

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 26, 1999 Commission file number 1-6682

Hasbro, Inc.

(Name of Registrant)

Rhode Island

05-0155090

(State of Incorporation)

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

1027 Newport Avenue, Pawtucket, Rhode Island 02861

(Address of Principal Executive Offices)

(401) 431-8697

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part II of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold on March 17, 2000 was \$2,682,790,863.

The number of shares of Common Stock outstanding as of March 17, 2000 was 190,384,899.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for its 2000 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

Selected information contained in registrant's Annual Report to Shareholders for the fiscal year ended December 26, 1999, is included as Exhibit 13, and incorporated by reference into Parts I and II of this Report.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

Except as expressly indicated or unless the context otherwise requires, as used herein, the "Company" means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries.

The Company is a worldwide leader in children's and family leisure time and entertainment products and services, including the design, manufacture and marketing of games and toys ranging from traditional to high-tech. Both

internationally and in the U.S., its PLAYSKOOL, KENNER, TONKA, ODDZON, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER, HASBRO INTERACTIVE, MICROPROSE, GALOOB and WIZARDS OF THE COAST brands and products provide what the Company believes to be the highest quality and most recognizable play experiences in the world. Included in its offerings are games, including traditional board and card, hand-held electronic, electronic interactive plush, electronic learning aid, children's consumer electronic, trading card, roleplaying and interactive software games and puzzles. Toy offerings include boys' action, preschool, creative play and girls' toys, dolls and plush products. The Company also licenses various trademarks, characters and other property rights for use in connection with the sale by others of noncompeting toys and non-toy products.

(b) Description of Business Segments and Products

During the second quarter of 1999, the Company redefined its focus and method of managing its business into two major areas, Toys and Games. Following this organizational adjustment the Company's reportable segments are U.S. Toys, Games, International and Global Operations. Financial information with respect to the Company's segments is included in the Annual Report to Shareholders for the fiscal year ended December 26, 1999. Prior period amounts have been reclassified to reflect the Company's current segments.

In the United States, the U.S. Toy segment includes the design, development, marketing and selling of boys action figures, vehicles and playsets, girls toys, preschool toys and infant products and creative play products. The Games segment includes the design, development, marketing and selling of traditional board and card games and puzzles, handheld electronic games, electronic interactive plush, children's consumer electronics, electronic learning aids, trading card and roleplaying games and interactive software games based on the Company's owned and licensed brands. Within the International segment, the Company designs, develops, markets and sells both toy and game products in non-U.S. markets. Global Operations manufactures and sources product for the majority of the Company's segments. The Company also has other segments which license certain toy properties and which develop and market non-traditional toy and game based product realizing more than half of their revenues and the majority of their operating profit in the first half of the year, which is contra-seasonal to the rest of the Company's business. These other segments do not meet the quantitative thresholds for reportable segments.

(i) U.S. Toy

In the U.S. Toy segment, the Company's products are marketed as boys' toys, girls' toys, preschool and creative play.

Boys' toys are offered in a wide range of products, many of which are tied to entertainment properties, including STAR WARS, POKEMON and BATMAN toys and accessories. The Company also offers such popular properties as G.I. JOE, BEAST WARS and BEAST MACHINES TRANSFORMERS action figures, WINNER'S CIRCLE line of die cast vehicle assortments, MICRO MACHINES and the TONKA line of trucks. In 2000, the Company will be launching Europe's number one boys action figure, ACTION MAN, in the U.S., as well as an expanded line of POKEMON toys and collectibles.

Hasbro's girls' toys include STUART LITTLE plush and figures based on the hit motion picture and the classic RAGGEDY ANN and RAGGEDY ANDY rag dolls. In 2000, the Company will be introducing MY REAL BABY, a doll that interacts with a child through realistic sounds, actions and facial expressions, MAKEUP MINDY, a special feature doll, as well as a line of dolls based on the popular S CLUB 7 musical group.

The preschool products include a portfolio of key brands, such as PLAYSKOOL, BARNEY and TELETUBBIES. The PLAYSKOOL line includes such well-known products as MR. POTATO HEAD, SIT 'N SPIN, GLOWORM, as well as a successful line of infant toys such as KICK START GYM, and preschool role-play products. The BARNEY brand includes a complete line of preschool toys such as the BARNEY SONG MAGIC BANJO. The TELETUBBIES line of products is inspired by the public television program featuring TINKY WINKY, DIPSY, LAA-LAA and PO. In 2000, the U.S. Toy segment introduces a product line based on the newest television program from the Children's Television Workshop and Columbia TriStar Television Group, DRAGON TALES, which airs on PBS. Additionally, new products being introduced during 2000 are the PLAYSKOOL FIRST STARTS infant line, the interactive, customizable ESPECIALLY MY BARNEY and MUNCH 'N SLURP TELETUBBIES plush toys.

Creative Play items for both girls and boys include such classic lines as PLAY-DOH, EASY-BAKE OVEN and LITE-BRITE and SPIROGRAPH design toys. During 2000, the Company will be offering new PLAY-DOH playsets featuring POKEMON,

DRAGON TALES and BARNEY, licensed refill bake sets for the EASY-BAKE OVEN, including MCDONALD'S pies and EGGO waffles, as well as POKEMON ENERGY BEAD bracelets and LITE BRITE POKEMON PICTURE AND PEG set.

(ii) Games

The Company markets its games and puzzles under several well known brands, including MILTON BRADLEY, PARKER BROTHERS, TIGER, WIZARDS OF THE COAST, HASBRO INTERACTIVE AND MICROPROSE.

The MILTON BRADLEY and PARKER BROTHERS brand portfolios consist of a full line of games for children, families and adults. The Company's staple items include MONOPOLY, BATTLESHIP, THE GAME OF LIFE, SCRABBLE, CHUTES AND LADDERS, CANDY LAND, TROUBLE, MOUSETRAP, OPERATION, HUNGRY HUNGRY HIPPOS, CONNECT FOUR, TWISTER, YAHTZEE, JENGA, CLUE, SORRY!, RISK, BOGGLE, OUIJA and TRIVIAL PURSUIT as well as a line of traditional and three dimensional puzzles. Traditional card game offerings include MILLE BORNES, ROOK and RACK-0. The Company has put in place a series of marketing initiatives designed to encourage game play among a wide variety of audiences, including MY FIRST GAMES, FAMILY GAME NIGHT and GET TOGETHER GAMES. New in 2000 will be TOP IT, an electronic game incorporating the basic elements of hacky sack, paddleball and the highly successful BOP IT, TRUE YOU PERSONALITY PROFILER, a talking personality profile game, and SILLY SIX PINS, an interactive preschool bowling game with talking pins.

TIGER brand products lead the industry in technology-driven entertainment and lifestyle products for the whole family. Popular handheld electronic games include WHEEL OF FORTUNE, JEOPARDY, CONCENTRATION and THE PRICE IS RIGHT, as well as a line of NASCAR-themed racing electronic games, and for 2000, WHO WANTS TO BE A MILLIONAIRE, also available in a tabletop version. Electronic interactive plush includes the popular FURBY line. Electronic learning aids include licensed product featuring WINNIE THE POOH, RUGRATS and BARNEY. Innovative items in the 2000 line include the interactive animatronic SHELBY, a special friend of FURBY, and INTERACTIVE YODA, who has a vocabulary of more than 800 words and phrases. Consumer electronic offerings for 2000 include LIGHTNING MAIL, a message device the size of a small cell phone which allows users to send and receive free email messages from anywhere in the world and YAHOO!CAM!, a palm-sized, digital camera capable of taking color pictures and posting them to the user's web site. In 2000, a new line of WINNIE THE POOH electronic learning aids will be introduced along with a line of games based on the FRANKLIN property from NICK JR. Also new for 2000 is a line of interactive pets featuring POO-CHI, which uses advanced bio-rhythmic technology to create realistic emotional responses that adapt and change as it is played with, and the futuristic I-CYBIE, which goes through several stages of development from puppy to adult dog.

WIZARDS OF THE COAST trading card and roleplaying games include the popular POKEMON, MAGIC: THE GATHERING and DUNGEONS AND DRAGONS. MAGIC: THE GATHERING, created in 1993, has worldwide popularity, with more than six million players in 52 countries. WIZARDS OF THE COAST has a unique organized play program for its trading card games, sponsoring thousands of game tournaments around the world. The Company operates approximately 70 retail stores under the WIZARDS OF THE COAST and GAME KEEPER names which not only sell games of all types, but provide customers with a place to play games. New for 2000 is MAJOR LEAGUE BASEBALL SHOWDOWN 2000, a card game which allows players to assemble their own lineups, collect their favorite baseball players and compete

against other players' teams, BASE SET 2 and the TEAM ROCKET expansion for the POKEMON trading card game, and the HARRY POTTER trading card game, based on the NEW YORK TIMES best-selling novels.

The HASBRO INTERACTIVE brands include PC CD-ROM and video games based on original and licensed content and the Company's games and brands. For 1999, this includes ROLLERCOASTER TYCOON, the number one PC game in the U.S. for 1999 based on number of units sold, FROGGER for the PC and PLAYSTATION game console and TONKA CONSTRUCTION and CD-ROM playsets which hook onto computer keyboards and combine traditional play with computer games. A line of strategy and action games is published under the MICROPROSE brand, a full line of classic arcade games under the ATARI brand and family games based on hit game show titles such as WHEEL OF FORTUNE and JEOPARDY and the premier family games MONOPOLY and SCRABBLE. A streamlined product offering in 2000 includes FROGGER 2, PAC-MAN for the PC, MONOPOLY TYCOON, and new PC CD-ROM playsets, TONKA DIG 'N RIG and BARNEY, as well as a sports game, NASCAR HEAT. Additionally, video games for the entire family available on the PLAYSTATION platform for 2000 will include TONKA SPACE STATION, NASCAR RACERS, NICKTOONS RACING and WHEEL OF FORTUNE 2.

