent by facsimile transmission or by electronic mail on a day other than a Business Day and receipt is confirmed, or if sent after 5:00 p.m. (New York City time) on any Business Day and receipt is confirmed, then such communication shall be deemed duly given and made on the Business Day following the date which receipt is confirmed; and (e) if otherwise actually personally delivered to a duly authorized representative of the recipient, then such communication shall be deemed duly given and made when delivered to such authorized representative; provided that, in all cases, such notices, requests, demands and other communications are delivered to the parties at the following addresses or telecopier numbers (or at such other address or telecopier numbers for a party as shall be specified by like notice):

(a) If to Parent or MergerSub:

Tomy Company, Ltd.
Attention: Kantaro Tomiyama
7-9-10 Tateishi, Katsushika-ku
Tokyo 124-8511, Japan
Telecopier: (03) 5654-1318
E-Mail: tomiyama@takaratomy.co.jp

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Attention: Nobuhisa Ishizuka

Izumi Garden Tower, 21st Floor
1-6-1, Roppongi, Minato-ku, Tokyo, 106-6021
Telecopier: +81.3.3568-2626
E-Mail: Nobuhisa.Ishizuka@skadden.com

Skadden, Arps, Slate, Meagher & Flom LLP
Attention: Richard C. Witzel, Jr.
155 N. Wacker Drive, Suite 3500
Chicago, IL 60606
Telecopier: (312) 407-0411
E-Mail: Richard.Witzel@skadden.com

(b) If to Company:

RC2 Corporation
Attention: Curtis W. Stoelting
1111 West 22nd Street, Suite 320
Oak Brook, Illinois 60523
Telecopier: (630) 573-7578
E-Mail: cwstoelting@rc2corp.com

With a copy to:

Reinhart Boerner Van Deuren s.c.
Attention: James M. Bedore, Esq.
1000 North Water Street, Suite 1700
Milwaukee, WI 53202
Telecopier: (414) 298-8097
E-Mail: jbedore@reinhartlaw.com

SECTION 9.03 Certain Definitions. For purposes of this Agreement, the term:

"Acceptable Confidentiality Agreement" shall mean any confidentiality and standstill agreement that contains provisions no less favorable to the Company than those contained in the Confidentiality Agreement (it being understood that such confidentiality agreement need not prohibit the non-public submission of Acquisition Proposals or amendments thereto to the Company Board prior to the No-Shop Period Start Date); provided that such confidentiality and standstill agreement shall expressly permit, and shall not contain any provision that adversely affects the rights of the Company thereunder upon, compliance by the Company with any provision of this Agreement.

"Acquisition Proposal" shall mean any offer or proposal that relates to any Acquisition Transaction.

"Acquisition Transaction" shall mean any transaction or series of transactions, other than the Offer and the Merger contemplated by this Agreement, directly or indirectly involving: (i) any merger, consolidation, reorganization, amalgamation, share exchange, business

combination, recapitalization, dissolution, liquidation or other similar transaction involving the Company (A) in which a Person directly or indirectly acquires beneficial or record ownership of securities representing 15% or more of the outstanding shares of Company Common Stock or (B) in which the Company issues securities representing 15% or more of the outstanding shares of Company Common Stock, (ii) any sale, lease, exchange, transfer, license or other disposition of any business or businesses or assets (including any equity securities of any Company Subsidiary) which constitute 15% or more of the net revenues, net income or assets of the Company and the Company Subsidiaries, taken as a whole, or (iii) any sale, purchase, tender offer, exchange offer or other acquisition that, if consummated, would result in any Person beneficially owning 15% or more of any class of equity or voting securities of the Company.

"beneficially owned" or "beneficial ownership" with respect to any securities shall mean having "beneficial ownership" of such securities as determined pursuant to Rule 13d-3 under the Exchange Act.

"Business Day" shall mean any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings or, in the case of determining a date on which payment is due, any day on which banks are not required or authorized by applicable Law to close in New York, New York or Tokyo, Japan.

"Change in Control Contract" shall mean any Contract which provides for termination, acceleration of payment or other special rights upon the occurrence of a change in control of the Company.

"Claim" shall mean any claim, demand, cause of action, investigation, inquiry, suit, action, charge or legal, administrative, arbitrative or other proceeding.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company Common Stock" shall mean shares of common stock, par value $0.01 per share, of the Company.

"Company Disclosure Schedule" shall mean the disclosure schedule delivered by the Company to Parent and MergerSub concurrently with the execution of this Agreement.

"Company Material Adverse Effect" shall mean any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence that individually or in the aggregate with all other changes, events, developments, effects, conditions, actions, violations, inaccuracies, circumstance or occurrences, is (a) materially adverse to the business, financial condition, results of operations, assets or Liabilities of the Company and the Company Subsidiaries, taken as a whole, or (b) has prevented, or is reasonably likely to prevent the consummation by the Company of each of the Transactions or the performance of its material obligations under this Agreement, other than, in the case of clause (a) only, changes, events, developments, effects, conditions, actions, violations, inaccuracies, circumstances or occurrences arising out of or resulting from (i) general changes in conditions in the United States economy or capital or financial markets, (ii) general changes in the businesses and industries in which the Company and the Company Subsidiaries operate, (iii) acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as

of the date of this Agreement, (iv) changes in Law or GAAP, or any interpretation thereof, (v) (A) the announcement or pendency of this Agreement or the Transactions (including any impact on or disruptions in relationships with customers, suppliers, licensors, dealers, employees or other similar relationships), (B) the failure by the Company to obtain any consent set forth on Section 3.05(a) or 3.05(b) of the Company Disclosure Schedule after the Company has satisfied its obligations under Section 6.01 with respect to such consent or (C) any actions taken pursuant to (and required by) Section 5.01 of this Agreement or the failure to take any actions due to restrictions set forth in Section 5.01 of this Agreement, (vi) any failure, in and of itself, to meet financial projections, forecasts, estimates or budgets, provided that the exception in this clause shall not exclude a determination that a change, event, development, effect, condition, action, effect, violation, inaccuracy, circumstance or occurrence underlying such failure has resulted in, or would reasonably be expected to result in, a Company Material Adverse Effect, or (vii) any change in prices or trading volume of the Company Common Stock, provided that the exception in this clause shall not exclude a determination that a change, event, development, effect, violation, inaccuracy, circumstance or occurrence underlying such change in prices or trading volume has resulted in, or would reasonably be expected to result in, a Company Material Adverse Effect; except in the cases of clauses (i), (ii), (iii) and (iv), to the extent the Company and the Company Subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the businesses and industries in which the Company and the Company Subsidiaries operate.

"Company Options" shall mean any outstanding options to purchase shares of Company Common Stock granted under any of the Company Stock Plans.

"Company Restricted Stock" shall mean any outstanding shares of restricted stock granted under any of the Company Stock Plans.

"Company RSUs" shall mean any outstanding restricted stock units (including performance-based restricted stock units) granted under any of the Company Stock Plans.

"Company SARs" shall mean any outstanding stock appreciation rights (whether cash-settled or stock-settled) granted under any of the Company Stock Plans.

"Company Stock Plans" shall mean the Company's 2005 Stock Incentive Plan, the Racing Champions Ertl Corporation Stock Incentive Plan and any predecessor plans thereto and each other equity compensation plan pursuant to which outstanding equity-based awards are held by employees or directors of or other service providers to the Company or its Subsidiaries.

"Company Stock Rights" shall mean any outstanding Company Options, Company RSUs or Company SARs.

"Company Subsidiary" shall mean any Subsidiary of the Company.

"Contract" shall mean any loan or credit agreement, debenture, note, bond, mortgage, indenture, deed of trust, lease, license, contract, arrangement or understanding or other legally binding instrument or agreement, whether written or oral.

"Employee Benefit Plan" shall mean any Pension Plan, Welfare Plan or Fringe Benefit Plan, whether written or oral and whether qualified or non-qualified, and any trust, escrow, or other agreement covering any present or former directors, officers, consultants or employees of the Company or any Company Subsidiary or any of their respective dependents including each loan to any non-officer employee, loans to officers and directors, any current or former offer letter or employment or executive compensation or severance agreement for the benefit of, or relating to, any present of former employee, consultant or director of the Company or any Company Subsidiary, and each plan, program, agreement and arrangement maintained or contributed to for the benefit of, provided to, or otherwise relating to, any current or former director, officer, employee or consultant of the Company or any Company Subsidiary employed in a jurisdiction outside the United States.

"Encumbrance" shall mean any mortgage, security interest, title retention agreement, option to purchase, right of first refusal, lien, Claim, pledge or other encumbrance or restriction of any nature whatsoever.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, complaints, demands, directives, Orders, Claims, Encumbrances, investigations, proceedings or written notices of noncompliance or violation by or from any Person alleging Liability of any kind (including Liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resource damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from (a) the presence of, threat of Release of, Release of or exposure to, any Hazardous Material at any location, and/or (b) the failure to comply with any Environmental Law.

"Environmental Laws" shall mean all applicable federal, state, local and foreign Laws, and binding determinations, orders, Permits, licenses or rulings of any Governmental Authority, relative to or that govern or purport to govern air quality, soil quality, water quality, wetlands, natural resources, solid waste, hazardous waste, hazardous or toxic substances, pollution or the protection of public health, human health or the environment, including the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 *et seq.*, as amended ("CERCLA"), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 the Federal Water Pollution Control Act (33 U.S.C. § 1251, *et seq.*), the Safe Drinking Water Act (42 U.S.C. § 300f, *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, *et seq.*) ("RCRA"), the Clean Air Act (42 U.S.C. § 7401, *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601, *et seq.*), and the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136, *et seq.*).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any entity (whether or not incorporated) which is or was, together with the Company, treated as a single employer under Section 414(b), (c), (m), or (o) of the Code.

"ESPP" shall mean the Company's Employee Stock Purchase Plan, as amended.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, together with the rules and regulations thereunder.

"Excluded Party" shall mean any Person (other than Parent and any of the Parent Subsidiaries) or "group," within the meaning of Section 13 (d) of the Exchange Act (so long as such Person and the other members of such group, if any, who were members of such group immediately prior to the No-Shop Period Start Date constitute at least 80% of the equity financing of such group at all times following the No-Shop Period Start Date and prior to the termination of this Agreement), from whom the Company has received a bona fide written Acquisition Proposal after the execution of this Agreement and prior to the No-Shop Period Start Date that, on or before the No-Shop Period Start Date, the Company Board determines (and provides written notice to Parent of such determination at such time and a summary of the Company Board's reasons for such determination), in good faith, after consultation with the Company's financial advisor and outside legal counsel, constitutes or would reasonably be expected to result in a Superior Proposal, and which Acquisition Proposal has not expired or been terminated, rejected or withdrawn as of the No-Shop Period Start Date.

"Expiration Date" shall mean the expiration date for the Offer (as it may have been extended or re-extended pursuant to this Agreement).

"Extension Excluded Party" shall mean any Excluded Party from whom the Company has received a bona fide written Acquisition Proposal after the execution of this Agreement and prior to 5:00 p.m. (New York City time) on the Extension Excluded Party Notice Date who has remained an Excluded Party at all times up to such time and which Acquisition Proposal, on the Extension Excluded Party Notice Date, the Company Board determines, in good faith, after consultation with the Company's financial advisor and outside legal counsel, constitutes or would reasonably be expected to result in a Superior Proposal.

"Foreign Antitrust Laws" shall mean any Laws (other than the HSR Act) intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization, restraint of trade or harm to or substantial lessening of competition.

"Fringe Benefit Plans" shall mean (i) any fringe benefit plan under Code Sections 125, 127, 129, 132, or 137 and (ii) any bonus, commission, profit sharing, savings, provident funds, education funds, pension funds, manager insurance polices, deferred compensation, incentive compensation, restricted stock, stock option, stock purchase, phantom stock, stock appreciation right, restricted stock unit, other stock-based incentive, supplemental retirement, salary continuation, severance, termination, sabbatical, employee relocation, employment-related change in control benefit or any other fringe benefit plan, program, agreement or arrangement which is not within the meaning of a Pension Plan or Welfare Plan, in each case which is maintained, sponsored or contributed to by the Company or any ERISA Affiliate or under which the Company or any ERISA Affiliate has any Liability.

"Fully-Diluted Basis" shall mean the outstanding shares of Company Common Stock assuming conversion or exercise of all derivative securities, but excluding the shares of Company Common Stock subject to the Top-Up Option.

"GAAP" shall mean generally accepted accounting principles in the United States.

