



SECURITIES TRADING POLICY  
CONFIDENTIAL INFORMATION, CODE OF  
ETHICS AND BUSINESS CONDUCT POLICY  
CONFLICTS OF INTEREST POLICY

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## **SECURITIES TRADING POLICY**

**Revised November 12, 2004**

### **A. LEGAL COMPLIANCE AND CORPORATE POLICY**

Compliance with the law is a basic policy governing all activities undertaken on behalf of 4KIDS. To this end, it is the obligation of every employee conducting Company business to carefully follow the guidelines set forth in the attached Securities Trading Policy. Failure to do so could, in certain situations, expose the employee and the Company to criminal prosecution and burdensome civil litigation.

Many of the securities laws governing trading in Company securities are complex. The guidelines in the Securities Trading Policy are designed to alert you to the kinds of transactions which are within the danger zones of prohibited activity. It is not possible in these guidelines to cover every conceivable activity which might lead to a violation or, in many cases, to precisely define what constitutes illegal activity. The Securities Trading Policy is not intended as a substitute for legal counsel. If you are uncertain about the legality of a proposed activity, you should not proceed until you have consulted either the CFO or your own attorney.

Accompanying the Securities Trading Policy is a legal compliance certificate to be signed by you acknowledging your receipt and review of the Securities Trading Policy and stating your agreement to comply with the described procedures and guidelines.

You should report all violations or possible violations of the Securities Trading Policy promptly, and you may do so without fear of reprisal. Prompt action on suspected problems will allow us to correct inadvertent mistakes or mistakes resulting from bad judgment, will minimize liabilities to others, and -- most importantly -- will preserve our corporate integrity.

Please study the Securities Trading Policy carefully and often and keep it in your personal files for ready reference. It is important that the legal compliance program has your complete support.

### **B. POLICY REGARDING SECURITIES TRADES BY COMPANY PERSONNEL**

#### **I. INTRODUCTION**

4KIDS Entertainment, Inc. ("4KIDS" or the "Company") has adopted this **Policy Regarding Securities Trades by Company Personnel** (the "Policy") to promote compliance by the Company and its directors, officers and employees with federal securities laws. **These laws prohibit trading securities of the Company while in possession of material nonpublic information concerning the Company or disclosing that information to another person with reason to know that the other person will use that information to trade ("tipping").**

In addition, this Policy is designed to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called "insiders").

This Policy applies to all employees, officers and directors of the Company, their spouses, all members of their households, and any entities that they control, and applies to all transactions in the Company's securities, including common stock, options to purchase common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company's stock, whether or not issued by the Company, such as exchange-traded options.

**Note that all officers and directors must comply with Section 16 of the Securities Exchange Act of 1934 with respect to any transactions in the Company's securities and must file any required reports with the SEC with respect to any changes in their ownership. See "Section 16 Compliance" below. In addition, it is the Company's policy that any transactions by such individuals be 'pre-cleared' by the Company's Chief Financial Officer (the "CFO"). See "Pre-Clearance" below.**

**As a general rule, all sales of Company securities by directors and officers must be made in accordance with Rule 144. See "Rule 144" below.**

## **II. SUMMARY OF 4KIDS' POLICY**

The following is a summary of 4KIDS' Policy. You are urged to read the entire Policy in order to understand more fully what is required of you.

**Confidentiality of Inside Information.** All directors, officers and employees must maintain all nonpublic information about the Company in strict confidence and should not communicate such information to any person unless the person has a need to know the information for legitimate, Company-related reasons.

**Prohibition of Insider Trading.** No director, officer or employee may trade in Company securities while in possession of material nonpublic information concerning the Company. When in doubt, the presumption must be that the information in question is material and nonpublic.

**Certain Transactions.** The Company strongly advises against engaging in the following types of transactions: (a) trading in Company securities on a short-term basis (buying and selling securities within a six-month period); (b) purchases of Company securities on margin (borrowing money to purchase the securities); (c) short sales of Company securities (selling stock you do not own); and (d) buying or selling puts (the right to sell) and calls (the right to buy) or other derivative securities with respect to Company securities.

**Trade Only During "Safe" Periods.** It is the Company's policy that trading in the Company's securities by directors, officers and employees should occur only during "safe" periods during the fiscal year. The "safe" periods are generally the periods commencing on the second business day following the public release of 4KIDS' summary quarterly or annual financial results and continuing until the last day of a particular fiscal quarter or year. The Company strongly suggests that the most appropriate period for trading activity (assuming the absence of material nonpublic information) is during the first ten days of any "safe" period. The date of any release of 4KIDS' financial results may be obtained from the office of the CFO.

**Trade Only Pursuant to Rule 144.** Unless there is a registration statement in effect for a particular sale, all directors and officers must execute trades only in compliance with the safe harbor provisions of Rule 144, as described below.

**Section 16 Compliance.** All officers and directors must comply with Section 16 of the Securities Exchange Act of 1934 with respect to any transactions in the Company's securities and must file any required reports with the SEC with respect to any changes in their ownership.

**Pre-Clearance.** All transactions in the Company's securities by any officer or director must be 'pre-cleared' by the CFO.

**Use of Knowledgeable Stockbroker.** Each director, officer and employee is encouraged to use the same stockbroker consistently to effect transactions in Company securities so that the broker becomes familiar with the restrictions on his/her trading. UBS Paine Webber is the designated broker for transactions under our Stock Option Plans and is familiar with our safe periods of trading. Contact information for the 4KIDS designated broker is available through Transcensive, our Stock Option Plan administrators.

**Certification of Compliance.** Each director, officer and employee is required to certify his/her understanding of and intent to comply with the Policy by executing the certification included with this Policy. Directors, officers and employees may be required to certify compliance on an annual basis.

**Prevention of Insider Trading by Others.** Officers and other supervisory personnel who become aware of a potential insider trading violation should immediately so advise the CFO and should take steps where appropriate to prevent persons under their supervision from using inside information for trading purposes.

**Applicability to Other Companies.** During the course of his or her employment, an employee may obtain material nonpublic information about customers, suppliers or business partners of the Company. The provisions on confidentiality and the prohibition on trading while in possession of nonpublic information also apply to the securities of these other companies.

### **III. BACKGROUND**

In addition to civil and criminal liability imposed by federal securities laws on individuals who commit insider trading violations, the Insider Trading and Securities Fraud Enforcement Act, adopted in 1988, provides for civil and criminal liability for companies and other "controlling persons," including department supervisors and other supervisors, for trading violations by company personnel.

The consequences of insider trading violations can be staggering:

For individuals who trade on inside information (or "tip" to others to enable them to trade) –

- A civil penalty of up to three times the profit gained or loss avoided (plus disgorgement of any profit);
- A criminal fine (no matter how small the profit) of up to \$1 million; and
- A jail term of up to ten years.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading --

- A civil penalty of the greater of \$1 million and three times the profit gained or loss avoided as a result of the employee's violation; and
- A criminal penalty of up to \$2.5 million.

Moreover, 4KIDS may impose sanctions for violations of this Policy, including dismissal for cause. Needless to say, any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish an individual's reputation and irreparably damage a career, while also causing untold damage to 4KIDS' reputation and prospects.

### **IV. THE LAW – PROHIBITION ON TRADING ON MATERIAL INSIDE INFORMATION**

The federal securities laws provide that no director, officer or employee, nor any related person, who has material nonpublic information relating to the Company may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. In addition, such persons must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know the information for legitimate, Company-related reasons. The trading prohibition also applies to information relating to any other company, including the Company's customers, suppliers and business partners that may be obtained in the course of employment.

References in this Policy to the "Company" include such other companies where appropriate.

Maintaining confidentiality of inside information is critical to avoiding improper transactions. Accordingly, the Company's directors, officers and employees should be discreet with inside information and not discuss it in public places where it can be overheard -- such as elevators, restaurants, taxis and airplanes. Such information should be divulged only to persons having a need to know it in order to carry out their job responsibilities. To avoid even the appearance of impropriety, directors, officers and employees should refrain from providing advice or making recommendations regarding the purchase or sale of the Company's securities or those of our customers, suppliers or business partners.