On December 15, 1999, the Company announced plans to launch its online games portal, Games.com. Games.com will initially offer an extensive line-up of at least 50 branded games. Games.com will also incorporate strong community features, including online chat capabilities, tournaments, plus an online store where consumers can purchase games and related products. Over time, Games.com will highlight Hasbro's powerful games content in six different channels: Family, Kids, Arcade, Game Shows, Sports, and Avid Gamer. The Company has entered into a non-binding memorandum of understanding with Go2Net, Inc. (Go2Net) for a three-year licensing and distribution agreement. Go2Net will provide technology and engineering support to build out the site, plus software for community monitoring and management, chat features, and message boards. Games.com will include three primary revenue sources, generating income via advertising, a Games.com store and premium subscription services on the site.

(iii) International

In addition to the United States, the Company operates in more than 25 countries which sell a representative range of the toy and game brands and products marketed in the United States, together with some items which are sold only internationally. International revenues in 1999 were led by sales of ACTION MAN, STAR WARS, FURBY and TELETUBBIES. New products for 2000 include those noted in the U.S. Toy and Game segments above, as well as TWEENIES, a toy line based upon a successful new preschool television program from the producers of TELETUBBIES.

(iv) Global Operations

The Company manufactures products in the United States, Mexico, the United Kingdom, Ireland and Spain and sources products, largely through a Hong Kong subsidiary working primarily through unrelated manufacturers in various Far East countries, primarily China. In December, 1999, the Company announced it would close its manufacturing operations in Tijuana, Mexico, and Ashford, United Kingdom. The closures will be complete in 2000. See "Manufacturing and Importing" below.

(v) Other Information

The Company has other segments which promote and out-license intellectual property on a more focused basis, and design, develop and market certain traditional and non-traditional toy and game based product including the SUPER SOAKER line of water products, KOOSH brand products and for 2000, the NERF line of soft action play equipment and a TINKERTOY classic line, made entirely of wood and containing the same accessories that were part of the original playset.

To further extend its range of products in its various segments, the Company has Hong Kong units which market directly to retailers a line of high quality, low priced toys, games and related products, primarily on a direct import basis.

In addition, certain products are licensed to other companies for certain countries where the Company does not otherwise have a presence.

During the 1999 fiscal year, combined revenues across all segments from the FURBY line of products and the STAR WARS boys toys line of products contributed 13% and 12%, respectively, of consolidated net revenues of the Company.

Working Capital Requirements

Production has been financed historically by means of short-term borrowings which reach peak levels during September through November of each year when receivables also generally reach peak levels. The revenue pattern of the Company continues to shift with the second half of the year growing in significance to its overall business and, within that half, the fourth quarter being the more prominent. The trend of retailers over the past few years has been to make a higher percentage of their purchases within or close to the fourth quarter holiday consumer selling season, which includes Christmas. The Company expects that this trend will continue. The toy business is also characterized by customer order patterns which vary from year to year largely because of differences each year in the degree of consumer acceptance of a product line, product availability, marketing strategies and inventory policies of retailers, the dates of theatrical releases of major motion pictures for which the Company has licenses for promotional product and differences in overall economic conditions. As a result, comparisons of unshipped orders on any date with those at the same date in a prior year are not necessarily indicative of sales for that entire given year. Also, quick response inventory management practices now being used results in fewer orders being placed in advance of shipment and more orders being placed for immediate delivery. The Company's unshipped orders at March 5, 2000 and February 28, 1999 were approximately \$375,000,000 and \$570,000,000, respectively. Also, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. The backlog at any date in a given year can be affected by programs the Company may employ to induce its customers to place orders and accept shipments early in the year. This method is a general industry practice. The programs the Company is employing to promote sales in 2000 are not substantially different from those employed in 1999.

As part of the traditional marketing strategies of the toy industry, many sales made early in the year are not due for payment until the fourth quarter

or early in the first quarter of the subsequent year, thus making it necessary for the Company to borrow significant amounts pending these collections. During the year, the Company relies on internally generated funds and short-term borrowing arrangements, including commercial paper, to finance its working capital needs. As of March 5, 2000, the Company has available to it unsecured lines of credit, which it believes are adequate, of approximately \$1,300,000,000 including a \$350,000,000 long-term and a \$350,000,000 short-term revolving credit agreement with a group of banks, which is used as a back-up to commercial paper issued by the Company.

Royalties, Research and Development

The Company's business is based to a substantial extent on the continuing development of new products and the redesigning of existing items for continuing market acceptance. In 1999, 1998 and 1997, approximately \$254,599,000, \$184,962,000 and \$154,710,000, respectively, were incurred on activities relating to the development, design and engineering of new products and their packaging (including items brought to the Company by independent designers) and to the improvement or modification of ongoing products. Much of this work is performed by the Company's staff of designers, artists, model makers and engineers.

In addition to its own staff, the Company deals with a number of independent toy designers for whose designs and ideas the Company competes with other toy manufacturers. Rights to such designs and ideas, when acquired by the Company, are usually exclusive under agreements requiring the Company to pay the designer a royalty on the Company's net sales of the item. These designer royalty agreements in some cases provide for advance royalties and minimum guarantees.

The Company also produces a number of toys under trademarks and copyrights utilizing the names or likenesses of familiar movie, television and comic strip characters, for whose rights the Company competes with other toy manufacturers. Licensing fees are generally paid as a royalty on the Company's net sales of the item. Licenses for the use of characters are generally exclusive for specific products or product lines in specified territories. In many instances, advance royalties and minimum guarantees are required by character license agreements. Under terms of agreements existing at December 26, 1999, in certain circumstances the Company may be required to pay an aggregate of up to \$665,000,000 in guaranteed or minimum royalties between 2000 and 2007. Of this amount, approximately \$233,000,000 has been paid. Approximately \$83,000,000 is included in the \$111,523,000 of prepaid royalties which are a component of prepaid expenses and other current assets on the balance sheet. Included in other assets is \$150,000,000 representing the long-term portion of the amount paid in 1999. Of the remaining unpaid minimum guaranty, Hasbro may be required to pay approximately \$88,000,000, \$84,000,000, \$130,000,000, \$6,000,000, \$2,000,000 and \$122,000,000 in 2000, 2001, 2002, 2003, 2004 and 2005, respectively. Such payments are related to royalties which are expected to be incurred on anticipated revenues in the years 2000 through 2007.

Marketing and Sales

The Company's products are sold nationally and internationally to a broad spectrum of customers including wholesalers, distributors, chain stores, discount stores, mail order houses, catalog stores, department stores and

other retailers, large and small. The Company and its subsidiaries employ their own sales forces which account for the majority of sales of their products. Remaining sales are generated by independent distributors who sell the Company's products principally in areas of the world where the Company does not otherwise maintain a presence. With the acquisition of Wizards of the Coast, Inc. in the fourth quarter of 1999, the Company acquired a specialized line of retail stores featuring game, hobby and related products and an area for in-store game play, as well as an online retail site. The Company maintains showrooms in New York and selected other major cities world-wide as well as at most of its subsidiary locations. Although the Company has more than 2,000 customers in the United States and Canada, most of which are wholesalers, distributors or large chain stores, there has been significant consolidation at the retail level over the last several years. In other countries, the Company has in excess of 20,000 customers, many of which are individual retail stores. During 1999, sales to the Company's two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., represented 16% each of consolidated net revenues, and sales to its top ten customers accounted for approximately 56% of consolidated net revenues.

The Company advertises many of its toy and game products extensively on television. The Company generally advertises selected items in its product groups in a manner designed to promote the sale of other specific items in those product groups. Each year, the Company introduces its new products in New York City at the time of the American International Toy Fair in February. It also introduces some of its products to major customers during the prior year.

In 1999, the Company spent approximately \$456,978,000 in advertising, promotion and marketing programs compared to \$440,692,000 in 1998 and \$411,574,000 in 1997.

Manufacturing and Importing

During 1999, the Company manufactured its products in four principal facilities, East Longmeadow, Massachusetts, Waterford, Ireland, Tijuana, Mexico and Valencia, Spain. As part of the consolidation program announced in December 1999, the Company announced it is closing the facility in Tijuana, Mexico, as well as a smaller facility in Ashford, United Kingdom. Most of its products are manufactured from basic raw materials such as plastic and cardboard, although certain products also make use of electronic components. All of these materials are readily available but may be subject to significant fluctuations in price. The Company's manufacturing process includes injection molding, blow molding, metal stamping, spray painting, printing, box making and assembly. The Company purchases certain components and accessories used in its toys and games and some finished items from United States manufacturers as well as from manufacturers in the Far East, which is the largest manufacturing center of toys in the world, and other countries. The 1996 implementation of the General Agreement on Tariffs and Trade reduced or eliminated customs duties on many products imported by the Company. The Company believes that the manufacturing capacity of its facilities and the supply of components, accessories and completed products which it purchases from unaffiliated manufacturers is adequate to meet the foreseeable demand for the products which it markets. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary.

However, if the Company is prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted while alternative sources of product were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by the Company from, or the loss of "normal trade relations" status by, the People's Republic of China could significantly increase the cost of the Company's products imported into the United States or Europe.

Prices for resin increased in the latter part of 1999 due to rising oil prices. If this trend of rising oil prices continues, the Company expects its manufacturing and transportation costs to increase, which could have a negative impact on its gross margin.