"Governmental Authority" shall mean any government, judicial or arbitral body, regulatory or administrative agency, commission or authority, securities exchange (including NASDAQ), or other governmental or regulatory authority, agency or instrumentality, whether federal, state or local, domestic, foreign or multinational.

"Hazardous Materials" shall mean hazardous substances as that term is defined in CERCLA, solid waste, hazardous waste and any other individual or class of pollutants, contaminants, toxins, chemicals, substances, wastes or materials in their solid, liquid or gaseous phase, defined, listed, designated, regulated, classified or identified under any Environmental Law.

"Intellectual Property" shall mean all of the intellectual property and industrial property rights and rights in confidential information of every kind and description throughout the world, including all U.S., foreign and multinational: (a) patents, patent applications, invention disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, and extensions thereof ("Patents"); (b) trademarks, service marks, trade names, brand names, corporate names, Internet domain names, logos, slogans, trade dress, design rights, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("Trademarks"); (c) copyrights, related rights and copyrightable subject matter ("Copyrights"); (d) trade secrets and all other confidential information, ideas, know-how, inventions, proprietary processes, formulae, models, and methodologies ("Trade Secrets"); (e) rights in computer software programs and applications (whether in source code, object code or other form), algorithms, databases, compilations and data, technology supporting the foregoing, and all documentations, including user manuals and training materials, related to any of the foregoing ("Software"); (f) tangible and intangible proprietary information or materials; and (g) all applications filed, applications to be filed, and registrations relating to any of the foregoing clauses (a)-(f) above.

"IRS" shall mean the United States Internal Revenue Service.

"Knowledge" shall mean, with respect to the Company, the actual knowledge of a particular fact or other matter by any of the individuals set forth in Section 9.03 of the Company Disclosure Schedule after reasonable inquiry and, with respect to Parent or MergerSub, the actual knowledge of a particular fact or other matter by any of the individuals set forth in Section 9.03 of the Parent Disclosure Schedule after reasonable inquiry.

"Laws" shall mean all domestic (federal, state or local) and foreign laws, statutes, constitutions, principles of common law, ordinances, codes, permits, rules, regulations, policies, guidelines, rulings, requirements or Orders issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

"Liability" shall mean any direct or indirect indebtedness, Claim, deficiency, guaranty, endorsement, obligation or other liability of any kind, whether known or unknown, direct or indirect, accrued or unaccrued, absolute or contingent, disputed or undisputed.

"NASDAQ" shall mean the NASDAQ Stock Market.

"Order" shall mean, with respect to any Person, any order, writ, rule, injunction, award, judgment, decree, stipulation, verdict or ruling issued, made, rendered, enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person or its property.

"Organizational Documents" shall mean: (a) the articles or certificate of incorporation and the by-laws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate or articles of limited partnership of a limited partnership; (d) the limited liability partnership agreement and the certificate or articles of limited liability partnership of a limited liability partnership; (e) the operating agreement or limited liability company agreement and the articles of organization or certificate of formation of a limited liability company; (f) any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person; and (g) any amendment to any of the foregoing.

"Parent Disclosure Schedule" shall mean the disclosure schedule delivered by Parent and MergerSub to the Company concurrently with the execution of this Agreement.

"Parent Material Adverse Effect" shall mean any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence that has prevented or materially delayed, or is reasonably likely to prevent or materially delay, consummation by Parent or MergerSub of the Offer or the Merger or the performance of Parent or MergerSub's material obligations under this Agreement.

"Parent Subsidiary" shall mean any Subsidiary of Parent.

"Pension Plan" shall mean each "employee pension benefit plan" as defined in Section 3(2) of ERISA maintained, sponsored or contributed to by the Company or any ERISA Affiliate or under which the Company or any ERISA Affiliate has any Liability. The term "Pension Plan" includes an "employee pension benefit plan" which is subject to an exemption under ERISA.

"Permits" shall mean permits, licenses, variances, exemptions, consents, Orders, clearances, approvals, qualifications, registrations, certifications and similar authorizations from any Governmental Authority.

"Person" shall mean an individual, corporation, partnership, limited liability company, business trust, joint stock company, association, trust, unincorporated organization, joint venture, Governmental Authority or other entity or group (as defined in Section 13(d) of the Exchange Act).

"Release" shall mean any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including the moving of any materials through, into or upon, any land, building surface, soil, surface water, ground water or air, or otherwise entering into the environment.

"Representatives" shall mean a Person's officers, directors, employees, accountants, legal counsel, investment bankers and other authorized representatives.

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, together with the rules and regulations thereunder.

"SOX" shall mean the Sarbanes-Oxley Act of 2002, as amended, together with the rules and regulations thereunder.

"Subsidiary" shall mean with respect to any Person, (a) any corporation at least a majority of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more of its subsidiaries, or by such Person and one or more of its subsidiaries, (b) any general partnership, joint venture, limited liability company, statutory trust, or other entity (other than a limited partnership), at least a majority of the outstanding partnership, membership, or other similar interests of which shall at the time be owned by such Person, or by one or more of its subsidiaries, or by such Person and one or more of its subsidiaries, and (c) any limited partnership of which such Person or any of its subsidiaries is a general partner. For the purposes of this definition, "voting stock" means shares, interests, participations, or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person.

"Superior Proposal" shall mean a bona fide written Acquisition Proposal (provided that for purposes of the definition of "Superior Proposal," the references to "15%" in the definition of Acquisition Proposal shall be deemed to be references to "51%") that the Company Board determines, in good faith, after consultation with the Company's financial advisors and outside legal counsel, and in light of all relevant circumstances and all terms and conditions of such Acquisition Proposal and this Agreement (and if applicable, any proposal by Parent to amend the terms of this Agreement pursuant to Section 5.03(e) or otherwise), (i) is more favorable to the Company's stockholders from a financial point of view than the Offer and the Merger and (ii) is reasonably capable of being completed on the terms so proposed, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal.

"Tax" or "Taxes" shall mean taxes, charges, fees, levies, and other governmental assessments and impositions of any kind, payable to any federal, state, local, or foreign Governmental Authority or taxing authority or agency, including: (a) income, franchise, profits, gross receipts, estimated, ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, disability, employment, social security, workers compensation, unemployment compensation, utility, severance, production, excise, stamp, any amount owed in respect of any Law relating to unclaimed property or escheat, occupation, premiums, windfall profits, transfer, and gains taxes; (b) customs, duties, imposts, charges, levies, or other similar assessments of any kind; (c) interest, penalties, and additions to tax imposed with respect thereto, and any Liability for or in respect of any amounts described in clauses (a), (b) or (c) as a transferee or successor, by Contract, or as a result of having filed any

Tax Return on a combined, consolidated, unitary, affiliated or similar basis with any other Person.

"Tax Returns" shall mean returns, reports, information statements, forms and any other document (including elections, declarations, amendments, schedules, or attachments thereto) with respect to Taxes filed or required to be filed with the IRS or any other Governmental Authority or taxing authority or agency, domestic or foreign, including affiliated, consolidated, combined and unitary tax returns.

"Welfare Plan" shall mean each "employee welfare plan" as defined in ERISA Section 3(1), including medical reimbursement benefits provided under a Fringe Benefit Plan subject to Code Section 125 and health reimbursement arrangements, maintained, sponsored or contributed to by the Company or any ERISA Affiliate or under which the Company or any ERISA Affiliate has any Liability. The term "Welfare Plan" includes an "employee welfare plan" which is subject to an exemption under ERISA.

"Willful" shall mean, with respect to a breach of this Agreement by a party, that such breach is intentional and a consequence of an act or failure to act by the breaching party with the actual knowledge that the taking of such act or failure to take such act would cause a breach of this Agreement.

SECTION 9.04 Interpretation. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party. Unless the context otherwise requires, as used in this Agreement: (a) an accounting term not otherwise defined herein has the meaning ascribed to it in accordance with GAAP; (b) "or" is not exclusive; (c) "including" and its variants mean "including, without limitation" and its variants; (d) words defined in the singular have the parallel meaning in the plural and vice versa; (e) references to "written" or "in writing" include in electronic form; (f) the terms "hereof", "herein", "hereby", "hereto", and derivative or similar words refer to this entire Agreement, including the Schedules hereto; (g) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms; (h) the word "will" shall be construed to have the same meaning and effect as the word "shall"; (i) references to "dollars" or "$" in this Agreement shall mean United States dollars; (j) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, contract rights and real and personal property; (k) all Sections, Articles, Schedules and Exhibits referred to herein are, respectively, Sections and Articles of, and Schedules and Exhibits to, this Agreement; (l) as used in this Agreement, the term "affiliates" shall have the meaning set forth in Rule 12b-2 of the Exchange Act; and (m) the phrase "made available" in this Agreement shall mean that the information or documents referred to have been posted and made available for viewing and printing by Parent, MergerSub and their Representatives on the electronic datasite for the Transactions and that was established by the Company and hosted by IntraLinks, Inc.

SECTION 9.05 Headings. The headings contained in this Agreement, the Table of Contents and the Index of Defined Terms are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 9.06 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the parties agree to negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

SECTION 9.07 Entire Agreement. This Agreement together with the Disclosure Schedules and Exhibits hereto, the Confidentiality Agreement and the New Employment Agreements, constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof and, except as otherwise expressly provided herein, are not intended to confer upon any other Person any rights or remedies hereunder (provided that (i) the provisions of this Agreement shall supersede any conflicting provision of the Confidentiality Agreement and (ii) the standstill and any other similar provisions of the Confidentiality Agreement shall terminate immediately following the execution and delivery of this Agreement solely to the extent necessary to permit Parent and MergerSub to make proposals and changes in terms in accordance with Section 5.03(e) (in each case, solely with respect to Parent and MergerSub and their respective Representatives, and not for any other Person or for purposes of the definition of an Acceptable Confidentiality Agreement)).

SECTION 9.08 Assignment. This Agreement shall not be assigned by operation of Law or otherwise, except that MergerSub may assign, in its sole discretion, any of or all its rights, interests and obligations under this Agreement to Parent or to one or more direct or indirect wholly owned Subsidiaries of Parent, or any combination thereof, but no such assignment shall relieve MergerSub of any of its obligations hereunder. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and permitted assigns.

SECTION 9.09 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement, except for (a) the provisions of Sections 2.11, 2.12 and 2.14 which shall be enforceable following the Effective Time by the holders of the Company Common Stock and Company Stock Rights and (b) the provisions of Section 6.05 which are intended to be for the benefit of the Persons referred to therein and may be enforced by such Persons following the Effective Time.

SECTION 9.10 Expenses. Whether or not the Transactions are consummated, all fees and expenses incurred by any party in connection with this Agreement, the New Employment Agreements and the Transactions shall be borne solely and entirely by the party that has incurred the same, except that each of Parent and the Company shall pay 50% of the expense of printing and filing the Proxy Statement, if any, Schedule 14D-9, Offer Documents and all SEC, HSR Act and other regulatory filing fees incurred in connection with this Agreement and the Transactions.

SECTION 9.11 Governing Law. This Agreement and the agreements, instruments and documents contemplated hereby and all disputes between the parties under or relating to this Agreement or the facts and circumstances leading to its execution and delivery, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of law.

SECTION 9.12 Jurisdiction; Consent to Service of Process. Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Court of Chancery or other courts of the State of Delaware (a "Delaware Court"), and any appellate court from any such court, in any suit, action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment resulting from any suit, action or proceeding, and each party hereby irrevocably and unconditionally agrees that all Claims in respect of any such suit, action or proceeding may be heard and determined in a Delaware Court. No party may move to (a) transfer any such suit, action or proceeding from a Delaware Court to another jurisdiction, (b) consolidate any such suit, action or proceeding brought in a Delaware Court with a suit, action or proceeding in another jurisdiction or (c) dismiss any such suit, action or proceeding brought in a Delaware Court for the purpose of bringing the same in another jurisdiction. Each party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in a Delaware Court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court and (iii) the right to object, with respect to such suit, action or proceeding, that such court does not have jurisdiction over such party. Each party irrevocably consents to service of process in any manner permitted by Law.

SECTION 9.13 Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF PARENT OR THE COMPANY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF.

SECTION 9.14 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Signatures delivered by facsimile or in portable document format ("pdf") shall be binding for all purposes hereof.