**What Is Considered Material Information?** Information is deemed material if it would be deemed important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding the Company's securities. Further, information would be material if it were likely to have a significant impact on the market price of the Company's securities. For example, it is probable that the following information, in most circumstances, would be deemed material:

- annual or quarterly financial results;
- significant changes in earnings or earnings projections;
- unusual gains or losses in major operations;
- negotiations and agreements regarding significant development projects, financings, leases, joint ventures, acquisitions, divestitures, or business combinations;
- new equity or debt offerings;
- gain or loss of a substantial licensor, licensee, customer or supplier;
- major management changes;
- impending bankruptcy or financial liquidity problems of the Company or of any licensee;
- change in dividend policy;
- new product announcements of a significant nature;
- significant product defects or modifications;
- significant pricing changes;

- stock splits;
- significant litigation exposure due to actual or threatened litigation or government investigations.

The materiality of particular information is subject to reassessment on a regular basis. For example, the information may become stale because of the passage of time, or subsequent events may supersede it. But so long as the information remains material and nonpublic, it must be maintained in strict confidence and not used for trading purposes. In evaluating whether any information is "material", you should remember that someone else may be viewing a securities transaction by you with the benefit of "20/20 hindsight" -- if in doubt, assume that the information is material.

**When Is Material Inside Information Considered Public?** Material information is not generally considered publicly disclosed for insider trading purposes until the information has been adequately disseminated to the public and investors have been able to evaluate it. The mere public announcement of information is not sufficient. Generally, information regarding relatively simple matters, such as earnings results, will be deemed to have been adequately disseminated and absorbed by the marketplace 48 to 72 hours after its release. When more complex matters such as a prospective major development project, joint venture, acquisition or disposition, are announced, it may be necessary to allow additional time for the information to be digested by investors. In such complex circumstances, directors, officers and employees desiring to trade Company securities should consult with the CFO regarding a suitable waiting period before trading.

**When May Family Members Effect Transactions?** The very same trading restrictions that apply to you apply to your family members and others living in your household. Directors, officers and employees are responsible for the compliance of their immediate family and personal household with insider trading laws.

**Tippling Information to Others.** Directors, officers and employees must not pass material nonpublic information on to others (known as "tippees"). The penalties described above apply to "tippers," whether or not you, as a "tipper," derive any benefit from your "tippees'" actions.

### **C. 4KIDS' TRADING POLICY**

To promote compliance with the federal securities laws, provide assistance in preventing inadvertent violations and avoid even the appearance of an improper transaction, trading in the Company's securities by directors, officers or employees of 4KIDS should occur (assuming the absence of material nonpublic information) only during the "safe" periods described below. In addition, because the Company believes that certain securities transactions often subject both the Company and the individual engaging in such transactions to a high level of regulatory scrutiny due to their

speculative nature, the Company strongly advises 4KIDS personnel not to engage in any of the following activities with respect to 4KIDS securities:

- Trading in Company securities on a short-term basis.
- Purchases of Company securities on margin.
- Short sales of Company securities.
- Buying or selling puts or calls or other derivative securities with respect to Company securities.

In applying this Policy, transactions by members of an employee's household and entities that they control shall be aggregated.

Certain exceptions to this Policy are described below.

**Short-Term Trading.** Any Company securities should be held for a minimum of six months – and ideally longer. The SEC's short-swing profit rule already prevents directors and officers from selling any Company securities within six months of a purchase. The Company advises that no Company personnel should appear to be speculating in Company securities. If there is an emergency situation -- such as a sudden and significant change in financial circumstances – which dictates that recently acquired securities be sold, an employee should contact the office of the CFO to obtain a waiver to this Policy.

**Margin Purchases.** The Company advises that no Company director, officer or employee should purchase Company securities "on margin" -- with money borrowed from a bank, brokerage firm or other person for the purpose of purchasing the securities.

**Short Sales.** The Company advises that no director, officer or employee should engage in selling Company securities "short" -- that is, the sale of securities that are not owned by the employee. A person who sells "short" is betting that the price of the security is going down -- he borrows the security, sells it, and expects to be able to return the securities by re-purchasing them at a lower price in the future.

**Transactions in "derivative securities".** The Company advises that no director, officer or employee shall buy or sell puts (a right to sell securities at a fixed price), calls (a right to buy securities at a fixed price), options or futures contracts relating to Company securities, or other forms of "derivative" securities. For these purposes, a security will be considered a derivative of another security if its value is derived from the value of the other security.

### **“Safe” Trading Periods**

There are periods during the Company's fiscal year that are generally considered "safe" for insiders to conduct transactions in Company securities, when information available to the public concerning the Company is at its highest level and confidential information generally is at its lowest. It is the Company's policy that such "safe" periods are the periods of time commencing on the second business day following the public release of the Company's summary quarterly or annual financial results and continuing until the last day of a particular fiscal quarter or year. Please realize that the "safe" periods are of general applicability only and do not serve to permit otherwise illegal trades. Other events or developments during such periods may still enable some Company directors, officers or employees to be in possession of material nonpublic information -- in such event, you still may not trade.

Accordingly, trading in the Company's securities by directors, officers or employees should only occur during "safe" periods. However, please note that the safest time for trading in the Company's securities (assuming the absence of material nonpublic information) probably is only the first ten days of a "safe" period.

The date of any release of the Company's financial results may be obtained from the office of the CFO.

In addition, the Company may also recommend that directors, officers and employees suspend trading in the Company's securities because of developments known to the Company and not yet disclosed to the public. In such event, such persons are advised not to engage in any transaction involving the purchase or sale of the Company's securities during such period and should not disclose to others the fact of such suspension of trading.

Furthermore, please note that even during the "safe" periods, any person possessing material nonpublic information concerning the Company should not engage in any transactions in the Company's securities until such information becomes public in accordance with the guidelines set forth in this Policy. See "When Is Material Inside Information Considered Public," above. Trading in the Company's securities during a "safe" period should not be considered a safe harbor, and all directors, officers and other persons should use good judgment at all times.

The Company does not seek by its Policy to stop transactions in its securities that may be necessary (such as the need to raise money for an emergency expenditure) during other periods. However, in effecting such trades please carefully consider the applicability of the insider trading laws. Remember that even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

Also, remember that if your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in

any transaction you should carefully consider how regulators and others might view your transaction in hindsight.

#### **D. PRE-CLEARANCE**

No director or officer of the Company may engage in any transaction in the Company's securities unless such transaction has been approved by the CFO at least two (2) days, but no more than five (5) days, prior to the proposed date thereof.

#### **E. SECTION 16 COMPLIANCE**

All officers and directors are required under federal securities laws to comply with Section 16 of the Securities Exchange Act of 1934 with respect to their transactions in the Company's securities and must file any required reports with the SEC with respect to any changes in their ownership. As a courtesy to these individuals and at their request, the Company will prepare and file such reports on their behalf via the SEC's EDGAR system. Individuals desiring to have the Company assist them with the preparation and filing of any Section 16 report should contact the Company's Corporate Controller by no later than the date of such transaction. The Company notes that under the SEC's current rules, Statements of Changes in Beneficial Ownership on Form 4 via EDGAR within two (2) business days of the date of any applicable transaction in the Company's securities.

#### **F. RULE 144**

All directors and officers must execute transactions in Company securities only in accordance with the safe harbor provisions of Rule 144 or pursuant to an effective registration statement. Each director and officer is urged to review Rule 144 to gain an understanding of the requirements of trading under protection of Rule 144.

Failure to follow the steps outlined in Rule 144 may result in a delay of the transfer of your securities.

#### **G. USE OF KNOWLEDGEABLE STOCKBROKER**

The Company encourages each director, officer and employee to use the same stockbroker consistently to effect transactions in Company securities. UBS Paine Webber is our designated broker for executing trades related to our Stock Option Programs. Contact information is available from Transcitive, our Stock Option Plan Administrators.