The Company makes its own tools and fixtures but purchases dies and molds principally from independent United States and international sources. The Company's North American production departments operate on a two-shift basis and its molding departments operate on a continuous basis through most of the year.

Competition

The Company's business is highly competitive and it competes with several large and many small United States and international manufacturers. The Company is a worldwide leader in the design, manufacture and marketing of games and toys.

Employees

The Company employs approximately 9,500 persons worldwide, approximately 4,600 of whom are located in the United States.

Trademarks, Copyrights and Patents

The Company's products are protected, for the most part and in as many countries as practical, by registered trademarks, copyrights and patents to the extent that such protection is available and meaningful. The loss of such rights concerning any particular product would not have a material adverse effect on the Company's business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

The Company's toy products sold in the United States are subject to the provisions of the Consumer Product Safety Act (the "CPSA"), The Federal Hazardous Substances Act (the "FHSA") and the regulations promulgated thereunder. The CPSA empowers the Consumer Product Safety Commission (the "CPSC") to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product "a banned hazardous substance" under the CPSA and to ban it from commerce. The CPSC can file an action to seize and condemn an "imminently hazardous consumer product" under the CPSA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides

for the repurchase by the manufacturer of articles which are banned. Similar laws exist in some states and cities within the United States and in Canada, Australia and Europe. The Company maintains laboratories which have testing and other procedures intended to maintain compliance with the CPSA and FHSA. Notwithstanding the foregoing, there can be no assurance that all of the Company's products are or will be hazard free. Any material product recall could have an effect on the Company, depending on the product, and could affect sales of other products.

During 1998, the CPSC released the results of a study of a chemical, diisononyl phthalate ("DINP") used to soften some plastic toys and children's products. The study concluded that few if any children are at risk from DINP because the amount that they ingest does not even come close to a harmful level. Therefore, the CPSC staff did not recommend a ban on these products. However, the CPSC indicated that the study identified several areas of uncertainty where additional scientific research is needed. The CPSC has formed a Chronic Hazard Advisory Panel which will review the scientific evidence and is expected to make a report within a year. The CPSC staff requested the industry to remove DINP from soft rattles and teethingers. This request was honored by the industry, including the Company. Canada and the European Union have requested or required similar removal of DINP from products meant to be mouthed by children. Removal of such products from the marketplace has not materially affected the Company.

The Children's Television Act of 1990 and the rules promulgated thereunder by the United States Federal Communications Commission as well as the laws of certain countries place certain limitations on television commercials during children's programming.

The Company maintains programs to comply with various United States federal, state, local and international requirements relating to the environment, plant safety and other matters.

Toys "R" Us Litigation

On September 25, 1997, an administrative law judge ("ALJ") of the Federal Trade Commission (the "Commission") issued an Initial Decision against Toys "R" Us, finding that Toys "R" Us had engaged in unfair business practices in violation of Section 5 of the Federal Trade Commission Act. In particular, the ALJ found that Toys "R" Us entered into vertical agreements with, and facilitated horizontal agreements among, various toy manufacturers, including the Company, to restrict the supply of certain toys to warehouse club retailers. Although the Company voluntarily produced documents and witnesses in the action, the Company was not named a defendant by the Commission in the action. The ALJ's decision was affirmed by the Commission on October 14, 1998.

In the wake of the ALJ's decision, numerous antitrust actions were filed naming Toys "R" Us, the Company, and certain other toy manufacturers as defendants. All of these actions generally alleged that Toys "R" Us orchestrated an illegal conspiracy with various toy manufacturers to improperly cut-off supplies of popular toys to the warehouse clubs and other low margin retailers that compete with Toys "R" Us. The Company was named as a defendant in twenty-seven private antitrust class actions in federal courts in California, Illinois, Maryland, New Jersey, New York, Pennsylvania and

Vermont, all of which purport to represent nationwide classes of customers. These actions allege, among other things, violations of the Sherman and Clayton Acts. In addition, on October 2, 1997, the Attorney General of the State of New York ("NYAG") filed an action against Toys "R" Us, the Company, and several other toy manufacturers alleging violations of federal and state antitrust law, on behalf of all persons in the State of New York who purchased toy products from retailers from 1989 to the present. The NYAG complaint was amended to add as plaintiffs attorneys general from an additional forty-three states, the District of Columbia and the Commonwealth of Puerto Rico.

On February 11, 1998, the Judicial Panel on Multi-District Litigation consolidated and transferred, for all pretrial proceedings, the NYAG action and all of the pending private actions in the federal courts. The consolidated cases were titled In Re Toys "R" Us Antitrust Litigation, MDL-1211 and were pending in the Federal District Court in the Eastern District of New York.

In addition, the Company was named as a defendant, along with Toys "R" Us and certain other toy manufacturers, in an action titled Struthers v. Toys "R" Us et al., No. H198813-6, filed in the Superior Court for the State of California, Alameda County, alleging violations of state antitrust laws. On February 9, 1998, the Superior Court ordered the Struthers case to be coordinated with three pending state court actions previously filed against Toys "R" Us in California. All of the California litigations were stayed to encourage the parties to pursue settlement discussions and negotiations in good faith. These discussions were coordinated with a mediation ordered in a case titled Wilson v. Toys "R" Us, Case No. CV96-574, pending in Tuscaloosa County Circuit Court in Alabama. The Company is not a party to the Alabama case.

On December 9, 1998, Hasbro entered into a Settlement Agreement and Release with the State Attorneys General and the Private Plaintiffs with respect to all of the pending state and federal actions. This settlement was not material to the Company.

On February 17, 2000, the Court approved the Settlement Agreement and Release, and entered a Final Judgment and Order of Dismissal. This has the effect of finally dismissing all claims pending against Hasbro in the state and federal actions, including all claims brought by the State Attorneys General and the private plaintiffs.

Forward-Looking Information

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. Forward-looking statements are inherently subject to risks and uncertainties, many of which are known by, or self-evident to, the investing public. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "expect," "intend," "may," "planned," "potential," "should," "will" and "would." In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause

its actual results and experience to differ materially from the anticipated results or other expectations expressed in its forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of Hasbro's business include the following and are also delineated in the Risk Factors section below:

- 1) The Company's ability to manufacture, source and ship new and continuing products in a timely manner and customers' and consumers' acceptance of those products in a competitive product environment;
- 2) The impact of competition on revenue, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees in a competitive environment;
- 3) Economic conditions, currency fluctuations and government regulations and other actions in the various markets in which the Company operates throughout the world;
- 4) The inventory policies of retailers, including the continuing trend of concentration of Hasbro's revenues in the second half and fourth quarter of the year, together with the increased reliance by retailers on quick response inventory management practices, which increases the risk of the Company's underproduction of popular items, overproduction of less popular items and failure to achieve tight and compressed shipping schedules;
- 5) The impact of market conditions, third party actions or approvals and the impact of competition that could delay or increase the cost of implementation of our Consolidation Program or alter our actions and reduce actual results;
- 6) The risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- 7) With respect to our online game site initiative, technical difficulties in adapting games to online format and establishing the online game site that could delay or increase the cost of the site becoming operational; the acceptance by customers of the games and other products and services to be offered at our online game site; competition from other online game sites and other game playing formats; and the fact online game revenues may not be sufficient to cover the significant advertising expenditures required or the support, service and product enhancement demands of online users; and
- 8) Other risks and uncertainties as are or may be detailed from time to time in Hasbro's public announcements and filings with the Securities and Exchange Commission including without limitation the Risk Factors described below.

Risk Factors

Consumer preferences are difficult to predict and the introduction of new products is critical to the family entertainment industry.

Our business and operating results depend largely upon the appeal of our family entertainment products, principally games and toys. A decline in the

popularity of our existing products and product lines or the failure of new products and product lines to achieve and sustain market acceptance could result in reduced overall revenues and margins, which could have a material adverse effect on our business financial condition and results of operations. Our continued success will depend on our ability to redesign, restyle and extend our existing family entertainment product lines and to develop, introduce and gain customer acceptance of new family entertainment product lines. However consumer preferences with respect to family entertainment are continuously changing and are difficult to predict. Individual family entertainment products typically have short life cycles. There can be no assurances that:

- 1) Any of our current products or product lines will continue to be popular for any significant period of time;
- 2) Any new products and product lines introduced by us will achieve an adequate degree of market acceptance; or
- 3) Any new product's life cycle will be sufficient to permit us to recover development, manufacturing, marketing and other costs of the product.

Our business is seasonal and therefore our annual operating results will depend, in large part, on our sales during the relatively brief holiday season. Further, this seasonality is increasing, as large retailers become more efficient in their control of inventory levels through quick response management techniques.

Sales of our family entertainment products at retail are seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season. This seasonality is increasing, as large retailers become more efficient in their control of inventory levels through quick response management techniques. These customers are timing reorders so that they are being filled by suppliers closer to the time of purchase by consumers, which to a large extent occur during September through December, rather than maintaining large on-hand inventories throughout the year to meet consumer demand. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and shift a significant portion of inventory risk and carrying costs to the supplier. The limited inventory carried by retailers may also reduce or delay retail sales. Additionally, the logistics of supplying more and more product within shorter time periods will increase the risk that we fail to achieve tight and compressed shipping schedules. This seasonal pattern requires significant use of working capital mainly to manufacture inventory during the year, prior to the holiday season, and requires accurate forecasting of demand for products during the holiday season. Our failure to accurately predict and respond to consumer demand could result in our underproducing popular items and overproducing less popular items.

The continuing consolidation of our retail customer base means that changes in the purchasing policies of our major customers could have a significant impact on us.