SECTION 9.15 Enforcement of Agreement; Remedies. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any Delaware Court without bond or other security being required, this being in addition to any other remedy to which they are entitled at law or in equity. Without limiting the foregoing, it is

explicitly agreed that the Company shall be entitled to specific performance of Parent's and MergerSub's obligations to fund the Offer and the Merger and to consummate the Offer and the Merger. Each of the parties agrees that it will not oppose the granting of an injunction, specific performance or other equitable relief on the basis that (i) the other party has an adequate remedy at law or (ii) an injunction, an award of specific performance or other equitable relief is not an appropriate remedy for any reason at law or equity. All rights, powers and remedies provided by this Agreement or otherwise available in respect hereof in law or at equity shall be cumulative and not alternative, and the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Parent, MergerSub and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

TOMY COMPANY, LTD.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

GALAXY DREAM CORPORATION

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President

RC2 CORPORATION

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

CONDITIONS OF THE OFFER

Notwithstanding any other provisions of the Offer, and in addition to (and not in limitation of) MergerSub's right to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Agreement), MergerSub shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to MergerSub's obligation to pay for or return tendered shares of Company Common Stock after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any validly tendered shares of Company Common Stock if by the expiration of the Offer (as it may be extended in accordance with the requirements of Section 1.01), (i) the Minimum Condition shall not be satisfied, (ii)(A) any applicable waiting period under the HSR Act shall not have expired or been terminated or (B) all approvals, clearances, filings or waiting periods or consents of Governmental Authorities required pursuant to any Foreign Antitrust Laws applicable to the Transactions shall not have expired, be deemed expired, or been made or received or deemed received, as the case may be or (iii) at any time on or after the date of the Agreement and prior to the acceptance for payment of shares of Company Common Stock pursuant to the Offer, any of the following events shall occur and be continuing:

(a) there shall be any Law or Order enacted, entered, enforced, promulgated or deemed applicable by any Governmental Authority to the Offer, the Merger or the Transactions, or any other action shall be taken by any Governmental Authority that is reasonably likely to result, directly or indirectly, in (i) restraining or prohibiting MergerSub's or Parent's ownership or operation (or that of any of their respective Subsidiaries or affiliates) of all or a material portion of the Company's and the Company Subsidiaries' businesses or assets, or to compel Parent or MergerSub or their respective Subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of the Company or Parent and their respective Subsidiaries, (ii) restraining or prohibiting the acquisition by Parent or MergerSub of any shares of Company Common Stock under the Offer or the making or consummation of the Offer or the Merger, (iii) imposing material limitations on the ability of MergerSub, or rendering MergerSub unable, to accept for payment, pay for or purchase some or all of the shares of Company Common Stock pursuant to the Offer and the Merger, or (iv) imposing material limitations on the ability of MergerSub or Parent to exercise full rights of ownership of the shares of Company Common Stock, including the right to vote the shares of Company Common Stock purchased by it on all matters properly presented to the Company's stockholders;

(b) since the date of the Agreement, there shall have occurred any change, event, development, effect, condition, action, violation, inaccuracy, circumstance or occurrence which has had, or which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

(c) a Triggering Event shall have occurred;

(d) (i) the representations and warranties of the Company set forth in Sections 3.03(a) or 3.03(c) shall not be true and correct in all respects (except for any de minimis inaccuracy) at and as of the date of this Agreement and at and as of such time on or after the date of the Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), (ii) any of the representations and warranties of the Company in Section 3.01(a) that is qualified as to "materiality" or "Company Material Adverse Effect" shall not be true and correct in all respects, or any such representation or warranty that is not so qualified as to "materiality" or "Company Material Adverse Effect" shall not be true and correct in all material respects, in each case, at and as of the date of this Agreement and at and as of such time on or after the date of the Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date) and (iii) any other representation and warranty of the Company in Article III (without giving effect to any qualification as to "materiality" or "Company Material Adverse Effect" qualifiers set forth therein) shall not be true and correct in all respects at and as of the date of this Agreement and at and as of such time on or after the date of the Agreement as though made at and as of such time (except to the extent expressly made as of an earlier date, in which case, at and as of such earlier date), except where the failure to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect;

(e) the Company shall have breached or failed, in any material respect, to perform or to comply with its agreements and covenants to be performed or complied with by it under the Agreement at or prior to the Offer Closing;

(f) the Company shall have terminated or amended any of the New Employment Agreements or waived any provision thereof (except, in each case, with the prior written consent of Parent); or

(g) the Agreement shall have been terminated in accordance with its terms.

At the request of Parent or MergerSub the Company shall deliver to Parent a certificate executed on behalf of the Company by the chief executive officer of the Company certifying that none of the conditions set forth in clauses (b), (d) and (e) above shall have occurred and be continuing at the expiration of the Offer (as extended).

The foregoing conditions are for the sole benefit of Parent and MergerSub, may be asserted by Parent or MergerSub regardless of the circumstances giving rise to such condition, and may be waived by Parent or MergerSub in whole or in part at any time and from time to time in the sole discretion of Parent or MergerSub, subject in each case to the terms of the Agreement. The failure by Parent or MergerSub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and, each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

The capitalized terms used in this Annex I shall have the meanings set forth in the Agreement and Plan of Merger to which this Annex I is annexed.

EXHIBIT B

SECOND AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

RC2 CORPORATION

FIRST: The name of the Corporation is RC2 Corporation (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is one thousand (1000) shares of Common Stock, each having a par value of one cent ($0.01).

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(2) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

(3) The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the By-Laws of the

Corporation. Election of directors need not be by written ballot unless the By-Laws so provide.

(4) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

SEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

EXHIBIT C

Curtis Stoelting:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $3,500,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Peter Henseler	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $3,500,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Peter Nicholson:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $1,000,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Greg Kilrea:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $1,000,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Helena Lo:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $1,000,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Jamie Kieffer:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $150,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.
Gary Hunter:	The sum of (i) that number of shares of Restricted Stock, (ii) that number of Company RSUs that would otherwise have an RSU Cancellation Value and (iii) that number of Company Options and Company SARs that would otherwise have an Option/SAR Cancellation Value equal to $150,000 in the aggregate shall not vest and shall be cancelled at the Effective Time.

Exhibit (d)(2)

CONFIDENTIAL

November 9, 2010

RC2 Corporation
1111 West 22nd Street
Suite 320
Oak Brook, IL 60523

RE: Confidentiality Agreement

Ladies and Gentlemen:

Tomy Company, Ltd. ("Tomy") has expressed an interest in exploring a possible strategic negotiated relationship or venture (a "Transaction") with RC2 Corporation, a Delaware corporation (together with its subsidiaries and affiliates, the "Company"). Tomy and the Company are sometimes individually referred to herein as a "Party" and collectively referred to herein as the "Parties". In connection with their interest in a Transaction, the Parties may request certain information relating to each other. As a condition to any information being furnished to the Parties and their Representatives (as defined below), Tomy and the Company agree to be bound by the terms and conditions set forth in this letter agreement (this "Agreement"). Each Party further agrees to inform each of its Representatives to whom any information subject to this Agreement is disclosed of the terms and conditions of this Agreement, and to direct each such Representative to fully observe and be bound by this Agreement (other than Section 11 hereof, except as provided therein) to the same extent as if such Representative were a Party. As used in this Agreement, the Party disclosing Proprietary Information is the "Disclosing Party" and the Party receiving the Proprietary Information is the "Recipient".

1. Proprietary Information. As used in this Agreement, the term "Proprietary Information" means all information (whether oral, written or electronic) concerning the Disclosing Party which is furnished to the Recipient by or on behalf of the Disclosing Party or any of its Representatives, and all portions of analyses, data, compilations, notes, forecasts, summaries, studies and other materials prepared by the Recipient or its Representatives, or otherwise on the Recipient's behalf, that contain, reflect or are based in whole or in part, on such information. The term "Proprietary Information" shall not include, however, information that: (a) is or becomes generally available to the public other than as a result of a disclosure or other action by the Recipient or its Representatives; (b) was in the Recipient's possession and obtained on a non-confidential basis prior to the disclosure thereof by the Disclosing Party or its Representatives; (c) becomes available to the Recipient on a non-confidential basis from a person other than the Disclosing Party or its Representatives who is not to the Recipient's knowledge otherwise bound by any obligation of confidentiality with respect thereto; or (d) is independently developed by the Recipient or its Representatives without reference to any Proprietary Information.

2. Representatives. As used in this Agreement, the term "Representatives" means, as to any person, such person's affiliates and its and their directors, officers, employees, agents and advisors (including, without limitation, financial advisors, counsel and accountants).

3. Restrictions on Use and Disclosure. Subject to Section 4 below, unless otherwise agreed to by the Parties in writing, each Party agrees, for a period of two (2) years from the date of this Agreement: (a) to keep all Proprietary Information confidential and not to disclose or reveal any Proprietary Information to any person other than its Representatives who are participating in the evaluation of a

Transaction on its behalf; and (b) not to use Proprietary Information for any purpose other than its evaluation of a Transaction. Each Party agrees to take reasonable measures to restrain its Representatives from prohibited or unauthorized disclosure or use of any Proprietary Information and, regardless of compliance by such Party with the foregoing, shall be responsible and liable to the Disclosing Party for any breach of the terms of this Agreement by the Recipient or any of its Representatives. Neither Party shall, without the other Party's prior written consent, disclose to any person (other than those of its Representatives who are participating in the evaluation of a Transaction) any information relating to a Transaction, any proposed terms or conditions of a Transaction, or any other information or matters relating thereto, including, without limitation, the fact that discussions are taking place with respect thereto, the status thereof or the fact that Proprietary Information has been made available to such Party or its Representatives. Each Party agrees to take reasonable measures to restrain its respective Representatives from prohibited or unauthorized disclosure of any information relating to a Transaction and, regardless of compliance by such Party with the foregoing, shall be responsible and liable to the other Party for any breach of the terms of this Agreement by any of its Representatives.

4. Compelled Disclosure. In the event that a Recipient or any of its Representatives is legally compelled pursuant to a subpoena, civil investigative demand, regulatory demand or similar process, or is required pursuant to applicable law, rule, regulation, stock exchange rule or disclosure requirement of the Securities and Exchange Commission or the Financial Instruments and Exchange Law and the relevant Cabinet Order hereunder (collectively, "Law"), to disclose any Proprietary Information or either Party is legally compelled or required by Law to disclose any other information concerning a Transaction, the compelled Party agrees that it shall provide the non-compelled Party with prompt notice of such request or requirement as far in advance of its disclosure as is reasonably practicable, and will in good faith consult with and consider the suggestions of the non-compelled Party concerning the nature and scope of the information the compelled Party proposes to disclose. Each Party agrees to cooperate fully with and not to oppose any action by the non-compelled Party to obtain a protective order or other appropriate remedy, if applicable, in order to limit such disclosure. In the event that no such protective order or other remedy is obtained, or in the event that the non-compelled Party waives compliance with the terms of this Agreement, the compelled Party may disclose only that part of the Proprietary Information or other information concerning a Transaction as it is advised by its legal counsel is required to be disclosed, and shall use its reasonable best efforts to ensure that all Proprietary Information and other information concerning a Transaction that is so disclosed will be accorded confidential treatment to the extent permitted by applicable law, rules and regulations.

5. Ownership. The Recipient acknowledges that the Proprietary Information is and shall remain the sole and exclusive property of the Disclosing Party, and that the Disclosing Party has the exclusive right, title and interest to such Proprietary Information. No right or license, by implication or otherwise, is granted by the Disclosing Party as a result of this Agreement or as a result of any disclosure of Proprietary Information.

6. Return or Destruction. In the event that a Transaction is not consummated, or at any time upon the written request of the Disclosing Party for any reason, the Recipient will promptly, at its sole option (which will be promptly communicated to the Disclosing Party), destroy or redeliver to the Disclosing Party all written, electronic or tangible Proprietary Information provided to it or its Representatives by or on behalf of the Disclosing Party or its Representatives, and the Recipient and its Representatives shall not retain any copies, extracts or other reproductions in whole or in part of such written material. Notwithstanding the return or destruction of the Proprietary Information, the Recipient and its Representatives will continue to be bound by their obligations of confidentiality and other obligations hereunder. Notwithstanding the foregoing, the Recipient and its Representatives may retain (i) solely for compliance purposes copies of the Proprietary Information in order to comply with Law, regulation or professional standards and (ii) electronic copies resulting from automatic processes or in

accordance with document or communications retention policies; provided, however, that any Proprietary Information retained in any such case will continue to be held as confidential and not used for any commercial purpose pursuant to and in accordance with the terms of this Agreement.