Remember, however, that a broker has no legal responsibility for a client's Section 16 filing or short-swing profit rule violations; hence, the best protection will come from your own awareness of the potential pitfalls. However, use of the same broker consistently will provide you with a good service to help you constantly monitor your compliance not only with this Policy but also your other securities laws obligations.

## **H. PREVENTION OF INSIDER TRADING BY OTHERS**

The SEC also has authority under the Insider Trading Act to bring a civil action against any "controlling person" who knows of, or recklessly disregards, a likely insider trading violation by a person under his control and fails to take appropriate steps to prevent the violation from occurring. A successful action by the SEC under this provision can result in a civil fine equal to the greater of \$1 million and three times the profit gained or loss avoided.

The Company, its directors and officers, and some supervisory personnel, could be deemed controlling persons subject to potential liability under the Act. Accordingly, it is incumbent on these persons to maintain an awareness of possible insider trading violations by persons under their control and to take measures where appropriate to prevent such violations. In the event anyone becomes aware of the possibility of such a violation, he or she should contact the office of the CFO immediately.

## **I. CERTAIN EXCEPTIONS**

For purposes of this Policy, the Company considers that the exercise of stock options under the Company's stock option plans (which shares are then held and not sold by the party exercising the options) is exempt from this Policy including any post-transaction notification requirements, since the other party to the transaction is the Company itself and the price does not directly vary with the market but is fixed by the terms of the option agreement or the plan.

## **J. RULE 10b5-1 TRADING PLANS**

It is the Company's policy to permit employees to trade in Company securities regardless of their awareness of inside information if the transaction is made pursuant to a pre-arranged trading plan that was entered into when the employee was not in possession of material, nonpublic information (a "Rule 10b5-1 Trading Plan"). Any Rule 10b5-1 Trading Plan must (i) be written, (ii) specify the amount of, date(s) on, and price(s) at which the securities are to be traded or establish a formula for determining such items and (iii) receive prior approval from the CFO. Rule 10b5-1 Trading Plans may not be adopted when the employee is in possession of material, nonpublic information about the Company. Furthermore, an employee may amend or replace his or her Rule 10b5-1 Trading Plan only during periods when trading is permitted in accordance with this Policy.

Provided that the foregoing shall have been complied with, transactions effectuated under a Rule 10b5-1 Trading Plan shall not require the pre-clearance of the CFO.

## **K. CERTIFICATION OF COMPLIANCE**

Each director, officer and employee is required to certify his or her understanding of, and intent to comply with, the Company's Policy Regarding Securities Trades by

Company Personnel by executing the certification included with this Policy and returning it to the office of the CFO. Officers, directors and employees may be required to certify compliance on an annual basis.

## **L. COMPANY ASSISTANCE**

Any person who has any questions about this Policy Statement or a specific transaction may obtain guidance from the office of the CFO. Remember, however, that the ultimate responsibility for adhering to the Policy and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

## **CONFIDENTIAL INFORMATION, CODE OF ETHICS, AND BUSINESS CONDUCT POLICY**

### **A. INTRODUCTION**

4KIDS requires its employees to conduct themselves in a professional manner and to maintain the highest ethical business standards at all times.

During the course of and in the scope of employment with 4KIDS, certain confidential and/or proprietary information including, *inter alia*, product designs, marketing strategies, customer lists, pricing policies and other related information ("Confidential Information") will be made available to employees by the Company or its clients.

Except with the expressed written consent of the Company, during employment with 4KIDS or after the termination of employment for any reason, no employee shall directly or indirectly, use or disclose, or permit or aid the use or disclosure to any person, firm, entity or corporation, any of the Confidential Information received as a consequence of his or her services or position with 4KIDS.

An employee concerned about if and when he or she may disclose certain Confidential Information should consult with his or her supervisor, Human Resources, the CFO or the Office of the General Counsel of the Company prior to making any such disclosure.

No one is permitted to remove from the Company's offices, or make copies of, any Confidential Information, including, *inter alia*, any 4KIDS records, reports or documents, without prior management approval.

Any, direct or indirect disclosure of Confidential Information will lead to disciplinary action, including, but not limited to, dismissal. 4KIDS will not tolerate discrimination based upon race, sex, religion, disability, age, sexual orientation, national origin, veteran status or personal or political beliefs.

This document is divided into three parts as follows:

- 1) **The Code:** This section discusses the purpose of "The Code of Ethics and Business Conduct" and explains the Company's commitment to conduct the business of the Company in an ethical and lawful manner.
- 2) **Implementation of The Code:** This section reviews the process by which violations can be reported to the Company.
- 3) **Compliance with Law:** This section (organized in alphabetical order) is designed to give you a brief overview of laws that affect proper business conduct.

The Company recognizes, however, that the materials contained in the Code and in the Company's policies cannot possibly anticipate all potential scenarios and problems that an Employee may encounter. The Company must, therefore, rely upon each individual Employee to act with integrity, to use his or her best judgment, to seek guidance when necessary and to do the right thing in a given situation.

We require that you read the Code in its entirety and then print and sign the acknowledgment page and forward it to Human Resources.

## **B. OUR COMMITMENT TO OUR CLIENTS AND VENDORS**

The Company also places great value on its relationships with its clients, customers, suppliers and others with whom the Company does business. 4KIDS expects all Employees to honor both the letter and spirit of the Company's commitments, and to not engage in questionable practices that could damage the Company's reputation.

Every Employee must refrain from engaging in any act which might be interpreted as improper. Every Employee must be free from any conflict of interest in performing his/her services for the Company. Except as specifically permitted by Company policy, no payments or other consideration may be accepted by any Employee or members of his/her family from any third party doing business with the Company. Similarly, no Employee shall directly or indirectly, make any improper payments to any existing or potential customer or supplier, whether as a bribe, kickback, fee or anything similar in connection with Company business: In addition, no Employee shall accept, directly or indirectly, any improper payments from any third party.

## **C. CONSEQUENCES OF NON-COMPLIANCE**

Employees who violate the Code or any other Company policy will be subject to discipline, up to and including dismissal. In addition, supervisors who reasonably should have detected and reported a violation of the Code or any other Company policy may be disciplined if they fail to file a report. Of course, any Employee suspected of violating either the Code or any other Company policy will be afforded an opportunity to explain his or her actions fully before any disciplinary action is taken.

Employees should note that violations of the Code or any other Company policy may also constitute violations of federal, state or local laws. Employees who violate the Code may, therefore, subject themselves to the risk of prosecution, imprisonment and fines, and may be required to reimburse to the Company for losses or damages which result from such violations. The Company may also be subject to prosecution for violations of law by Employees. It is, therefore, imperative that each Employee read the Code carefully before signing the attached Certification and Acknowledgment, and use both the Code and any other Company policies to guide his/her conduct.

#### **D. EMPLOYEE TRAINING AND THE CORPORATE COMPLIANCE COMMITTEE**

The Company intends to implement a training program, which may include review sessions conducted by members of the Legal and Human Resources Departments. This training program will (i) assist Employees in becoming familiar with the contents of the Code and with the Company's basic policies and (ii) help employees recognize possible legal and ethical problems that may arise in their conduct of the Company's business.

The Company has formed a Corporate Compliance Committee (the "Committee"). The Committee shall oversee the compliance program; provide guidance and assistance to Employees. The "Compliance Committee" defined throughout this document consists of the EVP/General Counsel, the Vice President/Assistant General Counsel, and the CFO.

#### **E. REPORTING NON-COMPLIANCE**

An integral part of the Company's compliance program is the institution of a reporting system devised to enable Employees to communicate to appropriate senior management about the existence or possibility of misconduct. If any Employee believes that conduct which he or she is contemplating may violate the Code, any other Company policy or any laws which may apply to the Company's business, he or she should, before engaging in such conduct, consult with (1) his/her supervisor, (2) Human Resources, or (3) any member of the Committee.