If some of our major customers were to cease doing business with us, or to significantly reduce the amount of their purchases from us, it could have a material adverse effect on our business, financial condition and results of

operations. For the fiscal year ended December 26, 1999, Wal-Mart Stores, Inc. and Toys R Us, Inc. each accounted for approximately 16% of our consolidated net revenues and our ten largest customers, including Wal-Mart and Toys R Us, in the aggregate accounted for approximately 56% of our consolidated net revenues.

We may not realize anticipated benefits of acquisitions or these benefits may be delayed or reduced in their realization.

Acquisitions have been a significant part of our growth over the years and have enabled us to further broaden and diversify our product offerings. While we target companies having what we believe to be attractive family entertainment product offerings, there can be no assurance that the products of companies we acquire will continue to be popular. In addition, in some cases, we expect that the integration of the product lines of the companies that we acquire into our operations will create production, marketing and other operating synergies. We believe that creating these synergies can create greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other synergies. However, we can provide no assurances that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we acquire companies with what we believe to have strong and creative management, in which case we plan to create synergies by operating them autonomously rather than integrating them into our operations. There can be no assurance, however, that the key talented individuals at these companies will continue to work for us after the acquisition or that they will continue to develop popular and profitable products or services.

Our sales and manufacturing operations outside the United States subject us to risks normally associated with international operations.

Various international risks could negatively impact our international sales and manufacturing operations, which could have a material adverse effect on our business, financial condition and results of operations. For the year ended December 26, 1999, our international net revenues comprised approximately 33% of our total consolidated net revenues. We expect our international sales to continue to account for a significant and growing portion of our revenues. Additionally, we have manufacturing facilities in Ireland and Spain and utilize third-party manufacturers principally in the Far East. These sales and manufacturing operations are subject to the risks normally associated with international operations, including:

- 1) Currency conversion risks and currency fluctuations;
- 2) Limitations, including taxes, on the repatriation of earnings;
- 3) Political instability, civil unrest and economic instability;
- 4) Greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- 5) Complications in complying with laws in varying jurisdictions and changes in governmental policies;

6) Natural disasters and the greater difficulty and expense in recovering therefrom;

7) Transportation delays and interruptions; and

8) The imposition of tariffs.

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to political, labor or other factors beyond our control, Hasbro's operations would be disrupted while alternative sources of products were secured. The imposition of trade sanctions by the United States or the European Union against a class of products imported by us from, or the loss of "normal trade relations" status by, the Peoples Republic of China could significantly increase our cost of products imported into the United States or Europe.

(c) Financial Information About International and United States

Operations and Export Sales

The information required by this item is included in note 16 of Notes to Consolidated Financial Statements in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 2. PROPERTIES

Location	Use	Square Feet	Type of Possession	Lease Expiration Dates

Rhode Island				

Pawtucket (1)(2)(3)	Administrative, Sales & Marketing Offices & Product Development	343,000	Owned	--
Pawtucket (2)	Executive Office	23,000	Owned	--
East Providence (2)	Administrative Office	120,000	Leased	2004
California				

Ontario (1)	Warehouse	432,000	Leased	2002
Napa (3)	Office & Warehouse	400,000	Leased	2013
Alameda (1)	Product Development	38,400	Leased	2002
Illinois				

Vernon Hills (1)	Office & Warehouse	21,000	Leased	2002

Massachusetts

East Longmeadow (1)(4)	Office, Manufacturing & Warehouse	1,147,500	Owned	--
East Longmeadow (4)	Warehouse	500,000	Leased	2000
Beverly (1)	Office	100,000	Owned	--

Maryland

Hunt Valley (1)	Product Development	29,900	Leased	2003
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New Jersey

Mt. Laurel (3)	Office	11,000	Leased	2001
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New York

New York(1)(2)(3)(5)	Office & Showroom	106,800	Leased	2011
New York(1)(2)(3)(5)	Office & Showroom	17,200	Leased	2006

Ohio

Cincinnati (1)	Office	174,000	Leased	2007
Cincinnati (1)	Warehouse	31,800	Leased	2008

Texas

El Paso (4)	Warehouse	696,000	Leased	2008
Dallas (1)	Warehouse	127,000	Leased	2003

Washington

Renton (1)	Offices	158,000	Leased	2003
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Australia

Lidcombe (5)	Office & Warehouse	161,400	Leased	2002
Eastwood (5)	Office	16,900	Leased	2001

Argentina

Buenos Aires (5)	Office and Warehouse	54,000	Leased	2000
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Austria

Vienna (5)	Office	4,000	Leased	2000
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Belgium

Brussels (5)	Office & Showroom	20,700	Leased	2000
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Canada					
Montreal (5)	Office, Warehouse & Showroom	133,900	Leased	2001	
Mississauga (5)	Sales Office & Showroom	16,300	Leased	2004	
Montreal (5)	Warehouse	88,100	Leased	2001	
Chile					
Santiago (5)	Warehouse	23,800	Leased	2000	
Santiago (5)	Office	3,500	Leased	2000	
Denmark					
Glostrup (5)	Office	9,200	Leased	2004	
England					
Uxbridge (5)	Office & Showroom	94,500	Leased	2013	
France					
Le Bourget du Lac(5)	Office & Warehouse	108,300	Owned	--	
Savoie Technolac (5)	Office	33,500	Owned	--	
Creutzwald (5)	Warehouse	217,200	Owned	--	
Gresy (5)	Warehouse	24,500	Leased	2000	
Germany					
Dietzenbach (5)	Office	43,000	Leased	2006	
Soest (5)	Office & Warehouse	164,200	Owned	--	
Boner (5)	Office & Warehouse	111,300	Owned	--	
Greece					
Athens (5)	Office & Warehouse	25,100	Leased	2007	
Hong Kong					
Kowloon (1)(3)(4)(5)	Offices	35,000	Leased	2000	
Kowloon (1)(3)(4)(5)	Offices	62,200	Leased	2002	
New Territories (4)	Office & Warehouse	17,800	Leased	2001	
New Territories (4)	Warehouse	11,500	Leased	2002	
Hungary					
Budapest (5)	Office	6,300	Leased	2000	
Ireland					
Waterford (4)	Office, Manufacturing & Warehouse	244,400	Owned	--	

Italy					
Milan (5)	Office & Showroom	12,100	Leased	2002	
Mexico					
Tijuana (4)	Office, Manufacturing & Warehouse	143,800	Leased	2000	
Tijuana (4)	Manufacturing & Warehouse	205,000	Leased	2000	
Periferico (5)	Office	16,100	Leased	2003	
Carretera (5)	Warehouse	215,500	Leased	2005	
The Netherlands					
Ter Apel (5)	Warehouse	79,400	Leased	2000	
Utrecht (5)	Office	17,000	Leased	2003	
New Zealand					
Auckland (5)	Office & Warehouse	110,900	Leased	2005	
Peru					
Lima (5)	Warehouse	32,400	Leased	2000	
Lima (5)	Office	11,000	Leased	2000	
Poland					
Warsaw (5)	Office & Warehouse	11,100	Leased	2001	
Portugal					
Estoril-Lisboa (5)	Office	2,900	Leased	2003	
Singapore					
Singapore (5)	Office & Warehouse	9,300	Leased	2000	
Spain					
Valencia (4)(5)	Office, Manufacturing & Warehouse	322,700	Owned	--	
Valencia (4)(5)	Office, Manufacturing & Warehouse	144,800	Leased	2011	
Sweden					
Vosby (5)	Office	7,400	Leased	2003	
Switzerland					
Berikon (5)	Office & Warehouse	25,000	Leased	2000	
Delemont (5)	Office	9,200	Leased	2004	

Taiwan

TPE County (5) Warehouse 14,400 Leased 2000

Wales

Newport (5) Warehouse 75,000 Leased 2003
Newport (5) Warehouse 170,000 Owned --

- (1) Property used in the U.S. Toy or Games segment.
- (2) Property used in the Corporate area.
- (3) Property used in Other segments.
- (4) Property used in the Global Operations segment.
- (5) Property used in the International segment.

In addition to the above listed facilities, the Company either owns or leases various other properties approximating 442,000 square feet which are utilized by its various segments and include retail and game play locations operated under the WIZARDS OF THE COAST and GAME KEEPER names. The Company also either owns or leases an aggregate of approximately 1,173,000 square feet, predominately relating to the Global Operations segment, not currently being utilized in its operations. Most of these properties are being leased, subleased or offered for sublease or sale.

The foregoing properties consist, in general, of brick, cinder block or concrete block buildings which the Company believes are in good condition and well maintained.

ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain legal proceedings, substantially involving routine litigation incidental to the Company's business, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

In January 2000, the Company entered into a settlement agreement and order with the U.S. Consumer Products Safety Commission (CPSC) relating to the PLAYSKOOL FOLD 'N TRAVEL INFANT CARRIER, which was the subject of a voluntary recall by the Company in 1996. The CPSC alleged that the Company failed to report the data that gave rise to the voluntary recall in a timely fashion to the CPSC. Without admitting any liability or wrongdoing or that the recalled product was defective or dangerous, the Company, to avoid incurring additional legal costs and expenses, agreed to pay a \$400,000 civil penalty in connection with the matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons are the executive officers of the Company and its subsidiaries and divisions. Such executive officers are elected annually. The position and office listed below are the principal position(s) and office(s) held by such person with the Company, subsidiary or divisions employing such person. The persons listed below generally also serve as officers and directors of the Company's various subsidiaries at the request and convenience of the Company.