7. No Warranty or Agreement. The Parties acknowledge that neither the Company nor Tomy nor any of their respective Representatives makes any express or implied representation or warranty as to the accuracy or completeness of any information provided to the other Party or its Representatives. Except as may be provided in a definitive written agreement with regard to any Transaction between the Company and Tomy, each Party agrees that neither Party nor any of their respective Representatives shall have any liability to the other Party or any of its Representatives relating to or arising from the use of any information by such other Party or its Representatives or for any errors in or omissions from such information or, except as expressly set forth in this Agreement, be under any obligation in connection with a Transaction, any other strategic transaction or any process relating thereto. Either Party may terminate access to Proprietary Information at any time and for any reason.

8. Standstill. For a period of one year from the date hereof (the "Standstill Period"), each Party agrees that neither it nor its subsidiaries or affiliates alone, through its Representatives or with others will, in any manner, unless invited by the Board of Directors of the other Party in writing: (i) acquire, offer, propose (whether publicly or otherwise), solicit or seek to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting securities or direct or indirect rights to acquire any voting securities of the other Party or any subsidiary thereof or any assets of the other Party, (ii) solicit, seek or offer to effect, or actually effect, negotiate with, or make or participate in any statement or proposal, whether written or oral, either alone or in concert with others, to the other Party or any of its stockholders or make or participate in any public announcement or proposal or offer whatsoever (including, but not limited to, any "solicitation" of "proxies" as such terms are defined or used in the proxy rules of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the Financial Instruments and Exchange Law and the relevant Cabinet Law thereunder, as applicable, to vote, or to seek to advise or influence any person with respect to the voting of any securities of the other Party) with respect to (a) any form of business combination or similar transaction, including, a merger, tender or exchange offer or liquidation of the other Party's assets, (b) any form of restructuring, recapitalization or similar transaction with respect to the other Party or any of its subsidiaries, (c) any purchase of any securities or any material or substantial portion of assets, or rights to acquire any securities or any material or substantial portion of assets, of the other Party or any of its subsidiaries, (d) any proposal to seek representation on the board of directors of the other Party or otherwise to seek to control or to influence the board of directors of the other Party, the management or the policies of the other Party or any of its subsidiaries, (e) forming, joining or in any way participating, or directing any person to form, join or in any way participate, in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any securities of the other Party or any of its subsidiaries or (f) disclosing or directing any person to disclose, any intention, plan or arrangement inconsistent with the foregoing or (iii) instigate, advise, encourage, assist or direct any third party to do any of the foregoing. Each Party also agrees, and agrees on behalf of its subsidiaries and affiliates referred to in the first sentence of this paragraph, during such period not to (x) request the other Party, any of its subsidiaries or any of their respective directors, officers, employees, affiliates and representatives, directly or indirectly, to amend, waive or terminate any provisions of this paragraph (including this sentence) or (y) take any action which might require the other Party or any of its subsidiaries to make a public announcement regarding any of the matters specified in this paragraph. The limitations and prohibitions on each Party set forth in this paragraph shall no longer apply from the earliest of (x) the date the other Party publicly announces it has entered into a definitive written agreement with any person or group other than the first Party which provides for any transaction where such person or group (or such person's or group's stockholders) would be acquiring at least 50% or more of the outstanding capital stock of the other Party or all or substantially all of the assets of the other Party (each, a "Third Party Acquisition") or (y) the date the other Party recommends that its stockholders accept a tender or exchange offer by one or more third parties to acquire

50% or more of the equity of such Party or the date the Board of Directors of the other Party both (i) withdraws its recommendation against such tender or exchange offer and (ii) adopts either (A) a recommendation that the stockholders accept such tender or exchange offer or (B) a position of neutrality.

9. Securities Laws. Each Party is aware, and will advise its respective Representatives who are informed of the matters that are the subject of this Agreement, of the restrictions imposed by (i) the United States securities laws on the purchase or sale of securities by any person who has received material, non-public information from the issuer of such securities and on the communication of such information to any other person when it is reasonably foreseeable that such other person is likely to purchase or sell such securities in reliance upon such information or (ii) the insider trading rules under the Japanese securities law.

10. No Implied Obligations. This Agreement binds the Parties only with respect to the matters expressly set forth herein. Neither Party has any obligation to disclose any information to the other Party or its Representatives. Neither Party is bound or committed to negotiate or consummate a Transaction unless and until a definitive written agreement regarding such Transaction has been executed and delivered on behalf of both Parties by their duly authorized officers, in which case the obligations of the parties to consummate such Transaction and to negotiate any matters in connection therewith shall be subject to, and governed solely by, the terms and conditions of such definitive written agreement.

11. Non-Exclusive Remedies. It is understood and agreed that each Party's Proprietary Information is special, unique and of extraordinary character, and that the Party may be irreparably harmed by a breach of this Agreement by the other Party. Without prejudice to the rights and remedies otherwise available to a Party, each Party agrees that the other Party shall be entitled to equitable relief by way of injunction or otherwise if such Party or any of its respective Representatives breach or threaten to breach any of the provisions of this Agreement.

12. Assignment. Each Party agrees that the rights and remedies of the other Party under this Agreement shall inure to the benefit of, and shall be separately enforceable by, the other Party and its successors and permitted assigns. Neither Party shall assign this Agreement without the prior written consent of the other Party except that, without such consent, each Party shall cause all of its obligations under this Agreement to be assumed, either in writing or by operation of law, by any successor (by merger, sale of assets or otherwise) to the business of such Party or of any portion thereof. No assignment of this Agreement or of any rights or obligations hereunder shall relieve a Party of any of its obligations hereunder.

13. Governing Law; Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that State, without regard to conflict of laws principles. The Parties hereto agree that venue in any and all actions and proceedings related to this Agreement shall be had in the State and Federal courts located in the city of New York, New York, which courts shall have personal and subject matter jurisdiction for such purpose, and the parties hereto irrevocably submit to the jurisdiction of such courts and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding. Tomy has designated and will maintain a person in the following position as its agent to accept service of process on its behalf.

Name: TOMY Corporation
Address: 3 MacArthur Place, Suite 950, Santa Ana, CA 92707, USA
Attention: Isamu Takahashi, President and CEO

14. Communications. Neither Party will (A) initiate or cause to be initiated any communication to the other Party or any of its employees (other than through the persons specified on

Annex A in the case of communications to the Company and other than through the persons specified on Annex B in the case of communications to Tomy) concerning the Proprietary Information or any potential Transaction or (B) make contact with any other Representative of the other Party that is not aware that a Transaction is contemplated under circumstances that are reasonably likely to result in such other Representative becoming aware that a Transaction is contemplated or that the parties may be interested in pursuing a Transaction unless the other Party has given its prior written consent or a potential Transaction is disclosed pursuant to Section 4 hereof.

15. Employees. Neither Party will, for the one-year period from the date of this Agreement, solicit or cause to be solicited the employment of, or hire, any officer or any other senior manager of the other Party met during such Party's evaluation of a potential Transaction; *provided, however*, that the foregoing shall not apply to (i) any such employee who was not employed by the other Party at the commencement of any such solicitation, (ii) any employees solicited or employed as a result of generalized searches for employees by use of advertisements in the media which are not targeted at employees of the other Party, (iii) the employment of any such employee who contacts a Party on his or her own initiative without any direct or indirect solicitation from such party, or (iv) the solicitation or employment of any employee as a result of or in connection with the consummation of a Transaction.

16. Miscellaneous. Tomy and the Company each agree to bear its respective costs and expenses, including, without limitation, expenses of counsel, outside auditors, advisors and consultants, in connection with the evaluation of a possible Transaction. This Agreement contains the entire agreement between the Company and Tomy concerning the subject matter hereof, and no modification of this Agreement or waiver of any terms hereof shall be binding upon the Company or Tomy, unless approved in writing by both of the parties hereto. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. If any provision of this Agreement shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid or unenforceable, such judgment shall not affect, impair or invalidate the remainder of this Agreement but shall be confined in its operation to the provision of this Agreement directly involved in the controversy in which such judgment shall have been rendered. This Agreement may be executed in counterparts and by original, facsimile or electronic signatures, each of which shall be an original, but all of which together shall constitute one and the same agreement.

[Signature page follows.]

Please confirm your agreement with the foregoing by signing and returning to the undersigned a copy of this Agreement.

TOMY COMPANY, LTD.

By: /s/ KANTARO TOMIYAMA
Name: KANTARO TOMIYAMA
Title: PRESIDENT & CEO

Accepted and agreed
as of the date set forth above:

RC2 CORPORATION

By: /s/ Curt Stoelting
Name: Curt Stoelting
Title: CEO

ANNEX A

Company Permitted Contacts
Curtis W. Stoelting, CEO
Peter J. Henseler, President
Peter A. Nicholson, CFO
Gregory J. Kilrea, COO

Execution Version

ANNEX B

Tomy Permitted Contacts
Kantaro Tomiyama, Board Director, President & CEO
Shiryo Okuaki, Board Director, Executive Vice President
Toshiki Miura, Board Director, CFO
Isamu Takahashi, Board Director, Executive Managing Officer
Masayuki Nagatake, Executive General Manager, Corporate Strategy
Takahiro Ishidate, General Manager, Legal

Execution Version

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Curtis W. Stoelting (the "Employee") and, solely with respect to Sections 3(b), 4 and 6, Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below).

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated April 1, 2008, as amended December 28, 2010, and as further amended effective March 31, 2011 (collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that

the Prior Agreement shall be terminated in full and that he shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties.

(a) Position. The Employee shall serve as the Chief Executive Officer of the Company and will, under the direction of the Board of Directors of Purchaser (the "Board"), faithfully, and to the best of his ability, perform the duties of such position, which includes the management and operation of the Company's brands and product lines in North America, South America, Europe and Australia and related global sourcing activities. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Board. The Employee agrees to devote his entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

(b) Board Membership. Subject to applicable law and the approval of Purchaser's shareholders, the Employee shall be appointed as a director of Purchaser and the Company as soon as reasonably practicable following the Commencement Date. In the event of the termination or expiration of the Employment Period (as defined in Section 6(a)), upon the request of Purchaser, the Employee shall submit a letter of resignation from his position as a director of Purchaser, his position on any committees of the Board and his position on the board of directors of any of Purchaser's Affiliates (and any committees thereof), to be effective as of the date designated by Purchaser.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $486,720 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and his position and level of compensation with the Company. The Employee's

target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 2.25 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 200,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $3,500,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash

payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor

provisions are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with his leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of his duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $20,000

for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be available for an aggregate of $20,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the fourth anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60^{th}) day following the Termination Date (the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts

paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death during the Employment Period, Employee's designated beneficiary or his estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason. If (i) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (ii) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (iii) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive

the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Termination of Employment Period Involving Non-Renewal or Non-Extension. If this Agreement is not renewed or otherwise extended by the Company after the Expected Completion Date and the Employee's employment is terminated as of the Expected Completion Date, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twelve months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of one year from the Termination Date, the Company's reimbursement to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of one year from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). The Company shall provide written notice of any non-renewal or non-extension of the Agreement pursuant to this Section 6(e) at least sixty (60) days prior to the Expected Completion Date.

(f) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8.

(g) Retirement. Upon the Employee's retirement from the Company, to the extent permitted by the Company's plans and to the extent the Employee's or his spouse's or their eligible dependent(s) participation would not cause the Company to be subject to an excise tax, the Company shall continue to provide medical coverage for the Employee, his spouse and their eligible dependent(s) under the Company's medical plans from the date of the Employee's retirement until the later of the Employee's or his spouse's death. To the extent permitted by the applicable plan, the Employee would be required to make the same contributions for such medical benefits as active employees. In the event the Company would subject to an excise tax as a result of such medical coverage, the Employee may nonetheless elect to receive such medical coverage so long as the Employee reimburses the Company for fifty percent (50%) of the excise tax imposed on the Company as a result of such participation. The Employee shall also be eligible to participate in the Company's group life, disability and dental coverage on and after the retirement date until his death provided that the Employee pays 100% of the cost for

such coverage. For the avoidance of doubt, if the Employment Period is terminated (i) by the Company with Cause at any time or (ii) as a result of the Employee's resignation without Good Reason prior to the second anniversary of the Commencement Date, neither the Employee, his spouse nor any of their dependents shall be entitled to any of the benefits set forth in this Section 6(g).