If a supervisor is contacted by an Employee regarding a possible violation of the Code, the supervisor is required to report such matter to Human Resources and to the Committee. If any supervisor fails to take appropriate action, such failure must also be reported to Human Resources and the Committee. The Company will not retaliate against anyone who in good faith reports a violation or suspected violation of the Code. On the contrary, the Company encourages Employees to communicate possible wrongdoing to the Committee. Any Employee responsible for reprisals against individuals who in good faith report known or suspected violations of the Code will be subject to disciplinary action. Any Employee who submits a report not made in good faith, (meaning that the Employee knows or suspects that the report may be false), will similarly be subject to disciplinary action.

The Company prefers that Employees identify themselves when reporting violations or suspected violations, because this will better enable the Human Resources Department and the Committee to investigate the suspected wrongdoing. However, the Company recognizes that in some cases it may be necessary for the Employee to remain anonymous. The Human Resources Department and the Committee will investigate anonymous reports, but requests that such reports provide as much detail as possible regarding the allegedly wrongful conduct, the individuals involved and the basis for the allegations so that a thorough investigation can be conducted.

## **IMPLEMENTATION OF THE CODE**

### **A. COMMITTEE**

The General Counsel of the Company is the Chairman of the Committee. The General Counsel will oversee all matters addressed by the Committee, including the Company's compliance with law and the Code. The Committee's responsibilities include the following:

- 1) Implementing the compliance training program and assuring that Employees are familiar with, understand, and have the information needed to comply with the Code;
- 2) Designing and implementing procedures to monitor compliance with the Code, Company policies and applicable law.
- 3) Reviewing the compliance program periodically and making or recommending changes in policies or procedures;
- 4) Reporting to the Company's management and/or the Company's Board of Directors with respect to the implementation of, and compliance with, the Code, and
- 5) Maintaining records of all reports of violations and the actions taken in response to any violations.

### **B. COMMUNICATION AND DISTRIBUTION OF INFORMATION**

The Committee has established the following procedures to ensure that Employees are familiar with, fully understand, and will abide by the Code:

- 1) All Employees will be required to sign a certification stating that they have read, understand and agree to abide by the Code;
- 2) The Committee will inform Employees in writing of any changes made to the Code.

- 3) The Committee will be available to answer all Employee questions concerning the meaning and application of the Code and its related policies.

### **C. TRAINING AND EDUCATION**

The Committee oversees and coordinates the training of Employees regarding the Code and its policies. The Legal Department and/or Human Resources Department will conduct periodic compliance meetings at which substantive and procedural aspects of the Code will be reviewed and questions will be addressed. The purpose of these meetings is to sensitize Employees to possible problems so that such problems can be reported to the Company's attention before illegal or unethical activities occur.

### **D. REPORTING VIOLATIONS**

As previously discussed, Employees must report violations or potential violations of the Code or any laws applicable to the Company's business to supervisory personnel or any member of the Committee. Employees also should consult with a supervisor or the Committee before engaging in any conduct that Employees believe may violate the Code.

### **E. DISCIPLINE FOR VIOLATIONS**

All Employees are expected to follow all applicable laws, the Code and its related policies. Supervisors are responsible for the behavior of subordinates under their direction and control. The Code provides that the following persons may be subject to disciplinary action:

- 1) Employees who authorize or participate directly in actions that violate the law or the Code;
- 2) Employees who fail to report a violation of the law or the Code, or who withhold relevant and material information concerning a violation of which they are aware or should be aware;
- 3) The supervisor(s) of a violator to the extent that the circumstances of the violation reflect inadequate supervision or lack of diligence (i.e., the supervisor(s) could reasonably be expected to have detected a violation);
- 4) Employees who attempt or encourage others to retaliate, directly or indirectly, against individuals who in good faith report violations of the law or the Code; and
- 5) Employees who submit reports of violations or suspected violations which the Employees know or should know are false.

## **F. CRITERIA FOR DISCIPLINARY ACTIONS**

The Company retains the discretion to take whatever disciplinary action it deems necessary based upon the particular circumstances of the violation. Factors the Company may consider in determining the appropriate discipline to impose for a violation of the Code include:

- 1) The nature of the violation and the actual or potential effect of the violation on the Company and other Employees;
- 2) Whether the Employee was directly or indirectly involved in the violation;
- 3) Whether the violation was willful or unintentional;
- 4) Whether the violation represented an isolated occurrence or a pattern of conduct;
- 5) Whether the Employee reported the violation;
- 6) Whether the Employee withheld relevant or material information concerning the violation;
- 7) The extent to which the Employee cooperated with the investigation;
- 8) If the violation consisted of the failure to supervise another Employee who violated the Code or Company policies, the extent to which the circumstances reflect inadequate supervision or lack of diligence;
- 9) If the violation consisted of retaliation against another Employee for reporting a violation or cooperating with an investigation, the nature and effect of such retaliation;
- 10) Any disciplinary action the Company may have imposed previously for similar violations; and
- 11) The Employee's overall records including any incidences of previous conduct in violation of the Code.

The Committee will maintain appropriate records of all disciplinary actions taken to enforce the Code and will document the reasons for all disciplinary actions taken against Employees for violations of the Code.

## **G. CERTIFICATION / EMPLOYEE SIGNATURE PAGE**

Due to the importance of maintaining the highest ethical business conduct, the Company requires that all Employees sign a certification acknowledging that they have received and read the Code, understand it, and subscribe to the standards and

procedures contained in it. Abiding by the standards and procedures outlined in the Code and its related policies is a condition of continued employment with the Company, but does not alter an Employee's "at-will" employment status in any way.

## **H. QUESTIONS REGARDING THE CODE / WHO TO ASK**

The Company is committed to providing accessible, timely and specific guidance to Employees who have questions regarding the Code, or who seek guidance concerning legal or ethical questions. Employees are encouraged to consult their supervisor, Human Resources or the Committee. Employees may address their questions to the Committee verbally or in writing.

## **I. RESPONDING TO ALLEGATIONS OF VIOLATIONS**

### **1) Immediate Response Necessary**

Upon receipt of a report of a violation of law, the Code or Company policies, the Committee will promptly address all relevant questions, including:

- Should an internal investigation be conducted?
- Should outside counsel be involved in the investigation?
- Should a government agency be notified?

### **2) Investigation of Violations**

All reported violations of law or the Code will be treated confidentially to the extent reasonable under the circumstances, and will be investigated promptly. The Human Resources Department and the Committee will coordinate all investigations of wrongdoing and will refer appropriate matters to the Company's Board of Directors for handling in accordance with its policies and procedures. If the result of the investigation indicates that corrective action is required, the Committee will recommend to Company management what steps it should take both to rectify the immediate problem and to avoid the likelihood of its recurrence.

Employees are expected to cooperate in the investigation of alleged violations of law, the Code or Company policies. It is imperative, however, that Employees not conduct even a preliminary investigation of any possible violations without first consulting with the Human Resources Department and the Committee or obtaining the approval of the General Counsel of the Company. Investigations may raise complicated legal issues, and if conducted without the approval, advice and supervision of the Committee could result in the waiver of important Company rights or privileges or in other possibly adverse consequences.

### 3) Government Investigations and Litigation

Under certain circumstances, the Committee may notify Employees that a government agency is investigating the Company or that the Company is involved in litigation with private parties, and government investigators or outside counsel may contact Employees concerning the investigation or litigation. The Committee also may inform Employees of their rights and obligations with respect to requests for interviews from government investigators or attorneys. It is the Company policy to cooperate to the fullest extent reasonable and practical with appropriate federal, state and local authorities investigating the Company or any conduct of the Company and its Employees. It is a violation of the law and Company policy to conceal, alter or destroy evidence.

Employees contacted by government officials or attorneys regarding an investigation or litigation should report such contact to the General Counsel of the Company immediately and give the General Counsel of the Company the original of any written inquiry or subpoena received from any government agency or attorneys. Employees should not answer any questions or provide any information before consulting with the General Counsel of the Company.

### 4) Preservation of Documents

The Company has established procedures to prevent the intentional or inadvertent destruction of documents that could lead to prosecution for obstruction of justice. If the Company has been served with a government subpoena, it must retain and produce all potentially responsive documents except for documents subject to the attorney-client privilege. Additionally, if the Company has reason to believe that an investigation will take place; the Company must retain all documents that may pertain to that investigation.