Name	Age	Position and Office Held	Period Serving in Current Position
Alan G. Hassenfeld (1)	51	Chairman of the Board and Chief Executive Officer	Since 1999
Herbert M. Baum (2)	63	President and Chief Operating Officer	Since 1999
Harold P. Gordon	62	Vice Chairman	Since 1995
Alfred J. Verrecchia (3)	57	Executive Vice President, Global Operations and Chief Financial Officer	Since 1999
David D. R. Hargreaves (4)	47	Senior Vice President and Deputy Chief Financial Officer	Since 1999
Thomas J. McGrath (5)	42	General Manager and Sector Head, Toys	Since 1999
E. David Wilson (6)	62	General Manager and Sector Head, U.S. Games	Since 1999
George B. Volanakis (7)	52	General Manager and Sector Head, International Businesses	Since 1999
Richard B. Holt	58	Senior Vice President and Controller	Since 1992
Barry Nagler (8)	43	Senior Vice President and General Counsel	Since 2000
Douglas J. Schwinn (9)	49	Senior Vice President and Chief Information Officer	Since 1999
Martin R. Trueb (10)	48	Senior Vice President and Treasurer	Since 1997
Phillip H. Waldoks	47	Senior Vice President - Corporate Legal Affairs and Secretary	Since 1995

- (1) Prior thereto, Chairman of the Board, President and Chief Executive Officer.
- (2) Prior thereto, Chairman and Chief Executive Officer, Quaker State Corporation.
- (3) Prior thereto, Executive Vice President, Global Operations and Development during 1999; prior thereto, Executive Vice President and President, Global Operations from 1996 to 1999; prior thereto, Chief Operating Officer, Domestic Toy Operations.
- (4) Prior thereto, Senior Vice President-Finance during 1999; prior thereto, Senior Vice President, Finance and Planning, Global Marketing, from 1997 to 1999; prior thereto, Senior Vice President, Finance and Planning, Global Operations from 1996 to 1997; prior thereto, Senior Vice President, Finance and Administration, Domestic Toy Operations.
- (5) Prior thereto, Group Executive, Boys Toys.
- (6) Prior thereto, President, Hasbro Americas from 1996 to 1999; prior thereto, President, Hasbro Games Group.
- (7) Prior thereto, President, European Sales and Marketing from 1998 to 1999; prior thereto, President and Chief Executive Officer, The Ertl Company, Inc.
- (8) Prior thereto, Senior Vice President and General Counsel, Reebok International, Ltd. (Reebok) from 1997 to 2000; prior thereto, Vice President and General Counsel, Reebok.
- (9) Prior thereto, Senior Vice President and Chief Information Officer, OfficeMax, Inc., from 1997 to 1999; prior thereto, Senior Vice President, Information Services and Chief Information Officer, FoxMeyer Drug Company.
- (10) Prior thereto, Assistant Treasurer, Amway Corporation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED

----- STOCKHOLDER MATTERS -----

On February 10, 2000, the Company issued warrants to purchase 500,000 shares of common stock, par value \$.50 per share, of the Company, at an exercise price of \$15.00 per share subject to anti-dilution adjustment in certain events, to Warner Bros., a division of Time Warner Entertainment Company, L.P., in connection with, and as partial consideration for, the acquisition of certain rights for the development of trading card games, role playing games, trading cards, candy and youth electronics relating to characters from the first two Harry Potter books published by J.K. Rowling, as well as two films to be developed by Warner Bros. Pictures based on these two books. The warrants were issued without registration under the Securities Act of 1933 (the "Act") on the basis of Section 4(2) of the Act in reliance upon the representations of the warrant holder that it is an accredited

investor, as defined in Rule 501 of Regulation D under the Act, and that it is acquiring the warrants for investment purposes only and not with a view to, or for resale in connection with, any "distribution" thereof for purposes of the Act. The warrants are exercisable upon the U.S. theatrical release date of the first film and expire on December 31, 2003, subject to limited extension under certain limited circumstances.

The remainder of the information required by this item is included in Market for the Registrant's Common Equity and Related Stockholder Matters in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is included in Selected Financial Data in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The information required by this item is included in Management's Review in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included in Financial Statements and Supplementary Data in Exhibit 13 to this Report and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 and 13.

The information required by these items is included in registrant's definitive proxy statement for the 2000 Annual Meeting of Shareholders and is incorporated herein by reference, except that the sections under the headings (a) "Comparison of Five Year Cumulative Total Shareholder Return Among Hasbro, S&P 500 and Russell 1000 Consumer Discretionary Economic Sector" and accompanying material and (b) "Report of the Compensation and Stock Option Committee of the Board of Directors" in the definitive proxy statement shall not be deemed "filed" with the Securities and Exchange Commission or subject to Section 18 of the Securities Exchange Act of 1934.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Included in PART II of this report:
Independent Auditors' Report

Consolidated Balance Sheets at December 26, 1999 and
December 27, 1998

Consolidated Statements of Earnings for the Three Fiscal
Years Ended in December 1999, 1998 and 1997

Consolidated Statements of Shareholders' Equity for the
Three Fiscal Years Ended in December 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the Three
Fiscal Years Ended in December 1999, 1998 and 1997

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Included in PART IV of this Report:
Report of Independent Certified Public Accountants
on Financial Statement Schedule

For the Three Fiscal Years Ended in December 1999, 1998
and 1997:

Schedule II - Valuation and Qualifying Accounts and
Reserves

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

(3) Exhibits

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

Exhibit

3. Articles of Incorporation and Bylaws

- (a) Restated Articles of Incorporation of the Company.
(Incorporated by reference to Exhibit (c)(2) to the
Company's Current Report on Form 8-K, dated July 15,
1993, File No. 1-6682.)

(b) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.)

4. Instruments defining the rights of security holders, including indentures.

(a) Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)

(b)(i) Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York.

(b)(ii) Form of 7.95% Note due 2003.

10. Material Contracts

(a) Lease between Hasbro Canada Inc. (formerly named Hasbro Industries (Canada) Ltd.) and Central Toy Manufacturing Co. ("Central Toy"), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)

(b) Lease between Hasbro Canada Inc. and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)

(c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)

(d) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

(e) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

- (f) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (g) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (h) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (i) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (j) Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (k) Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (l) Asset Purchase Agreement dated as of February 8, 1998, together with Amendment thereto dated as of March 31, 1998, by and among the Company, Tiger Electronics Ltd. (formerly named HIAC X Corp. and a wholly-owned subsidiary of the Company), Tiger Electronics, Inc. and certain affiliates thereof and Owen Randall Rissman and the Rissman Family 1997 Trust. (Incorporated by reference to Exhibit 2(a) to the Company's Current Report on Form 8-K, dated April 1, 1998, File No. 1-6682.)

Executive Compensation Plans and Arrangements

- (m) Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 2-78018.)
- (n) Amendment No. 1 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)

- (o) Amendment No. 2 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (p) Amendment No. 3 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (q) Amendment No. 4 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (r) Form of Non Qualified Stock Option Agreement under the Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (s) Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (t) Amendment No. 1 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (u) Amendment No. 2 to Non Qualified Stock Option Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1987 Annual Meeting of Shareholders, File No. 1-6682.)
- (v) Amendment No. 3 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (w) Form of Stock Option Agreement (For Employees) under the Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (x) 1992 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)
- (y) Form of Stock Option Agreement under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)

- (z) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)
- (aa) First Amendment to the 1992 Stock Incentive Plan and the Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (bb) Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)
- (cc) First Amendment to the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)
- (dd) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan, and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (ee) Form of Employment Agreement between the Company and eleven officers of the Company. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (ff) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(ee) above.
- (gg) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)
- (hh) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)
- (ii) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
- (jj) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)

- (kk) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (ll) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
- (mm) Hasbro, Inc. 1999 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders, File No. 1-6682.)
- (nn) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the Period Ended March 29, 1998, File No. 1-6682.)
- (oo) Employment Agreement, dated as of January 1, 1996, between the Company and Harold P. Gordon. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)
- (pp) Letter dated January 26, 1998 from the Company to George B. Volanakis. (Incorporated by reference to Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (qq) Employment Agreement dated as of January 5, 1999, between the Company and Herbert M. Baum. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (rr) Letter agreement, dated March 23, 1999, between the Company and Adam Klein. (Incorporated by reference to Exhibit 10(ss) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (ss) Letter agreement, dated December 30, 1999, between the Company and John T. O'Neill.

- 11. Statement re computation of per share earnings
- 12. Statement re computation of ratios
- 13. Selected information contained in Annual Report to Shareholders
- 21. Subsidiaries of the registrant
- 23. Consents of KPMG LLP
- 27. Financial data schedule

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

(b) Reports on Form 8-K

A Current Report on Form 8-K dated February 8, 2000 was filed to announce the Company's results for the quarter and year ended December 26, 1999. Consolidated statements of earnings (without notes) for the quarter and year ended December 26, 1999 and December 27, 1998 and consolidated condensed balance sheets (without notes) as of said dates were also filed.

A Current Report on Form 8-K dated March 13, 2000 was filed by the Company in connection with the issuance of an aggregate amount of \$750 million of long-term debt. The filing included the following exhibits: Terms Agreement among the Registrant, Salomon Smith Barney Inc. and Bear, Stearns & Co. Inc., dated March 10, 2000; Opinion of Phillip H. Waldoks, Senior Vice President-Corporate Legal Affairs and Secretary of the Company, re legality of the Notes; and Statement of Eligibility under the Trust Indenture Act of 1939 of a Corporation Designated to Act as Trustee on Form T-1.