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that he will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that he could continue to actively pursue his career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), he shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its Affiliates or any successor or assign of the Company or any of its Affiliates. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and

enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during the Noncompete Period, he shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its Affiliates (any such Person is hereinafter referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its Affiliates or the successors or assigns of the Company or any of its Affiliates, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its Affiliates within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its Affiliates who currently have or have had business relationships with the Company or any of its Affiliates within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its Affiliates; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and other aspects of and information about the business of the Company and its Affiliates (the "Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of his past employment with the Company, and by virtue of his employment with the Company, he has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the

Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, he will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which he may then possess or have under his control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of his termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive

a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities

who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous

months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3(a) above or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3(a) above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3(a) above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's

stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding

Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) "***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

14. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

16. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

17. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

18. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

19. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Peter J. Henseler
Name: Peter J. Henseler
Title: President

EMPLOYEE

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 3(b), 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Stoelting	$4,513,647	$3,500,000	$1,013,647	$700,000	$1,225,000	$1,575,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Peter J. Henseler (the "Employee") and, solely with respect to Sections 3(b), 4 and 6, Tomy Company Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below).

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated April 1, 2008, as amended December 28, 2010, and as further amended effective March 31, 2011 (collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as

provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that the Prior Agreement shall be terminated in full and that he shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties.

(a) Position. The Employee shall serve as the President of the Company and will, under the direction of the Board of Directors of Purchaser (the "Board"), faithfully, and to the best of his ability, perform the duties of such position, which includes the management and operation of the Company's brands and product lines in North America, South America, Europe and Australia and related global sourcing activities. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Board. The Employee agrees to devote his entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

(b) Board Observation Rights; Company Board Membership. Subject to applicable law and the approval of Purchaser's shareholders, during the Employment Period (as defined in Section 6(a)), the Employee shall be permitted (i) to attend meetings of the Board for observation purposes, but not for voting or any other purposes, and (ii) to obtain copies of any materials prepared for such meetings, in each case, for so long as the Board permits. Notwithstanding anything to the contrary, the Board may, in its sole discretion, request that the Employee remove himself from all or a part of any meeting. The rights contained in this Section 3(b) shall not be assignable. The Employee shall be appointed as a member of the Board of Directors of the Company ("Company Board") as soon as reasonably practicable following the Commencement Date. In the event of the termination or expiration of the Employment Period, upon the request of Purchaser, the Employee shall submit a letter of resignation from his position as a director of the Company Board and any committees thereof, to be effective as of the date designated by Purchaser.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $486,720 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around

April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and his position and level of compensation with the Company. The Employee's target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 2.25 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 200,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $3,500,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the

"Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with or service as a consultant to the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination

by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later

than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor provisions

are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with his leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of his duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate

family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $20,000 for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be available for an aggregate of $20,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the second anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60th) day following the Termination Date (the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have

otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death during the Employment Period, Employee's designated beneficiary or his estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason. If (i) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (ii) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (iii) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (E) subject to the Employee's execution and non-revocation of a

Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8.

(f) Retirement. Upon the Employee's retirement from the Company, to the extent permitted by the Company's plans and to the extent the Employee's or his spouse's or their eligible dependent(s) participation would not cause the Company to be subject to an excise tax, the Company shall continue to provide medical coverage for the Employee, his spouse and their eligible dependent(s) under the Company's medical plans from the date of the Employee's retirement until the later of the Employee's or his spouse's death. To the extent permitted by the applicable plan, the Employee would be required to make the same contributions for such medical benefits as active employees. In the event the Company would subject to an excise tax as a result of such medical coverage, the Employee may nonetheless elect to receive such medical coverage so long as the Employee reimburses the Company for fifty percent (50%) of the excise tax imposed on the Company as a result of such participation. The Employee shall also be eligible to participate in the Company's group life, disability and dental coverage on and after the retirement date until his death provided that the Employee pays 100% of the cost for such coverage. For the avoidance of doubt, if the Employment Period is terminated (i) by the Company with Cause at any time or (ii) as a result of the Employee's resignation without Good Reason prior to the second anniversary of the Commencement Date, neither the Employee,

his spouse nor any of their dependents shall be entitled to any of the benefits set forth in this Section 6(f).

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that he will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that he could continue to actively pursue his career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), he shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its Affiliates or any successor or assign of the Company or any of its Affiliates. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration,

or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during the Noncompete Period, he shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its Affiliates (any such Person is hereinafter referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its Affiliates or the successors or assigns of the Company or any of its Affiliates, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its Affiliates within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its Affiliates who currently have or have had business relationships with the Company or any of its Affiliates within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its Affiliates; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and other aspects of and information about the business of the Company and its Affiliates (the "Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of his past employment with the Company, and

by virtue of his employment with the Company, he has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, he will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which he may then possess or have under his control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of his termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time

of his separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company,

(c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3(a) above or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 (a) above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3(a) above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then

outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) "***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Consulting Services. As of the Expected Completion Date, the Employee's employment hereunder shall terminate and the Employee shall provide consulting services to the Company on such projects or matters within the expertise of the Employee and/or in which the Employee was involved or of which the Employee had knowledge during his employment with the Company that the Board or Chief Executive

Officer of the Company may reasonably request of him from time to time. The Company and the Employee agree to negotiate the definitive consulting agreement that is not inconsistent with this terns set forth in this Section 13 and on Schedule C which is attached hereto and made a part hereof.

14. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

15. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

16. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

17. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

18. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

19. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

20. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

21. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

EMPLOYEE

By: /s/ Peter J. Henseler
Name: Peter J. Henseler

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 3(b), 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Henseler	$4,513,647	$3,500,000	$1,013,647	$700,000	$1,225,000	$1,575,000

SCHEDULE C

- Consulting Period: One (1) year commencing on the 2nd anniversary of the Commencement Date.
- Consulting Role: Purchaser and the Employee agree to meet at least one hundred twenty (120) days before the Expected Completion Date to finalize specific consulting roles.
- Time Commitment: Up to 1000 hours for the twelve (12) months (approx: 20 hours/wk)
- Travel Commitment: No more than 15% of time (reasonable travel expenses paid by company)
- Roll Over Bonus: If Employee fulfills the full term of the consulting agreement, the Rollover Bonus and Taurus Options vest according to the Schedule A and B
- Compensation: Purchaser will pay 75% of then current Base Salary (payable in regular bi-weekly installments) for the full one (1) year term. The Employee will have no additional rights to any additional bonus or equity award compensation during the consulting period.
- Benefits: Employee will be entitled to Medical Health, Dental, Disability and Life Coverage during the consulting period at the same levels as on the Expected Completion Date.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Peter A. Nicholson (the "Employee") and, solely with respect to Sections 4 and 6, Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below).

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated November 5, 2008, as amended December 28, 2010 and as further amended effective March 31, 2011(collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that the Prior Agreement shall be terminated in full and that he shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties. The Employee shall serve as the Chief Financial Officer of the Company and will, under the direction of the Company's Chief Executive Officer and the Board

of Directors of Purchaser (the "Board"), faithfully, and to the best of his ability, perform the duties of such position, which includes the management and oversight of the Company's internal controls and financial information related to the sales activities of the Company's brands and product lines in North America, South America, Europe and Australia and related global sourcing activities. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Company's Chief Executive Officer and the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Company's Chief Executive Officer or the Board. The Employee agrees to devote his entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $324,480 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and his position and level of compensation with the Company. The Employee's target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 1.70 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 50,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $1,000,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of

the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local

or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be

promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with his leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of his duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $20,000 for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be

available for an aggregate of $20,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the third anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60th) day following the Termination Date (the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death during the Employment Period, Employee's designated beneficiary or his estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason.

(i) If on or prior to the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of thirty-six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the greater of (x) 200% of the average incentive bonus payments received by the Employee under the Bonus Plan or a predecessor annual bonus plan of the Company over the preceding three (3) years or (y) 100% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three (3) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period three (3) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(ii) If any time after the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the

Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(iii) Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Termination of Employment Period Involving Non-Renewal or Non-Extension. If this Agreement is not renewed or otherwise extended by the Company after the Expected Completion Date and the Employee's employment is terminated as of the Expected Completion Date, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first

payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (D) the Rollover Acceleration Payment, payable in accordance with Section 4(d)(i); (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the Company's reimbursement to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA, and (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). The Company shall provide written notice of any non-renewal or non-extension of the Agreement pursuant to this Section 6(e) at least sixty (60) days prior to the Expected Completion Date.

(f) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8.

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that he will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that he could continue to actively pursue his career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), he shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other

capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its subsidiaries or any successor or assign of the Company or any of its subsidiaries. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during the Noncompete Period, he shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its subsidiaries (any such Person is hereinafter referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its subsidiaries or the successors or assigns of the Company or any of its subsidiaries, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its subsidiaries who currently have or have had business relationships with the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its subsidiaries; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and other aspects of and information about the business of the Company and its Affiliates (the

"Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of his past employment with the Company, and by virtue of his employment with the Company, he has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, he will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which he may then possess or have under his control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of his termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall made by the Company in accordance with the terms of

Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock

and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or

when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3 above or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3 above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board,

providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) "***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

14. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

16. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

17. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to

the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

18. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

19. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

EMPLOYEE

By: /s/ Peter A. Nicholson
Name: Peter A. Nicholson

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Nicholson	$ 2,649,747	$1,000,000	$1,649,747	$ 200,000	$ 350,000	$ 450,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Gregory J. Kilrea (the "Employee") and, solely with respect to Sections 4 and 6, Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below).

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated April 1, 2008, as amended December 28, 2010, and as further amended effective March 31, 2011 (collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that the Prior Agreement shall be terminated in full and that he shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties. The Employee shall serve as the Chief Operating Officer of the Company and will, under the direction of the Company's Chief Executive Officer and the Board of Directors of Purchaser (the "Board"), faithfully, and to the best of his ability, perform the duties of such position, which includes the management and operation of the Company's brands and product lines in North America, South America, Europe and Australia and related global sourcing activities. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Company's Chief Executive Officer and the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Company's Chief Executive Officer or the Board. The Employee agrees to devote his entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $360,000 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and his position and level of compensation with the Company. The Employee's target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 1.75 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 100,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by

Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $1,000,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or

penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code,

the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that

Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with his leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of his duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life

insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $20,000 for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be available for an aggregate of $20,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the third anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60th) day following the Termination Date (the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution

and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death during the Employment Period, Employee's designated beneficiary or his estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason.

(i) If on or prior to the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of thirty-six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the greater of (x) 200% of the average incentive bonus payments received by the Employee under the Bonus Plan or a predecessor annual bonus plan of the Company over the preceding three (3) years or (y) 100% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a

Release pursuant to Section 12 herein, for a period of three (3) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period three (3) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(ii) If any time after the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(iii) Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation

or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Termination of Employment Period Involving Non-Renewal or Non-Extension. If this Agreement is not renewed or otherwise extended by the Company after the Expected Completion Date and the Employee's employment is terminated as of the Expected Completion Date, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (D) the Rollover Acceleration Payment, payable in accordance with Section 4(d)(i); (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the Company's reimbursement to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA, and (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). The Company shall provide written notice of any non-renewal or non-extension of the Agreement pursuant to this Section 6(e) at least sixty (60) days prior to the Expected Completion Date.

(f) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8.

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's

employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that he will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that he could continue to actively pursue his career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), he shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its subsidiaries or any successor or assign of the Company or any of its subsidiaries. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during the Noncompete Period, he shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its subsidiaries (any such Person is hereinafter

referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its subsidiaries or the successors or assigns of the Company or any of its subsidiaries, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its subsidiaries who currently have or have had business relationships with the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its subsidiaries; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and other aspects of and information about the business of the Company and its Affiliates (the "Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of his past employment with the Company, and by virtue of his employment with the Company, he has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, he will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which he may then possess or have under his control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research

and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of his termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material

misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3 above or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3 above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in

substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) "***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee

pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

14. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

16. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

17. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

18. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

19. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

EMPLOYEE

By: /s/ Gregory J. Kilrea
Name: Gregory J. Kilrea

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Kilrea	$1,937,497	$1,000,000	$937,497	$200,000	$350,000	$450,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Helena Lo (the "Employee") and, solely with respect to Sections 4 and 6, Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below). Unless otherwise specified, all dollar amounts herein are in United States currency.

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated April 1, 2008, and as further amended effective March 31, 2011 (collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that the Prior Agreement shall be terminated in full and that she shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties. The Employee shall serve as an Executive Vice President of the

Company and the Managing Director of RC2 (H.K.) Limited and will, under the direction of the Company's Chief Executive Officer and the Board of Directors of Purchaser (the "Board"), faithfully, and to the best of her ability, perform the duties of such position, including the management and operation of Asian sourcing of the Company's brands and product lines sold in North America, South America, Europe and Australia. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Company's Chief Executive Officer and the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Company's Chief Executive Officer or the Board. The Employee agrees to devote her entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $337,459 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and her position and level of compensation with the Company. The Employee's target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 1.75 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 50,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $1,000,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any,

such that the Employee receives an after-tax amount equal to the Reimbursement Amount she would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be

included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section

7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with her leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of her duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $30,000 for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be available for an aggregate of $30,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies

up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the third anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60th) day following the Termination Date (the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death

during the Employment Period, Employee's designated beneficiary or her estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason.