The Committee will instruct all relevant Employees concerning procedures to follow to retain all documents that may be responsive to a subpoena, or otherwise relevant to an investigation. Please consult with the General Counsel of the Company if you are unsure concerning records retention policies which apply to your position.

## **COMPLIANCE WITH LAW**

The written materials in this section of the Code are designed to enable Employees to recognize potential legal problems. Please note, however, that these descriptions are only summaries. The General Counsel of the Company is available to answer any questions you may have regarding these written materials or to address any concern you may have regarding compliance with the law, the Code or Company policies.

All persons associated with the Company should endeavor to deal properly with the Company's customers, suppliers, competitors and Employees. No Employee should misrepresent facts or misuse confidential information.

## **A. DESCRIPTION OF CERTAIN KEY LAWS AFFECTING 4KIDS' BUSINESS**

### **1) Advertising**

Federal and State laws, Federal Trade Commission regulations and Company policy prohibit false, misleading or deceptive advertising and related activities in the promotion and sale of products and services sold by the Company. In addition, fair and accurate advertising is important to preserve the Company's reputation with its customers and the general public. Therefore, all advertising claims must be truthful and must be capable of being substantiated before publication or dissemination.

Employees must not create, approve or disseminate any advertising materials which are false or deceptive, are not adequately substantiated or otherwise violate applicable laws and regulations.

Employees with any questions concerning the appropriateness of any proposed advertisements, brochures or other promotional materials should consult their supervisor or the Committee before publishing or disseminating the materials.

### **2) Antitrust Laws**

Federal and State antitrust laws are intended to preserve and promote fair and open competition. The Company is committed to strict compliance with the spirit and intent of all antitrust and trade practice laws. These laws generally forbid price or price related agreements or joint actions between horizontal competitors and; agreements or joint actions between a supplier and a customer that restrain or are intended to reduce competition.

Employees, therefore, must not make any agreements in restraint of trade with competitors, and must not engage in price fixing, price discrimination, resale price maintenance, unlawful boycotts or other acts that violate the applicable Federal and State competition, antitrust and trade practices laws and regulations.

Under the antitrust laws, unlawful agreements need not take the form of a written contract. Courts can -- and do -- infer agreements based on informal discussions or the mere exchange of information between competitors from which pricing or other collusion could result.

Any communication with a competitor's representative, no matter how innocuous it may seem at the time, may later be subject to antitrust scrutiny. Employees must conduct all business and social activities with competitors and other third parties, as if such activities were subject to legal scrutiny. Trade association meetings, for example, generally serve legitimate purposes. However, these meetings also provide an opportunity for competitors to share pricing information. Informal gatherings outside official trade association meetings are particularly risky from an antitrust perspective. Employees attending social functions with competitor representatives should limit their

conversation to “small talk” and avoid topics which could be construed as collusion by competitors.

With regard to international activities, Employees should be aware that the United States antitrust laws apply to conduct that occurs outside the United States if that conduct has a direct, substantial and reasonably foreseeable effect on commerce within the United States. Moreover, the European Union and many foreign countries both within and outside the European Union enforce competition laws similar to the United States antitrust laws. Accordingly, Employees who transact Company business in foreign countries must comply with the laws of the relevant countries in addition to United States antitrust laws where applicable. Similarly, the antitrust laws of the United States apply to all foreign entities doing business in this country.

The above description only touches upon the scope of the antitrust laws. Employees with any questions concerning the application of the antitrust laws to any current, proposed or contemplated business transaction or practice of the Company, or their application to any party with whom the Company does business, should contact the Company’s General Counsel. Employees should avoid any discussion, action, or transaction which may involve prohibited conduct, and should immediately report such conduct to their supervisor or the Committee.

## **B. CONFLICTS OF INTERESTS AND EMPLOYEE GUIDELINES**

Business transactions with suppliers, customers and others should be based on economic merit benefiting the Company and its clients and not on personal gain for Employees. A conflict of interest may arise when an Employee engages in any activity that detracts from, or interferes with, his or her full and timely performance of services for the Company. A conflict of interest may also arise when an Employee, a member of his or her family, or an individual with whom he or she has a close personal relationship, either directly or indirectly, has a financial or other interest which might influence the individual's judgment on behalf of the Company. The Company construes the phrase "member of his or her family" broadly to include at least an individual's spouse, child, spouse of a child, parent, in-law, sibling, dependent or an adult sharing the individual's residence. Even the potential for an appearance of a conflict of interest can be detrimental to the Company, and must be avoided.

Conflicts of interest can arise in many situations. Therefore, no attempt will be made to list all types of situations. However, the following general rules cover many common situations that may potentially arise:

With respect to any person, firm or entity that supplies goods or services to, purchases goods or services from, or is a competitor of the Company, its subsidiaries or affiliates, no Employee may, without the approval of the Committee:

- Accept a gift (other than of a nominal value), take out a loan (other than from established banking or financial institutions) or accept favors (such as entertainment) other than customary business courtesies;
- Receive compensation from, serve as an officer, director, partner, proprietor or consultant for or otherwise render services (either for pay or as a volunteer) to an outside concern;
- Own or have a substantial interest, directly or indirectly, in any outside concern, except where such interest consists of securities of a publicly-owned corporation and such securities are regularly traded on the open market;
- Convey confidential information in the Company's possession to persons not entitled to be aware of such information or use confidential information in the Company's possession in any way to promote personal interests or gains; or
- Participate, directly or indirectly, in the purchase or sale of property or property rights which were known to be of interest to the Company; or
- Transact business with outside concerns in a manner which might lead an outsider to believe the transactions were with the Company, rather than with the individual.

A "gift" is any tangible item of value, any service of value, and any favor not available to all Employees on an equal basis. Examples of non-cash gifts include: free use of an automobile, boat, aircraft, accommodations or other property; the payment of travel, vacation, entertainment, legal or accounting expenses, personal financial and tax-planning services or professional fees; special allowances, discounts or loans; individual club memberships; or furnishing of services for the benefit of an Employee or his or her family.

An Employee who, without prior approval, operates or has a financial interest in an enterprise, or has a family member who operates or has a financial interest in an enterprise, that does business with or is in the same industry as the Company has a conflict. An Employee or Employee's family member who, without prior approval, purchases goods or services from a supplier of the Company at less than the retail price (other than the normal discount available to all Employees of the Company) also has a conflict. In addition, an Employee or Employee's family member, who may benefit from his or her position at the Company's expense has a conflict unless such Employee has received prior approval from the Committee.

An Employee, who becomes involved in a situation that creates a conflict of interest, or the appearance of one, should advise the Committee. The Company ordinarily will

expect the conflict of interest to be eliminated, but there are occasions when apparent conflicts may be accepted depending on all of the circumstances.

## **C. ENVIRONMENT, HEALTH AND SAFETY**

### 1) Environment

Over the past few decades a consensus has emerged among business, government and individuals to preserve, protect and, where possible, improve the environment for the sake of future generations. The Company is committed to helping achieve these goals and similarly expects each and every one of its Employees to be mindful of the environmental impact of their individual and of our corporate decisions.

The Company recognizes its obligation as a corporate citizen to conduct its activities in ways that promote a clean, safe and healthy environment, both for the communities in which we conduct business and for our own Employees. While subjective judgments are sometimes required in the area of environmental protection, the Company and its Employees must always consider the potential environmental consequences of corporate decisions, keeping in mind the goals of enhancing conservation of energy and natural resources, minimizing the creation of waste, disposing of waste through safe and responsible methods and minimizing the use or release of pollutants.

Compliance with the environmental laws is the starting point for the Company's commitment to the environment. In addition, Employees should conduct the Company's business in a manner that reduces any potential adverse environmental impact, enhances conservation of energy and natural resources and complies in all respects with applicable laws designed to protect the natural and workplace environment.