(c) Exhibits

See (a)(3) above

(d) Financial Statement Schedules

See (a)(2) above

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

Under date of February 7, 2000, we reported on the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 26, 1999 and December 27, 1998 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 26, 1999, as contained in the 1999 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1999. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule listed in Item 14 (a) (2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

/s/ KPMG LLP

Providence, Rhode Island
February 7, 2000

HASBRO, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts and Reserves

Fiscal Years Ended in December

(Thousands of Dollars)

	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Other Additions	Write-Offs And Other (a)	Balance at End of Year
	-----	-----	-----	-----	-----
Valuation accounts deducted from assets to which they apply - for doubtful accounts receivable:					
1999	\$64,400 =====	9,053 =====	2,329 =====	(10,782) =====	\$65,000 =====
1998	\$51,700 =====	13,057 =====	2,832 =====	(3,189) =====	\$64,400 =====
1997	\$46,600 =====	9,229 =====	- =====	(4,129) =====	\$51,700 =====

(a) Includes write-offs, recoveries of previous write-offs and translation adjustments.

SIGNATURES

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

HASBRO, INC. (Registrant)

By: /s/ Alan G. Hassenfeld Date: March 24, 2000

Alan G. Hassenfeld
Chairman of the Board

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

Signature	Title	Date	
-----	-----	-----	-----
/s/ Alan G. Hassenfeld			
-----	-----	-----	-----
Alan G. Hassenfeld	Chief Executive Officer and Director (Principal Executive Officer)	Chairman of the Board,	March 24, 2000
/s/ Alfred J. Verrecchia			
-----	-----	-----	-----
Alfred J. Verrecchia	Global Operations and Chief Financial Officer and Director (Principal Financial and Accounting Officer)	Executive Vice President,	March 24, 2000
/s/ Alan R. Batkin			
-----	-----	-----	-----
Alan R. Batkin		Director	March 24, 2000
/s/ Herbert M. Baum			
-----	-----	-----	-----
Herbert M. Baum		Director	March 24, 2000

/s/ E. Gordon Gee ----- E. Gordon Gee	Director	March 24, 2000
/s/ Harold P. Gordon ----- Harold P. Gordon	Director	March 24, 2000
----- Alex Grass	Director	March , 2000
/s/ Sylvia K. Hassenfeld ----- Sylvia K. Hassenfeld	Director	March 24, 2000
/s/ Marie-Josée Kravis ----- Marie-Josée Kravis	Director	March 24, 2000
/s/ Norma T. Pace ----- Norma T. Pace	Director	March 24, 2000
/s/ E. John Rosenwald, Jr. ----- E. John Rosenwald, Jr.	Director	March 24, 2000
/s/ Carl Spielvogel ----- Carl Spielvogel	Director	March 24, 2000
/s/ Preston Robert Tisch ----- Preston Robert Tisch	Director	March 24, 2000
/s/ Paul Wolfowitz ----- Paul Wolfowitz	Director	March 24, 2000

HASBRO, INC.

Annual Report on Form 10-K

for the Year Ended December 26, 1999

Exhibit Index

Exhibit

3. Articles of Incorporation and Bylaws

- (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit (c)(2) to the Company's Current Report on Form 8-K, dated July 15, 1993, File No. 1-6682.)
- (b) Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit (3) to the Company's Current Report on Form 8-K, dated February 16, 1996, File No. 1-6682.)

4. Instruments defining the rights of security holders, including indentures.

- (a) Indenture, dated as of July 17, 1998, by and between the Company and Citibank, N.A. as Trustee. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
- (b)(i) Indenture, dated as of March 15, 2000, by and between the Company and the Bank of Nova Scotia Trust Company of New York.
- (b)(ii) Form of 7.95% Note due 2003.

10. Material Contracts

- (a) Lease between Hasbro Canada Inc. (formerly named Hasbro Industries (Canada) Ltd.) and Central Toy Manufacturing Co. ("Central Toy"), dated December 23, 1976. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (b) Lease between Hasbro Canada Inc. and Central Toy, together with an Addendum thereto, each dated as of May 1, 1987. (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (c) Addendum to lease, dated March 5, 1998, between Hasbro Canada and Central Toy. (Incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (d) Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)

- (e) First Amendment to Toy License Agreement between Lucas Licensing Ltd. and the Company, dated as of September 25, 1998. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (f) Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company dated as of October 14, 1997. (Portions of this agreement have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.) (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1998, File No. 1-6682.)
- (g) First Amendment to Agreement of Strategic Relationship between Lucasfilm Ltd. and the Company, dated as of September 25, 1998. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (h) Warrant, dated October 14, 1997 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (i) Warrant, dated October 14, 1997 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (j) Warrant, dated October 30, 1998 between the Company and Lucas Licensing Ltd. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (k) Warrant, dated October 30, 1998 between the Company and Lucasfilm Ltd. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (l) Asset Purchase Agreement dated as of February 8, 1998, together with Amendment thereto dated as of March 31, 1998, by and among the Company, Tiger Electronics Ltd. (formerly named HIAC X Corp. and a wholly-owned subsidiary of the Company), Tiger Electronics, Inc. and certain affiliates thereof and Owen Randall Rissman and the Rissman Family 1997 Trust. (Incorporated by reference to Exhibit 2(a) to the Company's Current Report on Form 8-K, dated April 1, 1998, File No. 1-6682.)

Executive Compensation Plans and Arrangements

- (m) Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 2-78018.)
- (n) Amendment No. 1 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (o) Amendment No. 2 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1987, File No. 1-6682.)
- (p) Amendment No. 3 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (q) Amendment No. 4 to Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (r) Form of Non Qualified Stock Option Agreement under the Employee Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1988, File No. 1-6682.)
- (s) Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-14, File No. 2-92550.)
- (t) Amendment No. 1 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1986, File No. 1-6682.)
- (u) Amendment No. 2 to Non Qualified Stock Option Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1987 Annual Meeting of Shareholders, File No. 1-6682.)
- (v) Amendment No. 3 to Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (w) Form of Stock Option Agreement (For Employees) under the Non Qualified Stock Option Plan. (Incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (x) 1992 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1992 Annual Meeting of Shareholders, File No. 1-6682.)
- (y) Form of Stock Option Agreement under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (z) Hasbro, Inc. Stock Incentive Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1995 Annual Meeting of Shareholders, File No. 1-6682.)
- (aa) First Amendment to the 1992 Stock Incentive Plan and the Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (bb) Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(dd) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 29, 1996, File No. 1-6682.)
- (cc) First Amendment to the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10 to the Company's

Quarterly Report on Form 10-Q for the period ended March 28, 1999, File No. 1-6682.)

- (dd) Form of Stock Option Agreement (For Participants in the Long Term Incentive Program) under the 1992 Stock Incentive Plan, the Stock Incentive Performance Plan, and the Employee Non-Qualified Stock Plan. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 27, 1992, File No. 1-6682.)
- (ee) Form of Employment Agreement between the Company and eleven officers of the Company. (Incorporated by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1989, File No. 1-6682.)
- (ff) Form of Amendment, dated as of March 10, 2000, to Form of Employment Agreement included as Exhibit 10(ee) above.
- (gg) Hasbro, Inc. Retirement Plan for Directors. (Incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 1990, File No. 1-6682.)
- (hh) Form of Director's Indemnification Agreement. (Incorporated by reference to Appendix B to the Company's definitive proxy statement for its 1988 Annual Meeting of Shareholders, File No. 1-6682.)

- (ii) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
- (jj) Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1994 Annual Meeting of Shareholders, File No. 1-6682.)
- (kk) First Amendment to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, File No. 1-6682.)
- (ll) Form of Stock Option Agreement for Non-Employee Directors under the Hasbro, Inc. Stock Option Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(w) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 1994, File No. 1-6682.)
- (mm) Hasbro, Inc. 1999 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix A to the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders, File No. 1-6682.)
- (nn) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the Period Ended March 29, 1998, File No. 1-6682.)
- (oo) Employment Agreement, dated as of January 1, 1996, between the Company and Harold P. Gordon. (Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1995, File No. 1-6682.)
- (pp) Letter dated January 26, 1998 from the Company to George B. Volanakis. (Incorporated by reference to Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1997, File No. 1-6682.)
- (qq) Employment Agreement dated as of January 5, 1999, between the Company and Herbert M. Baum. (Incorporated by reference to Exhibit 10(rr) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (rr) Letter agreement, dated March 23, 1999, between the Company and Adam Klein. (Incorporated by reference to Exhibit 10(ss) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 27, 1998, File No. 1-6682.)
- (ss) Letter agreement, dated December 30, 1999, between the Company and John T. O'Neill.

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27. Financial data schedule

HASBRO, INC.

AND

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK,
as Trustee

Senior Debt Securities

Senior Debt Indenture
Dated as of March 15, 2000

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INDENTURE, dated as of March 15, 2000, between HASBRO, INC., a corporation duly organized and existing under the laws of the State of Rhode Island (herein called the "Company"), having its principal office at Pawtucket, Rhode Island, and The Bank of Nova Scotia Trust Company of New York (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured senior debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01 Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust

Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on June 1, 1998 or, as to any computation required or permitted pursuant to, and relating to any covenant of the Company contained in, any Board Resolution, Officers' Certificate or executed supplemental indenture establishing any series of Securities, such computation shall be made and such covenant shall be construed in accordance with generally accepted accounting principles as are generally accepted at the date of such Board Resolution, Officers' Certificate or executed supplemental indenture (unless otherwise provided therein or except as otherwise provided herein or in any further Board Resolution, Officers' Certificate or executed supplemental indenture); and

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Four, are defined in that Article.