(i) If on or prior to the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of thirty-six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the greater of (x) 200% of the average incentive bonus payments received by the Employee under the Bonus Plan or a predecessor annual bonus plan of the Company over the preceding three (3) years or (y) 100% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three (3) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period three (3) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(ii) If any time after the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the

Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(iii) Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Termination of Employment Period Involving Non-Renewal or Non-Extension. If this Agreement is not renewed or otherwise extended by the Company after the Expected Completion Date and the Employee's employment is terminated as of the Expected Completion Date, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date

and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (D) the Rollover Acceleration Payment, payable in accordance with Section 4(d)(i); (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the Company's reimbursement to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA, and (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). The Company shall provide written notice of any non-renewal or non-extension of the Agreement pursuant to this Section 6(e) at least sixty (60) days prior to the Expected Completion Date.

(f) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8. Upon termination of the Employment Period, the Employee shall be entitled to receive the Retirement Fund under the 'ORSO' Occupational Retirement Scheme Ordinance pursuant to the terms and conditions of such scheme.

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that she will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that she could continue to actively pursue her career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), she shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder,

owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its subsidiaries or any successor or assign of the Company or any of its subsidiaries. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during the Noncompete Period, she shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its subsidiaries (any such Person is hereinafter referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its subsidiaries or the successors or assigns of the Company or any of its subsidiaries, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its subsidiaries who currently have or have had business relationships with the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its subsidiaries; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and

other aspects of and information about the business of the Company and its Affiliates (the "Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of her past employment with the Company, and by virtue of her employment with the Company, she has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, she will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which she may then possess or have under her control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of her termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of her

separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities

who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a

Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3 above or (ii) the relocation of the offices at which the Employee is principally employed in Hong Kong to a location which is more than 50 miles from the offices at which the Employee is principally employed in Hong Kong as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3 above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a

Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the

board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) ***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

14. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to her address appearing on the records of the Company, or to such other address as she may designate in writing to the Company.

16. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

17. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with

respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

18. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

19. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, her heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

EMPLOYEE

By: /s/ Helena Lo
Name: Helena Lo

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Lo	$1,937,497	$1,000,000	$937,497	$200,000	$350,000	$450,000

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Jamie A. Kieffer (the "Employee") and, solely with respect to Sections 4 and 6, Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below).

WHEREAS, The Employee and the Company are currently parties to an Employment Agreement, dated June 30, 2010, as amended December 28, 2010, and as further amended effective March 31, 2011 (collectively, the "Prior Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options and stock appreciation rights (cash-settled and stock-settled), in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Employment. Subject to the consummation of the Offer, the Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company on the terms and subject to the conditions set forth in this Agreement.

2. Term. This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date") and shall continue until terminated as provided in Section 6 below. As of the Commencement Date, the Employee acknowledges and agrees that the Prior Agreement shall be terminated in full and that he shall not be entitled to any rights or benefits thereunder, including any rights to claim Good Reason (as defined in the Prior

Agreement) with respect to actions, failures or other events that occurred on or prior to the Commencement Date.

3. Duties. The Employee shall serve as the Chief Marketing Officer of the Company and will, under the direction of the Company's Chief Executive Officer, the Company's Chief Operating Officer and the Board of Directors of Purchaser (the "Board"), faithfully, and to the best of his ability, perform the duties of such position, which includes the management and operation of the Company's brands and product lines in North America, South America, Europe and Australia and related global sourcing activities. The Employee shall be one of the principal executive officers and Senior Management of the Company and shall, subject to the control of the Company's Chief Executive Officer, the Company's Chief Operating Officer and the Board, have the normal duties, responsibilities and authority associated with such position. The Employee shall also perform such additional duties and responsibilities which may from time to time be reasonably assigned or delegated by the Company's Chief Executive Officer, the Company's Chief Operating Officer or the Board. The Employee agrees to devote his entire business time, effort, skill and attention to the proper discharge of such duties while employed by the Company.

4. Compensation.

(a) Base Salary. The Employee shall receive a base salary of $260,000 per year, payable in regular and equal bi-weekly installments (the "Base Salary"). The Base Salary shall be reviewed annually by the Board on or around April 1st of each year and shall be subject to increase based on the Employee's performance, changes in Employee's responsibilities and increases in the Consumer Price Index.

(b) Incentive Bonus. The Employee shall be entitled to participate in an annual incentive compensation plan (the "Bonus Plan") developed generally for the Senior Management of the Company initially based on the Company's earnings before interest, taxes, depreciation and amortization, as determined by the compensation committee of the Board (the "Compensation Committee"). The Employee's participation will be on a basis consistent with past practice and his position and level of compensation with the Company. The Employee's target bonus under the Bonus Plan shall be reviewed annually by the Compensation Committee but shall be not less than 1.0 times the Employee's then Base Salary.

(c) Equity Awards. Subject to approval by the Board and any required approval by Purchaser's shareholders, the Employee shall be entitled to receive, as soon as reasonably practicable after the next annual shareholders' meeting of Purchaser to occur following the Commencement Date, but in no event later than September 30, 2011, an initial equity award(s) covering 25,000 shares of Purchaser pursuant to Purchaser's equity plan in accordance with the terms and conditions set forth in Schedule A which is attached hereto and made a part hereof. Purchaser hereby represents that such terms and conditions are at least as favorable as the terms and conditions applicable to equity award(s) made by Purchaser to its

senior management generally. To the extent the above-referenced approvals are not obtained, Purchaser shall provide the Employee with a long-term cash incentive benefit equal to the Black-Scholes value of the equity award described above, measured as of the date such cash incentive benefit is granted. Subject to the approval of the Board and any required approval by Purchaser's shareholders, the Employee shall be eligible for future annual equity awards on the conditions, terms and frequency applicable to equity award(s) made by Purchaser to its senior management generally.

(d) Rollover Bonus.

(i) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $150,000, as set forth under "Total Rollover Bonus" on Schedule B which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior to the consummation of the Offer and (b) the vesting of which, but for this Section 4(d), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. Except as set forth in Section 6, the vested portion of the Rollover Bonus and any interest thereon shall become payable within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 4(d)(i), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule B attached hereto).

(ii) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then

unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(iii) In the event that it shall be finally determined by the Internal Revenue Service that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the Code, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount shall be paid within ten (10) days following a final determination by the Internal Revenue Service that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days

following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(iv) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in which the Employee remits the underlying taxes to the applicable tax authorities.

(v) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 4(d)(v), present value shall be determined in accordance with Section 280G(d)(4) of the Code. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 4(d)(v), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be

made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 4(d)(v) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 4(d)(v) shall be of no further force or effect.

5. Fringe Benefits.

(a) Vacation. The Employee shall be entitled to four weeks of paid vacation annually. The Employee and the Company shall mutually determine the time and intervals of such vacation.

(b) Medical, Health, Dental, Disability and Life Coverage. The Employee shall be eligible to participate in any medical, health, dental, disability and life insurance policy in effect for the Senior Management of the Company. The Company shall also pay for an annual executive medical physical.

(c) Automobile. The Company agrees to reimburse the Employee up to $750.00 per month, as such amount may be increased from time to time consistent with the Company's reimbursement policy for the Senior Management of the Company to cover Employee's expenses in connection with his leasing or ownership of an automobile. Additionally, the Company will pay for the gas used for business purposes. All maintenance and insurance expense for the automobile shall be the responsibility of the Employee.

(d) Reimbursement for Reasonable Business Expenses. The Company shall pay or reimburse the Employee for reasonable expenses incurred by him in connection with the performance of his duties pursuant to this Agreement including, but not limited to, travel expenses, customer entertainment, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

(e) Key Man Insurance. The parties agree that the Company has the option to purchase one or more key man life insurance policies upon the life of the Employee. The Company shall own and shall have the absolute right to name the beneficiary or beneficiaries of said policy. The Employee agrees to cooperate fully with the Company in securing said policy, including, but not limited to, submitting himself to any physical examination which may be required at such reasonable times and places as the Company shall specify.

(f) Life and Disability Insurance. During the Employment Period, the Company shall provide coverage of at least $2 million of life insurance and 75% of Base Salary of disability insurance. Such insurance policies to be owned by any one or more members of Employee's immediate family or by a trust for the primary benefit of the Employee's immediate family. The owner of the policy shall have the power to designate the beneficiary and to assign any rights under the policy. The Company shall pay 100% of the premiums required under these policies; provided, however, that the Company shall not be obligated to pay greater than $20,000 for such premiums during any fiscal year. In the event that the premiums for such policies would exceed this limitation, the Company shall consult with the Employee to determine the allocation of such amount to the premiums for each type of policy to obtain such insurance as may be available for an aggregate of $20,000 per fiscal year. The Employee shall have the right to supplement, at the Employee's expense, the Company's payment of premiums for such policies up to the full coverages described in the first sentence of this Section 5(f).

6. Termination.

(a) Termination of the Employment Period. The employment period shall continue until the earlier of: (i) the third anniversary of the Commencement Date (the "Expected Completion Date"), (ii) the Employee's death or Disability, (iii) the Employee resigns or (iv) the Board or its delegate determines that termination of the Employee's employment is in the best interests of the Company (the "Employment Period"). The last day of the Employment Period shall be referred to herein as the "Termination Date."

(b) Termination for Disability or Death.

(i) In the event of termination for Disability during the Employment Period, the Employee shall be entitled to (A) the Base Salary through the date of termination, payable in accordance with the Company's usual payment practices; (B) such fringe benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company (the amounts described in clauses (A) and (B) hereof being referred to as the "Accrued Rights"); (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of six months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the sixtieth (60^{th}) day following the Termination Date

(the "First Payment Date") and shall include payment of any amounts that would otherwise be due prior thereto; (D) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a pro rata portion of any incentive bonus that the Employee would have been entitled to receive pursuant to Section 4(b) hereof in such year based upon the percentage of the fiscal year that shall have elapsed through the date of the Employee's termination of employment (the "Pro-Rata Bonus"), payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, immediate vesting of the then unvested portion of the Rollover Bonus and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), payable upon the First Payment Date; (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); and (G) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three years after the Termination Date, the continuation by the Company of Employee's life insurance and disability coverage, to the extent limited by Section 5(f).

(ii) In the event of termination as a result of the Employee's death during the Employment Period, Employee's designated beneficiary or his estate shall be entitled to receive (A) the Accrued Rights; (B) the proceeds of any life insurance obtained pursuant to Section 5(f); (C) the Pro Rata Bonus, payable when such incentive bonus would have otherwise been payable to the Employee pursuant to Section 4(b) had the Employee's employment not terminated; and (D) the Rollover Acceleration Payment, payable within thirty (30) days following the Termination Date.

(c) Termination by the Company without Cause or by the Employee for Good Reason.

(i) If on or prior to the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of thirty-six months after the Termination Date, payable in accordance

with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the greater of (x) 200% of the average incentive bonus payments received by the Employee under the Bonus Plan or a predecessor annual bonus plan of the Company over the preceding three (3) years or (y) 100% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of three (3) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period three (3) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f).

(ii) If any time after the second anniversary of the Commencement Date (A) the Employment Period is terminated by the Company for any reason other than for Cause, Disability or death, (B) the Employment Period is terminated by the Company for what the Company (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the Employment Period was terminated without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be entitled to receive, (1) the Accrued Rights; (2) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (3) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (4) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, the Rollover Acceleration Payment, payable upon the First Payment Date; (5) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, reimbursement by the Company to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA; and (6) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by

Section 5(f).

(iii) Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 6(c) provided that the Employee has given written notice to the Company within thirty (30) days of the occurrence of any of the events in Section 11(f) and such event remains uncured thirty (30) days after the Company's receipt of such notice.