No Employee or agent of the Company has authority to knowingly engage in any conduct that does not comply with environmental laws or to authorize, direct, approve or condone such conduct by any other person. Non-compliance with environmental laws and regulations can have serious effects on the individuals involved, as well as on the Company. The Company and individual Employees may be liable not only for the costs of cleaning up pollution resulting from the Company's activities, but also for significant penalties, if such violations are committed knowingly or, in some cases merely negligently.

Each Employee must cooperate fully in the Company's environmental compliance program, as follows:

- Employees must abide by all applicable environmental laws and regulations, Company policies and procedures;
- Employees must not knowingly enter any false information on any governmental environmental form, on any monitoring report, or in

response to any request for environmental information from any governmental agency;

- Employees who become aware that the Company is violating any environmental law or regulation or that an Employee is providing false information or data, must immediately report such information to the Committee; and
- Employees, at all levels must attempt to prevent violations of environmental laws from occurring, and to correct promptly any such violations that do occur despite the Company's best efforts.

## 2) Health & Safety

The Company is committed to (i) complying with all applicable occupational safety and health laws and standards, (ii) minimizing hazards in the workplace and (iii) providing its Employees with a safe and healthy work environment.

Employees must conduct themselves in accordance with all applicable Federal, State, local and foreign health and safety laws, and report any unsafe conditions, hazards, broken equipment or guards, machinery, or accidents to their supervisor or the Committee. Such conditions must be corrected as soon as possible.

Employees who contract dangerous and easily communicable diseases should notify their supervisor or the Committee.

## **D. FALSE STATEMENTS AND SCHEMES TO DEFRAUD**

Employees must not defraud or engage in any scheme to defraud, any customer, supplier, or other person with whom the Company does business. Employees must always make truthful statements about the Company's products and services, and must not willfully conceal material facts from any party with whom the Company does business or from governmental officials. Similarly, Employees must not knowingly and willfully conceal or cause to be concealed material facts called for in a governmental report, application or other filing. These prohibitions extend to all communications with any federal, state, local or foreign government agency. Employees are prohibited from providing false information to any other Employee or third party knowing that the information will later be provided to the government.

## **E. GOVERNMENT CONTRACTS**

Employees must comply with all federal, state, local and foreign laws regarding bidding for and entering into contracts with a government body. These regulations can be complex, and Employees should direct any questions regarding government contracting to the Committee.

There are three fundamental principles that always apply when dealing with government contracts. First, Employees must not knowingly make or cause to be made to the government false or fraudulent statements or false claims for payment, whether orally or in writing. This includes bids, proposals, requests for payment, or any other documents of any kind that contain false, fictitious or fraudulent information. Second, Employees must not offer, give, solicit, or receive any form of bribe, rebate, gratuity, or kickback in connection with any government contract. Third, Employees must not seek or receive information that the Company is not authorized to possess including, but not limited to, confidential or proprietary data of other competitors bidding for government contracts and non-public government documents relating to bidding or source selection.

Employees must immediately report any known or suspected violations of these principles to the Committee. This is particularly important because the Federal law prohibits the offering, acceptance or solicitation of any type of compensation in exchange for favorable treatment in connection with a contract. Federal law further requires that the Company report to the government whenever it has reasonable grounds to believe that a violation of any statute relating to Federal contracts has occurred. Failure to comply with Federal laws or government contracts could result in legal liability both for the individual(s) involved and for the Company and/or the Company being denied the opportunity to bid on future government contracts.

#### **F. IMPROPER OR UNRECORDED PAYMENTS**

Employees may neither make, nor facilitate third parties to make, bribes, kickbacks or other payments or gifts to government officials, or give or accept improper gifts to or from customers, suppliers or other business contacts.

Improper payments may be in the form of gifts or the provision of services. Improper payments may be made or received directly or indirectly, including arrangements which aid or abet others to make or receive any improper payment. Improper payments include (i) payments prohibited by law, such as payments of any kind to or from governmental or regulatory officials; (ii) payments which represent bribes, kickbacks, or payoffs to or from government officials, customers, suppliers or others with whom the Company does business; and (iii) payments made with an improper intent.

If an Employee falsely reports or intentionally does not report any payment made or received, such Employee has violated the Code. Employees must report all payments made or received, and provide the Company with supporting documentation. Employees should be aware that gifts or payments to government and regulatory officials may violate federal or state laws, even if given without intending to influence that government official. Employees must immediately report to their supervisor or the Committee any request by a government or regulatory official for an improper payment.

## **G. INTELLECTUAL PROPERTY**

Federal, state and international laws govern the use of material and/or information which may be the subject of a trademark or copyright, or which may be treated as a trade secret. Employees must use the Company's copyrights, trademarks and trade secrets only in a manner that will safeguard them as assets of the Company. Employees must not misappropriate or infringe the trade secrets, trademarks, or copyrighted works of others.

The Company also is the licensing agent pursuant to agreements with third parties for various properties that are protected by the copyright laws and/or by trademark registrations. The Company's use of the copyrights and trademarks of its clients must be in accordance with the law and with the terms of any applicable agreements with such clients.

### 1) Copyright Compliance

Federal copyright law grants a copyright to the creator of any work that has been fixed in tangible form (i.e., written down), such as books, articles, magazines, drawings, computer software and photographs. The copyright law prohibits the unauthorized copying of copyrighted materials except under limited circumstances of "fair use". A violation of this prohibition can subject both the Employee involved and the Company to substantial civil and/or criminal penalties. Employees should direct any questions concerning the "fair use" exception to the Committee.

### 2) Trademark Protection

A trademark is a word, symbol, name, device or combination thereof used to identify the source or origin of a product or line of products or services. The Company owns a number of trademarks which are valuable assets of the Company. The Company also is the licensing agent for many valuable trademarks owned by the Company's clients. Employees must be vigilant to use the Company's and its clients' trademarks correctly and to notify the Committee of any unauthorized use of the Company's trademarks by a third party.

Similarly, the Company is committed to respecting the trademark rights of others, and to avoiding the use of trademarks confusingly similar to those of other companies. A claim of infringement may arise from the use of a word or design that sounds like, or is visually similar to, a third party's trademark, particularly when the products and/or packaging or other "trade dress" of the products are similar.

### 3) Trade Secrets and Confidential Information

Trade secrets and proprietary and confidential information may consist of design specifications, customer lists and other non-public information that is used in the conduct of business operations. The Company has developed its own trade secrets and

proprietary and confidential information, and also has access to the trade secrets and proprietary and confidential information of the Company's clients and other third parties.

Employees must not use trade secrets or proprietary or confidential information for their own purposes or disclose such information to unauthorized Employees or third parties without prior approval from any supervisor or the Committee. Employees also must refrain from improperly using trade secrets or proprietary or confidential information obtained from former employers or other third parties, such as Company clients or suppliers.

Employees should address any questions concerning whether information is a trade secret or is proprietary or confidential to their supervisor or the Committee, and should not use or disclose any information that may be a trade secret or proprietary information until they learn that use or disclosure of such information is permitted.

## **H. INTERNATIONAL BUSINESS**

Employees must strictly comply with all laws of each country in which they conduct business on behalf of the Company, and with all U.S. laws governing foreign operations (i.e., the Foreign Corrupt Practices Act; laws prohibiting cooperation with foreign boycotts or requiring adherence to State Department-mandated embargoes; and export control laws). Employees also must be respectful and tolerant of the values and customs of the communities and countries in which the Company does business.

Employees with questions concerning the legality of certain activities should contact the General Counsel of the Company or the Committee before engaging in such activities.

### **1) The Foreign Corrupt Practices Act**

Employees must not make payments or offers of payment to any foreign official, employee or agent of a foreign official, political party or candidate for political office to induce that official, political party or candidate to act in a particular manner. This policy applies to payments in the form of gifts as well as money, and includes the use of personal as well as Company funds.

### **2) Import and Customs Controls**

United States Customs and trade laws provide that all imported goods must enter the United States with the appropriate quota or export/import licenses, labels, markings, bills of lading and commercial invoices. United States Customs law and Company policy also forbid the importation of trans-shipped goods, which are products manufactured in one country, shipped to a second country, and then shipped to the United States with the second country's labels and export licenses. Employees should address any questions concerning the importation of goods to the Committee.