"Act," when used with respect to any Holder, has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Debt" in respect of a Sale and Leaseback Transaction means, as of any particular time, the present value (discounted at the rate of interest implicit in the terms of the lease involved in such Sale and Leaseback Transaction, as determined in good faith by the Board of Directors) of the obligation of the lessee thereunder for rental payments (excluding, however, any amounts required to be paid by such lessee, whether or not designated as rent or additional rent, on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges or any amounts required to be paid by such lessee thereunder contingent upon the amount of sales, maintenance and repairs, insurance, taxes, assessments, water rates or similar charges) during the remaining term of such lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Authorized Newspaper" means a newspaper of general circulation in the place of publication (which, in the case of the City of New York, will, if practicable, be The Wall Street Journal (Eastern Edition), in the case of the United Kingdom, will, if practicable, be The Financial Times (London Edition) and, in the case of Luxembourg, will, if practicable, be the Luxembourg Wort), printed in the official language of the country of publication and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are authorized or required hereunder, they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or different Authorized Newspapers. If it shall be impractical, in the opinion of the Trustee, to make any publication of any notice required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof which is made or given with the approval of the Trustee shall constitute a sufficient publication of such notice.

"Bearer Security" means any Security in the form of bearer securities established pursuant to Section 2.01 which is payable to bearer and is not a Registered Security.

"Board of Directors" means either the Board of Directors of the Company, the executive committee of the Board of Directors or any other duly authorized committee of the Board of Directors.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" means a security evidencing all or part of a series of Securities, issued to the Depository for such series of Securities in accordance with Section 3.03, and bearing the legend prescribed in Section 3.03.

"Business Day," when used with respect to any Place of Payment or other location, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other location are authorized or obligated by law to close.

"Capital Lease" means any lease obligation of a Person incurred with respect to assets acquired or leased by such Person which is required to be capitalized in accordance with generally accepted accounting principles. A Capital Lease shall be deemed incurred at the time a binding commitment to lease the subject asset shall become effective.

"Capital Lease Obligation" means Indebtedness represented by obligations under a Capital Lease.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, than the body performing such duties at such time.

"Common Stock" means the common stock, par value \$.50 per share, of the Company, as authorized on the date of the execution of this instrument or as such common stock may be constituted in one or more classes from time to time thereafter.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman, its President, its Chief Financial Officer, or an Executive Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means, as determined at any time, the aggregate amount of assets included on a consolidated balance sheet of the Company and its Subsidiaries, less applicable reserves and after deducting therefrom (a) all current liabilities of the Company and its Subsidiaries and (b) the total of the net book values of all assets of the Company and its Subsidiaries properly classified as intangible assets under generally accepted accounting principles, in each case as of the end of the last fiscal quarter for which financial information is available at the time of such calculation.

"Conversion Agent" shall have the meaning set forth in Section 10.02.

"Conversion Price" shall have the meaning set forth in Section 4.01.

"Convertible Securities" means Securities designated as convertible into Common Stock or cash in lieu thereof (in accordance with Article Four) pursuant to Section 3.01.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be administered except that with respect to the presentation of Securities for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee in the Borough of Manhattan, the City of New York at which at any particular time its corporate trust business shall also be conducted.

"Coupon" means any interest coupon appertaining to any Security.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Depository" means, with respect to the Securities of any series issuable or issued in whole or in part in global form, including Book-Entry Securities, the Person designated as Depository by the Company pursuant to Section 3.01 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such person "Depository" shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such person "Depository" shall be a collective reference to such Persons. "Depository" as used with respect to the debt securities of any such series shall mean the Depository with respect to the debt securities of that series.

"Dollar" means the coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"Event of Default" has the meaning specified in Section 6.01.

"Ex-Dividend Time" means the time immediately prior to the commencement of "ex-dividend" trading for the Common Stock on the American Stock Exchange or such other national or regional exchange or market on which the Common Stock is then listed or quoted.

"Extraordinary Cash Dividend" means any cash dividend with respect to the Common Stock the amount of which, together with the aggregate amount of cash dividends on the Common Stock to be aggregated with such cash dividend in accordance with the provisions of this paragraph, equals or exceeds the threshold percentages set forth below:

If, upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Common Stock, the aggregate amount of such cash dividend together with the amounts of all cash dividends on the Common Stock with Ex-Dividend Time occurring in the 365 consecutive day period ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied equals or exceeds on a per share basis 25 percent of the average of the Sale Prices during the period beginning on the date after the first such Ex-Dividend Time in such period and ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied (except that if no other cash dividend has had an Ex-Dividend Time occurring in such period, the period for calculating the average of the Sale Prices shall be the period commencing 365 days prior to the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an Ex-Dividend Time occurring in such 365-day period shall be deemed to be an Extraordinary Cash Dividend. In determining the amount of Extraordinary Cash Dividends for purposes of making adjustments required by Section 4.04, no adjustment shall be made for cash dividends for which a prior adjustment in the Conversion Rate was previously made.

"Foreign Currency" means a currency issued by the government of any country other than the United States.

"Funded Debt" means all indebtedness which by its terms matures more than 12 months after the time of the computation of the amount thereof or which is extendible or renewable at the option of the obligor on such indebtedness to a time more than 12 months after the time of the computation of the amount thereof or which is classified, in accordance with generally accepted accounting principles, on a corporation's balance sheet as long-term debt.

"Holder" means, with respect to a Registered Security, a Person in whose name a Security is registered in the Security Register and, with respect to a Bearer Security (or any temporary global Security), and/or Coupons, the bearer thereof.

"Indebtedness" means (a) any liability of any Person (i) for borrowed money, (ii) evidenced by a note, debenture or similar instrument (including an obligation with or without recourse) issued in connection with the acquisition (whether by way of purchase, merger, consolidation or otherwise) of any business, real property or other assets (other than inventory or similar property acquired in the ordinary course of business) or (iii) for the payment of money relating to a Capital Lease Obligation; (b) any liability of others described in the preceding clause (a) which the Person has guaranteed or which is otherwise its legal liability and (c) any amendment, renewal, extension or refunding of any such liability.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 3.01.

"interest," when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date," when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Maturity," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, mandatory repurchase or otherwise.

"New York Business Day" means each weekday which is not a day on which commercial banking institutions in the City of New York are authorized or obligated by law to close.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the Vice Chairman, the President, or an Executive Vice President, and by the Controller, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be reasonably acceptable to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.02.

"Outstanding," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment or redemption (a) money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities as contemplated by Section 5.01 or (b) U.S. Government Obligations or Foreign Government Securities as contemplated by and defined in Section 5.03 in the necessary amount have been theretofore deposited with the Trustee in trust for the holders of such Securities in accordance with Section 5.03; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee has been made; and

(iii) Securities which have been paid pursuant to Section 3.06 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of any Original Issue Discount Securities that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 6.02, the principal amount of a Security denominated in a Foreign Currency or Currencies shall be deemed to be that amount of Dollars that could be obtained for such principal amount on the basis of the spot rate of exchange for such Foreign Currency or such currency unit as determined by the Company or by an authorized exchange rate agent, and Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated

organization or government or any agency or political subdivision thereof.

"Place of Payment," when used with respect to the Securities of any series, means the place or places where the principal of (and premium, if any) and interest on the Securities of that series are payable as specified as contemplated by Section 3.01.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Property" means any real property, any manufacturing plant, warehouse, office building or other physical facility or other like depreciable physical asset of the Company or of any Subsidiary whether owned on the date hereof or hereafter acquired having a net book value at the time of determination in excess of the greater of five percent of Consolidated Net Tangible Assets or \$50 million, other than, in each case, any of the same which in the good faith opinion of the Board of Directors is not of material importance to the total business conducted by the Company and its Subsidiaries, as a whole.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security in the form of Registered Securities established pursuant to Section 2.01 which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 3.01.

"Required Currency" has the meaning specified in Section 1.14.

"Responsible Officer," when used with respect to the Trustee, means any officer in the corporate trust administration division of the Trustee or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Sale and Leaseback Transaction" means any arrangement with any Person providing for the leasing or use by the Company or any Subsidiary of any Principal Property, whether owned at the date of this Indenture or thereafter acquired (except for temporary leases of a term, including any renewal period, of not more than three years), which Principal Property has been or is to be sold or transferred by the Company or a Subsidiary to a Person with an intention of taking back a lease of such Property.

"Sale Price" means, for any given day, the last reported per share sale price (or, if no sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such day of the Common Stock on the American Stock Exchange or, in the event shares of common Stock are not listed on the American Stock Exchange, such other national or regional securities exchange upon which the Common Stock is listed, or, if the shares of Common Stock are not listed on a national or regional securities exchange, as quoted on the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of one or more such quotations specified in the definition of Sale Price, the Company shall determine such price on the basis of such quotations as it deems appropriate.

"Secured Debt" means indebtedness for money borrowed by the Company or its Subsidiaries (other than indebtedness owed by a Subsidiary to the Company, by a Subsidiary to another Subsidiary or by the Company to a Subsidiary), which in any case is secured, whether by operation of law or otherwise, by a mortgage, security interest, pledge, lien or other encumbrance on Principal Property or on any shares of stock or evidences of indebtedness of a Subsidiary. If any amount of such indebtedness described in the parenthetical in the preceding sentence and held by the Company or a Subsidiary is transferred in any manner to any Person other than the Company or a Subsidiary, such amount shall be deemed to be Secured Debt issued on the date of transfer.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.05.

"Significant Subsidiary" shall have the meaning ascribed to such term in Rule 1-02 of Regulation S-X of the Commission, as in effect on June 1, 1998.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity," when used with respect to any Security or Coupon or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or Coupon or such installment of principal or interest is due and payable.