(d) Termination by the Company for Cause or by the Employee Without Good Reason. If the Employment Period is terminated by the Company with Cause or as a result of the Employee's resignation without Good Reason, the Employee shall be entitled to receive the Accrued Rights. Following such a termination, the Employee shall have no further rights to any compensation or any other benefits under this Agreement. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to this Section 6(d) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

(e) Termination of Employment Period Involving Non-Renewal or Non-Extension. If this Agreement is not renewed or otherwise extended by the Company after the Expected Completion Date and the Employee's employment is terminated as of the Expected Completion Date, the Employee shall be entitled to receive, (A) the Accrued Rights; (B) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, continued payment of Base Salary for a period of twenty-four months after the Termination Date, payable in accordance with the Company's usual payment practices; provided that the first payment shall begin on the first regular payroll date to occur on or after the First Payment Date and shall include payment of any amounts that would otherwise be due prior thereto; (C) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, a payment equal to the 50% of the Employee's target bonus under the Bonus Plan for the year in which the termination occurs, payable upon the First Payment Date; (D) the Rollover Acceleration Payment, payable in accordance with Section 4(d)(i); (E) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the Company's reimbursement to the Employee for amounts paid, if any, to continue medical, dental and health coverage pursuant to the provisions of COBRA, and (F) subject to the Employee's execution and non-revocation of a Release pursuant to Section 12 herein, for a period of two (2) years from the Termination Date, the continuation of Employee's life insurance and disability coverage to the extent limited by Section 5(f). The Company shall provide written notice of any non-renewal or non-extension of the Agreement pursuant to this Section 6(e) at least sixty (60) days prior to the Expected Completion Date.

(f) Effect of Termination. The termination of the Employment Period pursuant to Section 6(a) shall not affect the Employee's obligations as described in Sections 7 and 8.

7. Noncompetition and Nonsolicitation. The Employee acknowledges and agrees that as a stockholder of the Company and as an owner of options, stock appreciation rights (cash-settled and stock-settled) and restricted stock units, in each case covering common stock of the Company, the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement. The Employee acknowledges and agrees that the contacts and relationships of the Company and its Affiliates with its customers, suppliers, licensors and other business relations are, and have been, established and maintained at great expense and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee acknowledges and agrees that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers and licensors, and that he will be able to establish a unique relationship with those Persons that will enable him, both during and after employment, to unfairly compete with the Company and its Affiliates. Furthermore, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the business, trade secrets and Confidential Information (as defined in Section 8 below) of the Company and its Affiliates and to prevent great damage or loss to the Company and its Affiliates as a result of action taken by the Employee. The Employee acknowledges and agrees that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that he could continue to actively pursue his career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement.

(a) Noncompetition. The Employee hereby covenants and agrees that during the Employment Period and for two years thereafter (the "Noncompete Period"), he shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, representative or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise anywhere in the world which is competitive with the Company or any of its subsidiaries or any successor or assign of the Company or any of its subsidiaries. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor. If the final judgment of a court of competent jurisdiction declares that any term or provision of this section is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. The term "indirectly" as used in this section and Section 8 below is intended to include any acts authorized or directed by or on behalf of the Employee or any Affiliate of the Employee.

(b) Nonsolicitation. The Employee hereby covenants and agrees that during

the Noncompete Period, he shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) canvass, solicit or accept from any Person who is a customer or licensor of the Company or any of its subsidiaries (any such Person is hereinafter referred to individually as a "Customer," and collectively as the "Customers") any business which is in competition with the business of the Company or any of its subsidiaries or the successors or assigns of the Company or any of its subsidiaries, including, without limitation, the canvassing, soliciting or accepting of business from any Person which is or was a Customer of the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period;

(ii) advise, request, induce or attempt to induce any of the Customers, suppliers, or other business contacts of the Company or any of its subsidiaries who currently have or have had business relationships with the Company or any of its subsidiaries within two years preceding the date of this Agreement, during the Employment Period or during the Noncompete Period, to withdraw, curtail or cancel any of its business or relations with the Company or any of its subsidiaries; or

(iii) hire or induce or attempt to induce any officer or other senior manager of the Company or any of its Affiliates to terminate his or her relationship or breach any agreement with the Company or any of its Affiliates unless such person has previously been terminated by the Company.

8. Confidential Information. The Employee acknowledges and agrees that the customers, business connections, customer lists, procedures, operations, techniques, and other aspects of and information about the business of the Company and its Affiliates (the "Confidential Information") are established at great expense and protected as confidential information and provide the Company and its Affiliates with a substantial competitive advantage in conducting their business. The Employee further acknowledges and agrees that by virtue of his past employment with the Company, and by virtue of his employment with the Company, he has had access to and will have access to, and has been entrusted with and will be entrusted with, Confidential Information, and that the Company would suffer great loss and injury if the Employee would disclose this information or use it in a manner not specifically authorized by the Company. Therefore, the Employee agrees that during the Employment Period and at all times thereafter, he will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner trustee, beneficiary, co-venturer distributor, consultant or in any other capacity, use or disclose or cause to be used or disclosed any Confidential Information, unless and to the extent that any such information become generally known to and available for use by the public other than as a result of the Employee's acts or omissions. The Employee shall deliver to the Company at the termination of the Employment Period, or at any other time the Company

may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any of its Affiliates which he may then possess or have under his control. The Employee acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Affiliate's actual or anticipated business research and development or existing or future products or services and which are conceived, developed or made by the Employee while employed by the Company and its Affiliates ("Work Product") belong to the Company or such Affiliate, as the case may be.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company and its Affiliates with broader protection than that provided herein.

10. Section 409A. Notwithstanding any provision to the contrary in the Agreement, in order to be eligible to receive any termination benefits under this Agreement that are deemed deferred compensation subject to Section 409A of the Code, the Employee's termination of employment must constitute a "separation from service" within the meaning of Treas. Reg. Section 1.409A-1(h) (a "Separation from Service"). If the Employee is deemed at the time of his termination of employment with the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (i) the expiration of the six-month period measured from the date of the Employee's Separation from Service with the Company or (ii) the date of the Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 10 shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). Notwithstanding the foregoing or any other provisions of this Agreement, the Company and the Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a right to receive a series separate and distinct payments of compensation for purposes of applying the Section 409A of the Code.

11. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling,

controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of this Agreement in any material respect; (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Code***" means the Internal Revenue Code of 1986, as amended or corresponding provisions of subsequent superseding federal tax laws, as amended.

(d) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries)

in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(e) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him as an employee of the Company and which does or may be expected to continue for more than six months during any 12-month period. In the event the Employee shall be able to perform his usual and customary duties on behalf of the Company following a period of disability, and does so perform such duties or such other duties as are prescribed by the Board for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Company and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Company and the Employee. In the event of their failure to agree upon such a medical doctor, the Company and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(f) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3 above or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 above shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3 above as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(g) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(h) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation (a

"Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board,

providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board.

(i) "***Senior Management***" at any time means the senior executive officers of the Company which will include, without limitation, the Chief Executive Officer, President, Chief Operating Officer, Managing Director (China), Chief Financial Officer, Chief Marketing Officer and such other officers of the Company as the Board shall determine from time to time.

12. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

13. Specific Performance. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant or agreement contained in Sections 7 and 8 and that the remedy at law for the breach of any such covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Sections 7 and 8, the Employee agrees that the Company shall be entitled, in addition to such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7 and 8.

14. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

16. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

17. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Without limiting the generality of the foregoing, this Agreement supersedes the Prior Agreement. Upon consummation of the Offer, the Prior Agreement is hereby terminated and shall cease to be of any further force or effect.

18. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

19. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Delaware, regardless of choice of law requirements.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Employment Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

EMPLOYEE

By: /s/ Jamie A. Kieffer
Name: Jamie A. Kieffer

THE UNDERSIGNED has executed or caused this Employment Agreement to be executed as of the date first above written, solely for purposes of Sections 4 and 6 hereof.

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

SCHEDULE A

1. Award Type; Vesting and Exercisability Schedule. The initial equity award set forth in Section 4(c) of this Agreement shall be in the form of provision of stock acquisition rights (shinkabu yoyakuken) covering shares of Purchaser's equity ("Taurus Option(s)") and shall vest as follows: 50% on the 2nd anniversary of the date of grant and 50% on the 4th anniversary of the date of grant.

2. Term of Option. The Taurus Option(s) shall expire on the 6th anniversary of the date of grant.

3. Change of Control. The Taurus Option(s) held by the Employee shall immediately vest upon a Purchaser Change of Control.

4. Exercise of Taurus Option(s) Following Termination of Employment. If the Employee's employment is terminated for any reason other than a termination by the Company for Cause or resignation by the Employee without Good Reason, the Employee (or his designated beneficiary or his estate in the event of the termination of the Employee's employment due to death) may exercise any Taurus Option(s) vested as of the Termination Date at any time prior to the original expiration date of such Taurus Option(s) or within twelve months after the Termination Date, whichever period is shorter. If the Employee's employment is terminated for Cause, any Taurus Options, to the extent not exercised before such termination, shall terminate on the Termination Date.

5. Other Terms. Such Taurus Option(s) shall be subject to all other terms and conditions as may be approved by the Board and the shareholders of Purchaser that are not inconsistent with this Schedule A.

SCHEDULE B

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Kieffer	$ 299,929	$ 150,000	$149,929	$ 30,000	$ 52,500	$ 67,500

ROLLOVER BONUS AGREEMENT

THIS ROLLOVER BONUS AGREEMENT ("Agreement"), dated March 10, 2011, is entered into by and between RC2 Corporation, a Delaware corporation (the "Company"), and Gary W. Hunter (the "Employee") and Tomy Company, Ltd., a company organized under the laws of Japan ("Purchaser"). This Agreement shall be effective as of the date the Offer is consummated (the "Commencement Date"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below). Unless otherwise specified, all dollar amounts herein are in United States currency.

WHEREAS, The Employee and the RC2 Australia Pty Ltd., and Australian corporation which is a wholly owned subsidiary of the Company (the "Australian Subsidiary"), are currently parties to an Employment Agreement, dated July 1, 2009 (collectively, the "Employment Agreement"); and

WHEREAS, Purchaser and Galaxy Dream Corporation, a Delaware corporation and a wholly owned subsidiary of Purchaser, expect to enter into an AGREEMENT AND PLAN OF MERGER (the "Merger Agreement") with the Company whereby it is proposed that (i) MergerSub make a cash tender offer (the "Offer") to purchase all outstanding shares of common stock of the Company and (ii) following the consummation of the Offer, MergerSub will merge with and into the Company, with the Company being the surviving corporation; and

WHEREAS, as a stockholder of the Company and as an owner of options and stock appreciation rights (cash-settled and stock-settled), in each case covering common stock of the Company (collectively, "Company Equity Awards"), the Employee will receive valuable consideration as a direct result of the transactions contemplated by the Merger Agreement (the "Sale Consideration").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Employee, intending to be legally bound, hereby agree as follows:

1. Rollover Bonus.

(a) On the Commencement Date, the Employee shall be entitled to a cash bonus (the "Rollover Bonus") in an amount equal to $150,000, as set forth under "Total Rollover Bonus" on Schedule A which is attached hereto and made a part hereof. The Rollover Bonus represents the spread cash value of certain Company Equity Awards that (a) have not vested as of immediately prior

to the consummation of the Offer and (b) the vesting of which, but for this Section 1(a), otherwise would have been accelerated and cash payment made therefor in the Merger pursuant to the Merger Agreement (the "Unvested Company Equity Awards"). In exchange for such Rollover Bonus, the Employee hereby waives the acceleration of vesting with respect to the Unvested Company Equity Awards, and agrees to cancel such awards in full as of the Commencement Date, and the Employee hereby agrees that such awards shall have no further force and effect on and after the Commencement Date. Purchaser shall cause or cause to be delivered by wire transfer the amounts constituting the Rollover Bonus to an interest-bearing escrow account established at Harris Bank in Chicago, Illinois. Subject to the Employee's continued employment with the Company on the applicable vesting dates, the Rollover Bonus shall vest as to twenty percent (20%), thirty-five percent (35%), and forty-five percent (45%) on the eve of each of the first, second, and third anniversaries of the Commencement Date, respectively. The vested portion of the Rollover Bonus and any interest thereon shall be paid to the Employee within ten (10) days following the applicable vesting date. For the avoidance of doubt, at the Effective Time, each of the Employee's Company Equity Awards that have not vested as of immediately prior to the consummation of the Offer and that do not get canceled in exchange for the Rollover Bonus described in this Section 1(a), shall, at the Effective Time, be cancelled in full and the Employee shall be entitled to receive a cash payment therefor as provided in the Merger Agreement (such cash payment is set forth under "Cash at Closing" on Schedule A attached hereto).

(b) In the event of a Purchaser Change of Control or a Company Change of Control, the Employee shall be entitled to immediate vesting of the then unvested portion of the Rollover Bonus and payment therefor and any interest thereon, payable within thirty (30) days following the Purchaser Change of Control or Company Change of Control, as applicable.