### 3) Export Controls

Under the Export Administration Regulations administered by the Commerce Department, the export of goods and services from the United States may require a specific export license from the Commerce Department. The same may apply to transshipment of U.S. origin goods from the country of original destination to a third country, and to exports of foreign made goods with U.S. content. Employees should address any questions concerning the export of goods to the Committee.

### 4) Anti-Boycott Laws

Employees must conduct the Company's business in accordance with the U.S. anti-boycott laws, which are designed to prevent businesses from cooperating with unsanctioned foreign boycotts of countries friendly to the United States. In general, the anti-boycott laws and regulations prohibit cooperation with a foreign boycott, whether by way of (i) refusing to do business with another person; (ii) applying discriminatory employment practices; (iii) furnishing information on the race, religion, gender or national origin of any U.S. person; (iv) furnishing information concerning any person's affiliations or business relationships with a boycotted country or any person believed to be restricted from doing business in the boycotting countries; or (v) utilizing letters of credit containing boycott provisions. As the Company is required to report boycott requests, all Employees must inform the Committee of any such requests.

### 5) U.S. Embargoes

Employees must conduct the Company's business in accordance with the trade restrictions imposed under the International Emergency Economic Powers Act and the Trading With the Enemy Act. The prohibitions and restrictions imposed under those laws affect exports, imports, travel, currency transactions and assets and accounts with certain countries, whether direct or through third parties. Before doing business with a foreign country, Employees must confirm that no trade restrictions are in effect with respect to that country. Employees must review any proposed contact with embargoed countries in advance with the General Counsel of the Company.

## **I. LABOR AND EMPLOYMENT LAW**

Employees must comply with applicable federal, state and local laws concerning labor and employment, and must promote the Company's goals of assuring equal employment opportunities for all in connection with the recruitment, hiring, training, compensation, development, promotion, demotion and termination of its Employees. The Company is committed to using its best efforts to provide a safe and healthy workplace that is free of any discrimination or sexual harassment. The Human Resources Department will provide guidance necessary to attain and maintain compliance.

As summarized below, the Company has established policies and programs to ensure compliance with labor and employment laws, including an equal employment opportunity policy and a sexual harassment policy. In addition, the Company and its Employees must comply with all applicable wage and hour laws. Employees should contact the Human Resources Department or the Committee for further information on particular labor and employment laws or related Company policies.

1) Equal Employment Opportunity

The Company is an equal employment opportunity employer. The Company's policy is to deal with each Employee and each job applicant without regard to race, color, creed, religion, national origin, gender, sexual orientation, marital status, age, veteran status or disability, except where gender, age or the absence of a disability is a necessary and justifiable job qualification. Consistent with this policy, the Company will not tolerate harassment of, or by, its Employees or customers that violates the Company's equal opportunity policy.

Employees must refrain from any act that is designed to cause or causes unlawful employment discrimination, whether in the areas of recruiting, hiring, placement, training, compensation, benefits, development, transfer, promotion, demotion or termination.

It is the Company's policy to provide employment opportunities to qualified people from all levels of the Company's organization, as well as from outside the Company. The Company, however, only will employ individuals who are legally entitled to work in the United States.

Any Employee who feels he or she has been unlawfully harassed or discriminated against or who has questions concerning the Company's Equal Employment Opportunity Policy, should immediately contact his/her supervisor, the Human Resources Department, or the Committee (EVP/General Counsel, the Vice President/Assistant General Counsel, and the CFO).

2) Sexual Harassment

           **HARASSMENT POLICY OVERVIEW**

Company policy prohibits harassment of any kind based upon membership in protected categories under federal, state or local law, (i.e., harassment on the basis of race, color, religion, national origin, sexual orientation, age, marital status or disability).

Additionally, all employees, whether supervisors or non-supervisors, are responsible for ensuring that the workplace is free of sexual harassment. All personnel must avoid any action or conduct that could be in any way viewed as sexual harassment.

In addition to sexual harassment, if an employee becomes aware of harassment of any kind, or feels that he or she is a victim of harassment by a supervisor, co-worker or

client, this information should be communicated immediately to the employee's direct supervisor, and in the event the complaint involves someone in the employee's direct line of command, such complaints should be directed to: (i) Human Resources; (ii) the CFO; (iii) the General Counsel's office; or (iv) the 4KIDS Integrity and Quality Hotline. Any such complaint should be as specific as possible and should include all relevant information so that 4KIDS may take any and all prompt and necessary remedial action.

### **WHAT IS SEXUAL HARASSMENT?**

Sexual Harassment is a form of discrimination prohibited by federal, state and local law. The Equal Employment Opportunity Commission has issued guidelines below under Title VII of the Civil Rights Act of 1964 concerning sexual harassment. The guidelines define sexual harassment as:

- a) Unwelcome advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that affects employment decisions, interferes with work performance, or creates a hostile work environment.
- b) Deliberate or repeated unsolicited verbal comments, gestures, or physical contacts of a sexual nature that are unwelcome or offensive to a reasonably sensitive person.
- c) Any repeated or unwanted sexual comments, looks, suggestions, or physical contacts that are objectionable, or that reasonably cause an employee discomfort on the job, or create a hostile working environment.
- d) Visual harassment (i.e. explicit or inappropriate posters, cartoons, calendars, pictures, or drawings).

Sexual harassment does not refer to occasional compliments of a socially acceptable nature. While sexual harassment is not easy to define, it may result from: unwelcome sexual jokes, language, epithets, advances or propositions; unwelcome touching, leering, whistling, brushing against the body, or suggestive, insulting or obscene comments or gestures; demands of sexual favors in exchange for favorable reviews, assignments, promotions, or continued employment; questions about sexual conduct or practices; unwelcome comments about an individual's body or sexual prowess; and the display of sexually suggestive objects, pictures, posters or cartoons. It refers to conduct of a sexual nature that is unwelcome and that creates a work environment that is hostile, offensive, or coercive to a reasonable man or reasonable woman.

Any Employee who feels that he or she has been subjected to sexual harassment should immediately notify the Employee's supervisor, the Human Resources Department or the Committee (EVP/General Counsel, the Vice President/Assistant General Counsel, and the CFO).

The Company will investigate reports of sexual harassment promptly and thoroughly, and will treat such reports and all actions taken during its investigation as confidentially

as possible. If the allegations are substantiated, disciplinary action, up to and including termination of employment, will be taken based on the nature of the harassment. In addition, the Company does not permit retaliation of any kind against any Employee who complains of sexual harassment or who assists in an investigation of harassment, and will take disciplinary action against any Employee who retaliates against another.

Because the mere accusation of sexual harassment can be extremely damaging to the accused, such reports must be well considered, made in good faith and handled with the utmost confidentiality at all times. The Company will take appropriate disciplinary action if it discovers that allegations of sexual harassment have been made in bad faith, (i.e., if the person filing the complaint knows or has reason to know that there is no legitimate basis for the complaint).

## **J. POLITICAL ACTIVITIES AND CONTRIBUTIONS**

Employees must comply with all campaign finance and ethics laws, including those prohibiting the unlawful use of Company funds, assets, facilities or services to support federal or state political parties or candidates or to reimburse Employees who support political parties or candidates.

Any Employee participating in the political process must conduct such activities on his/her own time and at his/her own expense, as federal campaign finance and ethics laws and Company policy generally prohibit the use of Company funds, assets, services or facilities on behalf of a political party or candidate. The Company does not support any effort that infringes upon the right of an Employee to decide whether, to whom, or in what amount personal political contributions should be made. The Company will never pressure Employees to express particular views, support a particular cause or contribute to a particular political party or candidate. Employees who engage in such activities or make any public political statements must avoid any references to their affiliation with the Company, and make clear that they are acting personally and not for the Company. Federal law also prohibits the Company from compensating or reimbursing any Employees or individuals associated with the Company for political contributions that those persons have made or intend to make.