(c) In the event that it shall be finally determined by the Internal Revenue Service or the Australian Tax Office that all or any portion of the Rollover Bonus is subject to the additional tax imposed by Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or a comparable provision under the income tax laws of Australia, or any interest or penalties incurred by Employee with respect to such additional tax (such additional tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Additional Tax"), then the Company agrees that it shall reimburse the Employee for the amount of the Additional Tax finally imposed by the Internal Revenue Service or the Australian Tax Office on the Rollover Bonus (the "Reimbursement Amount") and the amount, if any, such that the Employee receives an after-tax amount equal to the Reimbursement Amount he would have received had no tax under Section 409A or any comparable provision under the income tax laws of Australia been imposed on him (the "Additional Amount"). The Reimbursement Amount and the Additional Amount

shall be paid within ten (10) days following a final determination by the Internal Revenue Service or the Australian Tax Office that such Additional Tax is due. To the extent the Employee receives of a refund of or credit relating to the Additional Tax for which the Company paid the Reimbursement Amount or relating to the Additional Amount, such refund or credit shall be for the benefit of the Company, and the Employee shall pay such amount to the Company within ten (10) calendar days after receiving the refund or after the relevant tax return is filed in which the credit is so applied. The Company's obligation to pay the Reimbursement Amount and the Additional Amount is subject to the Employee notifying the Company within thirty (30) calendar days of any written notice of a pending audit, assessment or other challenge (a "Challenge") which, if successful, might result in the Additional Tax. The Company, at its expense, shall have the right to control the response to, and any proceedings relating to, any Challenge, including initiating or defending any action and/or appeal relating to such Challenge, with counsel selected by the Company, in any such case to a final conclusion or settlement at the discretion of the Company. The Company shall have full control of such response and proceedings, including any compromise or settlement thereof. The Company shall keep the Employee reasonably informed regarding the status and progress of such Challenge. Upon the request of Company, the Employee shall cooperate fully with the Company and its counsel in contesting any Challenge which the Company elects to contest. The Company shall reimburse the Employee for all costs and expenses, including attorneys' fees, that the Employee reasonably incurs in connection with any such cooperation, provided that the Employee shall submit appropriate documentation of such costs or expenses no later than ninety (90) calendar days after incurring such costs or expenses. Such reimbursement shall be made no later than thirty (30) calendar days following submission of appropriate documentation of such costs or expenses by the Employee, and in no event later than the end of the taxable year following the taxable year in which such expenses are incurred.

(d) In the event that the Challenge provides that all or any portion of the Rollover Bonus that has not then vested is immediately includible in income as a result of the failure to comply with Section 409A of the Code or a comparable provision under the income tax laws of Australia, the Company shall immediately accelerate the vesting of solely that portion of the Rollover Bonus necessary to pay such income taxes arising as a result of Section 409A or such comparable provision under the income tax laws of Australia of the Code ("Tax Payment Amount"). The Tax Payment Amount shall equal the aggregate of the federal, state, local or foreign tax amounts due as a result of the application of Section 409A of the Code or the comparable provision under the income tax laws of Australia and in no event shall exceed the amount that is required to be included in income as a result of such failure to comply with the requirements of Section 409A of the Code or the comparable provision under the income tax laws of Australia. Such Tax Payment Amount shall be paid to the Employee within ten (10) days of the Employee notifying the Company of such Challenge and in no event later than the last day of the Employee's taxable year following the year in

which the Employee remits the underlying taxes to the applicable tax authorities.

(e) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to an excise tax (the "Excise Tax") imposed by Section 4999 of the Code or a comparable provision under the income tax laws of Australia, then, prior to the making of any Payment to the Employee, a calculation shall be made comparing (i) the net benefit to the Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax, if applicable. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Company because of Section 280G of the Code (the "Reduced Amount"). For purposes of this Section 1(e), present value shall be determined in accordance with Section 280G(d)(4) of the Code or comparable provision under the income tax laws of Australia. In the event it is necessary to reduce the Payments, payments shall be reduced on a last to be paid, first reduced basis. All determinations required to be made under this Section 1(e), including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an internationally recognized accounting firm (the "Determination Firm") which shall provide detailed supporting calculations both to the Company and the Employee within fifteen (15) business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. All fees and expenses of the Determination Firm shall be borne solely by the Company. Any determination by the Determination Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code or a comparable provision under the income tax laws of Australia at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 1(e) ("Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code or comparable provision in the income tax laws of Australia. In the event that the provisions of Code Section 280G and 4999 or the comparable provisions under the income tax laws of Australia (and any successor provisions thereof) are repealed without succession, this Section 1(e) shall be of no further force or effect.

2. Termination.

(a) Termination for Disability or Death.

(i) In the event of Employee's employment with the Australian Subsidiary and its Affiliates (the "Group Companies") is terminated by reason of Disability prior to the third anniversary of the Commencement Date, subject to the Employee's execution and non-revocation of a Release pursuant to Section 4 herein, the then unvested portion of the Rollover Bonus shall immediately become vested and payment therefore and any interest thereon (the "Rollover Acceleration Payment"), shall be paid by the Company to the Employee on the first regular payroll date to occur on or after the sixtieth (60th) day following the date of termination of employment (the "First Payment Date").

(ii) In the event of Employee's termination of employment with the Group Companies as a result of the Employee's death prior to the third anniversary of the Commencement Date, Employee's designated beneficiary or his estate shall be paid the Rollover Acceleration Payment by the Company within thirty (30) days following the termination date.

(b) Termination by the Company without Cause or by the Employee for Good Reason. If prior to the third anniversary of the Commencement Date, the Employee's employment with the Group Companies is (A) terminated for any reason other than for Cause, Disability or death, (B) is terminated for what the Australian Subsidiary or its Affiliate, as the case may be, (acting in good faith) reasonably believes is Cause or Disability, and it is ultimately determined that the termination was without Cause or Disability, or (C) the Employee resigns for Good Reason, the Employee shall be paid by the Company, subject to the Employee's execution and non-revocation of a Release pursuant to Section 4 herein, the Rollover Acceleration Payment, payable upon the First Payment Date. Notwithstanding anything herein to the contrary, Employee may only resign for Good Reason pursuant to this Section 2(b) provided that the Employee has given written notice within thirty (30) days of the occurrence of any of the events in Section 4(e) and such event remains uncured by the Group Companies thirty (30) days after receipt of such notice.

(c) Termination by for Cause or Without Good Reason. If the Employee's employment with the Group Companies is terminated with Cause or as a result of the Employee's resignation without Good Reason, any then unvested portion of the Rollover Bonus and any interest thereon shall be immediately forfeited and the Employee shall have no rights to any forfeited amounts or any additional payments hereunder. Notwithstanding anything herein to the contrary, the Company may only terminate the Employment Period for Cause pursuant to

this Section 2(c) provided that the Company has given written notice to the Employee of the occurrence of any events constituting Cause within ninety (90) days of the occurrence of any such events and the Employee fails to cure such events within thirty (30) days after the Employee's receipt of such notice.

3. Definitions.

(a) "***Affiliate***" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person and any partner of a Person which is a partnership.

(b) "***Cause***" shall be deemed to exist if the Employee shall have (i) violated the terms of Section 7 or Section 8 of the Employment Agreement in any material respect (for this purpose the Employee acknowledges and agrees that his obligations under Section 7 and Section 8 of the Employment Agreement shall survive for purposes of this Agreement without regard to the termination of the Employment Period as defined in the Employment Agreement); (ii) committed a felony or a crime involving moral turpitude; (iii) engaged in willful misconduct which is shown to have material adverse effect on the Company or any of its Affiliates; (iv) engaged in fraud or dishonesty with respect to the Company or any of its Affiliates or made a material misrepresentation to the stockholders or directors of the Company; or (v) committed acts of gross negligence in the performance of his duties which are repeated and willful and are shown to have a material adverse effect on the Company or any of its Affiliates.

(c) "***Company Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from the Company, (b) any acquisition by the Company, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a) and (b) of subsection (ii) of this definition; or

(ii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and (b) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; or

(iii) the consummation of (a) a complete liquidation or dissolution of the Company or (b) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be and [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition.

(d) "***Disability***" shall mean a physical or mental sickness or any injury which renders the Employee incapable of performing the services required of him/her as an employee of the Australian Subsidiary or its Affiliate and which does or may be expected to continue for more than six (6) months during any 12-month period. In the event Employee shall be able to perform his/her usual and customary duties on behalf of the Group Companies following a period of disability, and does so perform such duties, or such other duties as are prescribed by the Board of Directors of Purchaser or the President of the Company, for a period of three continuous months, any subsequent period of disability shall be regarded as a new period of disability for purposes of this Agreement. The Group Companies and the Employee shall determine the existence of a Disability and the date upon which it occurred. In the event of a dispute regarding whether or when a Disability occurred, the matter shall be referred to a medical doctor selected by the Group Companies and the Employee. In the event of their failure to agree upon such a medical doctor, the Group Companies and the Employee shall each select a medical doctor who together shall select a third medical doctor who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto.

(e) "***Good Reason***" shall mean (i) the material diminution of the Employee's duties set forth in Section 3 of the Employment Agreement or (ii) the relocation of the offices at which the Employee is principally employed to a location which is more than 50 miles from the offices at which the Employee is principally employed as of the date hereof; provided, that travel necessary for the performance of the Employee's duties set forth in Section 3 of the Employment Agreement shall not determine the location where the Employee is "principally employed." The Employee agrees that any change in the Employee's duties as set forth in Section 3 of the Employment Agreement as compared to the Employee's duties on or prior to the Commencement Date shall not constitute Good Reason.

(f) "***Person***" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization and any governmental entity or any department, agency or political subdivision thereof.

(g) "***Purchaser Change of Control***" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of Purchaser (the "Outstanding Common Stock") or (b) the combined voting power of the then outstanding voting securities of Purchaser entitled to vote generally in the election

of directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (a) any acquisition directly from Purchaser, (b) any acquisition by Purchaser, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Purchaser or any corporation controlled by Purchaser or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this definition; or

(ii) individuals who, as of the date hereof, constitute the Board of Directors of Purchaser (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of Purchaser; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Purchaser's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of Purchaser; or

(iii) the consummation of a reorganization, merger or consolidation (a "Business Combination") of Purchaser, in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Purchaser through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (b) no Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors of Purchaser, providing for such Business Combination; or

(iv) the consummation of (a) a complete liquidation or dissolution of Purchaser or (b) the sale or other disposition of all or substantially all of the assets of Purchaser, other than to a corporation, with respect to which following such sale or other disposition, [1] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, [2] less than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of Purchaser or such corporation), except to the extent that such Person owned 50% or more of the Outstanding Common Stock or Outstanding Voting Securities prior to the sale or disposition, and [3] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors of Purchaser, providing for such sale or other disposition of assets of Purchaser or were elected, appointed or nominated by the Board of Directors of Purchaser.

4. Release of Claims. The receipt of any payments and benefits subsequent to the termination of the employment or resignation of the Employee pursuant to this Agreement (other than those payable on account of Employee's death) shall be subject to the Employee executing a release of claims (the "Release") in a form reasonably acceptable to the Company within twenty-one (21) days (or forty-five days (45) for a group termination) following such termination or resignation and not subsequently revoking such Release.

5. Waiver. The failure of either party to insist in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

6. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing and delivered by registered or certified mail or delivered personally, in the case of the Company, to its principal business office, and in the case of the Employee, to his address appearing on the records of the Company, or to such other address as he may designate in writing to the Company.

7. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete and covenant not to disclose confidential information are separate and independent agreements.

8. Complete Agreement. Except as otherwise expressly set forth herein, this document embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

9. Amendment. This Agreement may only be amended by an agreement in writing signed by each of the parties hereto.

10. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Australia.

11. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, Purchaser, their successors and assigns and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties have executed or caused this Rollover Bonus Agreement to be executed as of the date first above written.

RC2 Corporation

By: /s/ Curtis W. Stoelting
Name: Curtis W. Stoelting
Title: CEO

Tomy Company, Ltd.

By: /s/ Kantaro Tomiyama
Name: Kantaro Tomiyama
Title: President & C.E.O.

EMPLOYEE

By: /s/ Gary W. Hunter
Name: Gary W. Hunter

SCHEDULE A

	Total Value of Company Equity Awards (unvested as of immediately prior to the consummation of the Offer)	Total Roll Over Bonus	Cash at Closing	Vesting Schedule		
				Eve of 1st Anniversary of Commencement Date	Eve of 2nd Anniversary of Commencement Date	Eve of 3rd Anniversary of Commencement Date
				20%	35%	45%
Hunter	$ 295,113	$ 150,000	$145,113	$ 30,000	$ 52,500	$ 67,500