Employees who have questions concerning the relevant laws or policies, or who become aware of any conduct which violates campaign finance laws or Company policy should contact the Committee (EVP/General Counsel, the Vice President/Assistant General Counsel, and the CFO) and should not participate in the conduct in question until advised that it is legal in compliance with the election and campaign finance laws and Company policy.

## **K. RECORDKEEPING**

Employees must accurately prepare all Company records to fairly reflect its transactions, company assets and liabilities. Employees must maintain and safeguard

such records and supporting documentation, in accordance with the Company's policies and procedures and applicable legal and accounting requirements.

Any Employees who believe that the Company's books and records are not in accord with these requirements should immediately report the matter to the Committee (EVP/General Counsel, the Vice President/Assistant General Counsel, and the CFO) and to the Chairman of the Audit Committee of the Board of Directors.

1) Preparation of Records; Compliance with GAAP

The law requires the Company to keep books, records, and accounts which accurately and fairly reflect all transactions, involving the Company, its assets and liabilities. Under no circumstances may there be any unrecorded fund or asset of the Company. No employee may knowingly record any improper or inaccurate entry on the books and records of the Company.

No payment on behalf of the Company may be approved or made with the intention, understanding or awareness that any part of the payment is to be used for any purpose other than that described by the documents supporting the payments. All receipts and disbursements must be fully and accurately described on the books and records of the Company and must be supported by appropriate documentation properly describing the purposes thereof.

2) Retention of Records

Federal and State statutes require the retention of many categories of records and documents for prescribed periods that can range from three years to over a decade.

In addition to the applicable statutory retention requirements, the existence of pending or threatened litigation, investigations or subpoenas may require that certain information and documents be retained for longer than the law and the Company's record retention policies require. Accordingly, the Company will issue notices regarding such matters as they arise and will instruct that certain categories of documents not be discarded until the matter is resolved.

**L. RESPONDING TO INQUIRIES FROM THE GOVERNMENT, PRESS & PUBLIC**

Employees who are contacted by government agents, the press or other third parties must promptly notify appropriate management personnel, without attempting to respond to any written or verbal requests for information.

Employees who are contacted by attorneys, government agents (i.e., from the Department of Justice, the Federal Trade Commission, or other federal, state or local agencies), investigators or other third parties concerning potential or actual litigation or investigations, whether or not the litigation or investigations involve the Company, must immediately notify the General Counsel of the Company. Employees also must

promptly refer any verbal or written requests for information, documents or testimony (whether in the form of a summons, subpoena, order to show cause or other document legally requiring that an appearance be made or a response be given). Employee should immediately deliver all original legal documents to the General Counsel of the Company.

Under no circumstances should Employees provide any answers, information or documents before contacting the General Counsel of the Company. Employees are to inform the person making the request that, as a matter of Company policy, such requests are handled by the General Counsel of the Company.

In addition, only authorized officials of the Company are permitted to respond to inquiries for Company information from the media, the financial community, investors and others. Without attempting to respond, Employees should refer all such inquiries promptly to the General Counsel of the Company.

#### **M. SECURITIES TRADING AND DISCLOSURE OF CONFIDENTIAL INFORMATION**

Federal securities laws forbid the purchase or sale of a security based upon inside information not available to the public. Federal securities laws also prohibit employers, directors, officers and Employees from knowingly or recklessly failing to take steps to prevent the trading on "inside" information by those whom they directly or indirectly control.

Any trading in the securities of the Company (e.g., buying or selling shares of stock or other securities of the Company or puts, calls, options or other rights to buy or sell such securities) may, therefore, only be conducted in accordance with the Company's Securities Trading Policy.

Employees must, therefore, not trade securities of the Company or other companies based on material non-public information. Employees also must not provide such non-public information to individuals outside the Company. In addition, it is never appropriate for any Employee to advise others to buy or sell securities of the Company. These same rules also apply to the use of material nonpublic information about other companies. The consequences of insider trading can be severe, and may include fines and imprisonment.

Employees should be aware that discussing the affairs and prospects of the Company can lead to legal liability. Employees should take care not to have conversations concerning confidential matters in public areas, such as on an airplane, in an elevator, or on a public telephone, where they can be overheard. Similarly, Employees should keep confidential documents secure and not leave them where they can be read by a casual observer.

## **N. THEFT OF COMPANY PROPERTY**

Employees must not take any Company property, provide any products to any person or entity not in accordance with established Company policy, or retain any personal benefit from a customer, supplier or other person with whom the Company does business that properly belongs to the Company.

This prohibition includes unauthorized use of the Company's communications equipment, computers, related facilities or other Company assets, including proprietary information and trade secrets. Any Employee who learns of a theft, fraud, embezzlement or improper taking of Company property or resources must immediately report it to the Employee's supervisor or to the Committee.

## **CONFLICTS OF INTEREST POLICY**

### **A. PURPOSE**

As a public company, 4KIDS has a special obligation to uphold the public trust. Accordingly, each director, officer and employee of 4KIDS is required to (i) avoid any Conflict of Interest (as defined below), and (ii) ensure that he or she does not benefit personally (apart from such person's status as a director, officer, employee or shareholder) from any transaction affecting 4KIDS. If any director, officer or employee has a Conflict of Interest in any transaction affecting 4KIDS, such director, officer or employee is required to inform the Board of Directors (the "Board") or the officers of 4KIDS.

### **B. DEFINITION OF CONFLICT OF INTEREST**

Any director, officer or employee of 4KIDS has a Conflict of Interest if such person or any member of such person's family (including a parent, sibling, spouse, child or relative) has, or in the near future will receive:

- Any form of compensation (including any payment or any gifts or favors that are substantial in nature) from a third party other than 4KIDS as a result of any transaction to which 4KIDS is a party, or
- Any ownership or interest in, any company with which 4KIDS has entered into, or is planning to enter into, a transaction or arrangement.

### **C. PROCEDURES**

#### **I. DUTY TO DISCLOSE**

Any director, officer or employee who has a Conflict of Interest must disclose the existence and nature of such Conflict of Interest to the officers of 4KIDS or to the Board considering the proposed transaction.

## **II. PROCEDURES FOR ADDRESSING THE CONFLICT**

The person with the Conflict of Interest may not participate in the consideration by 4KIDS of the proposed transaction. The officers of 4KIDS or the Board shall then determine whether the transaction is in the 4KIDS' best interest and is fair and reasonable to the 4KIDS and shall make a decision whether to enter into the transaction in accordance with such determination.

If a director has a Conflict of Interest, the Board shall decide by a vote sufficient for such purpose without counting the vote of the director who has the Conflict of Interest ("Interested Director") whether to enter into the transaction. Interested Directors may, however, be counted for purposes of determining the presence of a quorum at a meeting which considers such a transaction or arrangement.

If the Board is deciding whether any transaction involving a Conflict of Interest is in 4KIDS' best interest, the minutes of the Board meeting considering the transaction shall set forth:

- 1) The names of the directors, officers, and/or employees with the Conflict of Interest;
- 2) The nature of the Conflict of Interest;
- 3) A record of any determination by the Board, as to whether a transaction or arrangement was in the best interests of the 4KIDS and was fair and reasonable to the 4KIDS, notwithstanding the Conflict of Interest, and;
- 4) The results of the vote by the Board on the matter.

## **III. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY**

If the Board or the officers of 4KIDS have reasonable cause to believe that an officer or employee has failed to disclose or has not adequately disclosed an actual or possible Conflict of Interest, the Board or the Company's officers shall take appropriate disciplinary and corrective action, which may include reconsideration of whether the transaction was in the best interests of, and was fair and reasonable to, 4KIDS at the time it was undertaken. The Board or the officers of 4KIDS shall also take such disciplinary action against such officers or employees as they may determine in their discretion. If the Board of 4KIDS has reasonable cause to believe that a director has failed to disclose or has not adequately disclosed an actual or possible Conflict of Interest, the Board shall take appropriate disciplinary and corrective action which may include reconsideration of whether the transaction was in the best interests of, and was fair and reasonable to, 4KIDS at the time it was undertaken or removal of the director.