"Subsidiary" means any corporation of which the Company, or the Company and one or more Subsidiaries, or any one or more Subsidiaries, directly or indirectly own a majority (by number of votes) of the outstanding voting securities having voting power under ordinary circumstances to elect the directors of such corporation.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each person who is then a Trustee hereunder and, if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this instrument was executed, except as provided in Section 9.05.

"Vice President," when used with respect to the Company, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

SECTION 1.02 Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.03 Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and any such Person may certify or give an opinion as to

such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04 Acts of Holders.

(1) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to a Responsible Officer of the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(2) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(3) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of his holding the same, may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, banker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (i) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (ii) such Bearer Security is produced to the Trustee by some other Person, (iii) such Bearer Security is surrendered in exchange for a Registered Security or (iv) such Bearer Security is no longer Outstanding.

(4) The fact and date of execution of any such instrument or writing pursuant to clause (c) above, the authority of the Person executing the same and the principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of holding the same may also be proved in any other reasonable manner which the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this clause.

(5) The ownership of Registered Securities shall be proved by the Security Register.

(6) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(7) Whenever for purposes of any Act to be taken hereunder by the Holders of a series of Securities denominated in a Foreign Currency (or any currency unit), the principal amount of Securities is required to be determined, the aggregate principal amount of such Securities shall be deemed to be that amount of Dollars that could be obtained for such

principal amount on the basis of the spot rate of exchange for such Foreign Currency or such currency unit as determined by the Company or by an authorized exchange rate agent and evidenced to the Trustee by an Officers' Certificate as of the date taking of such Act by the Holders of the requisite percentage in principal amount of the Securities is evidenced to the Trustee. An exchange rate agent may be authorized in advance or from time to time by the Company, and may be the Trustee or its Affiliate. Any such determination by the Company or by any such exchange rate agent shall be conclusive and binding on all Holders, the Company and the Trustee, and neither the Company nor any such exchange rate agent shall be liable therefor in the absence of bad faith. The Trustee, unless it is serving as exchange rate agent, shall have no duty to determine or confirm such calculation, and may conclusively rely on the aforementioned Officers' Certificate.

(8) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

SECTION 1.05 Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at 1027 Newport Avenue, Pawtucket, Rhode Island 02861 or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.06 Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, (i) if any of the Securities affected by such event are Registered Securities, such notice to the Holders thereof shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, at such Holder's address as it appears in the Security Register, within the time prescribed for the giving of such notice and (ii) if any of the Securities affected by such event are Bearer Securities, notice to the Holders thereof shall be sufficiently given (unless otherwise herein or in the terms of such Bearer Securities expressly provided) if published once in an Authorized Newspaper in the Borough of Manhattan, the City of New York, New York, and in such other city or cities, if any, as may be specified in such Securities and, if the Securities of such series are listed on any stock exchange outside the United States, in any place at which such Securities are listed on a securities exchange to the extent that such securities exchange so requires, and mailed to such Persons whose names and addresses were previously filed with the Trustee, within the time prescribed for giving such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. If it is impossible, or in the opinion of the Trustee, impracticable to give any notice by publication in the manner herein required, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.07 Conflict with Trust Indenture Act.

This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with another provision which is required or deemed to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required or deemed provision shall control.

SECTION 1.08 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09 Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10 Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11 Benefits of Indenture.

Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12 Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 1.13 Moneys of Different Currencies to Be Segregated.

The Trustee shall segregate moneys, funds, and accounts held by the Trustee hereunder in one currency (or unit thereof) from any moneys, funds or accounts in any other currencies (or units thereof), notwithstanding any provision herein which would otherwise permit the Trustee to commingle such amounts.

SECTION 1.14 Payment to Be in Proper Currency.

The following provisions of this Section 1.14 shall apply to the extent permitted by applicable law: In the case of any Security payable in any particular currency or currency unit (the "Required Currency"), except as otherwise provided herein, therein or in or pursuant to the related Board Resolution or supplemental indenture or as contemplated by Section 3.01, the obligation of the Company to make any payment of principal, premium or interest thereon shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency or currency unit other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is made in other than the Required Currency, the Trustee may, but shall not be obligated to, take such actions as it considers appropriate to exchange such other currency or currency unit for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of the Required Currency then due and payable and in no circumstances shall the Trustee be liable therefor. The Company hereby waives any defense of payment based upon any such tender or recovery which is not in the Required Currency, or which, when exchanged for the Required Currency by the Trustee, is less than the full amount of Required Currency then due and payable.

SECTION 1.15 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.16 Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, repurchase date or Maturity of any Security or any date on which any Defaulted Interest is proposed to be paid shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the nominal date of such Interest Payment Date or Redemption Date, Maturity, or on the date on which Defaulted Interest is proposed to be paid, and no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, repurchase date, Maturity or date on which Defaulted Interest is proposed to be paid, as the case may be.

ARTICLE II

SECURITY FORMS

SECTION 2.01 Forms Generally.

The Securities of each series and the Coupons, if any, to be attached thereto shall be in substantially such form as shall be established pursuant to Section 3.01 by or pursuant to one or more Board Resolutions or Officers' Certificates or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities and Coupons, if any, as evidenced by their execution of the Securities and Coupons, if any. If temporary Securities of any series are issued in global form as permitted by Section 3.04, the form thereof also shall be established as provided in the preceding sentence. If the form of Securities and Coupons, if any, of any series are established by, or by action taken pursuant to, a Board Resolution, a copy of the Board Resolution together with an appropriate record of any such action taken pursuant thereto, including a copy of the approved form of Securities or Coupons, if any, shall be certified by the Secretary or any Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.03 for the authentication and delivery of such Securities.

The definitive Securities and Coupons, if any, shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities and Coupons, if any, as evidenced by their execution of such Securities and Coupons, if any.

SECTION 2.02 Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the following form:

"This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NOVA SCOTIA
TRUST COMPANY OF NEWYORK,
as Trustee

By _____
as Authorized Signatory"

SECTION 2.03 Securities in Global Form.

If Securities of a series are issuable in whole or in part in global form, any such Security may provide that it shall represent the aggregate or specified amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby, shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Request to be delivered to the Trustee pursuant to Section 3.03 or Section 3.04.

Notwithstanding the provisions of Sections 2.01 and 3.07,

unless otherwise specified as contemplated by Section 3.01, payment of principal of and any premium and interest on any Security in permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 3.08 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company and the Trustee shall treat a Person as the Holder of such principal amount of Outstanding Securities represented by a permanent global Security as shall be specified in a written statement of the Holder of such permanent global Security.

Any instructions by the Company with respect to a Security in global form shall be in writing but need not comply with Section 3.14(c) of the Trust Indenture Act.

ARTICLE III

THE SECURITIES

SECTION 3.01 Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and set forth, or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Sections 3.04, 3.05, 3.06, 9.06 or 11.07);

(3) whether the Securities of the series are convertible into Common Stock, or cash in lieu thereof, and, if so, the terms and conditions upon which such conversion will be effected, including the initial conversion price or conversion rate and other conversion provisions;

(4) the date or dates on which the principal (and premium, if any) of the Securities of the series is payable and/or the method by which such date or dates shall be determined;

(5) the rate or rates at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and, in the case of Registered Securities, the Regular Record Date for the interest payable on any Interest Payment Date, and/or the method by which rate or rates or date or dates shall be determined;

(6) the Person to whom any interest on any Registered Securities of the series shall be payable if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest and the manner in which, or the Person to whom, any interest on any Bearer Securities of the series shall be payable if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature;

(7) the place or places where the principal of (and premium, if any) and interest on the Securities of the series shall be payable and the place or places where the Securities of the series may be presented for transfer and, if applicable, conversion;

(8) the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, pursuant to any sinking fund or otherwise;

(9) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which securities of the series shall be

redeemed or purchased, in whole or in part, pursuant to such obligation and/or the method by which such period or periods, price or prices and terms and conditions shall be determined;

(10) if other than denominations of \$1,000 and any integral multiple thereof in the case of Registered Securities or \$5,000 in the case of Bearer Securities, the denominations in which Securities of the series shall be issuable;

(11) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 6.02 or the method by which such portion shall be determined;

(12) whether Securities of the series will be issuable as Registered Securities, Bearer Securities or both, and the terms upon which Bearer Securities of the series may be exchanged for Registered Securities of the series;

(13) the date as of which any Bearer Securities of the series and any temporary global Security representing Outstanding Securities of the series shall be dated if other than the original issuance of the first Security of the series to be issued;

(14) if Bearer Securities of the series are to be issuable, whether interest in respect of any portion of a temporary Bearer Security in global form (representing all of the Outstanding Bearer Securities of the series) payable in respect of any Interest Payment Date prior to the exchange of such temporary Bearer Security for definitive Securities of the series shall be paid to any clearing organization with respect to the portion of such temporary Bearer Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date;

(15) the currency of denomination of the Securities of the series, the currency or currencies in which payment of the principal of (and premium, if any) and interest on the Securities of the series will be made, and the currency or currencies (in addition to Dollars), if any, in which payment of the principal of (and premium, if any) or the interest on Registered Securities, at the election of each of the Holders thereof, may also be payable which currencies may be in Dollars, any Foreign Currency or any composite currency, including but not limited to the ECU, and, if any such currency of denomination is a composite currency other than the ECU, the agency or organization, if any, responsible for overseeing such composite currency;

(16) if the amount of payments of principal of (and premium, if any) or interest on the Securities of the series may be determined with reference to an index based on a currency or currencies other than that in which the Securities of the series are denominated or designated to be payable, the manner in which such amounts shall be determined;

(17) if the payments of principal of (and premium, if any) or the interest on the Securities of the series are to be made in a Foreign Currency other than the Foreign Currency in which such Securities are denominated, the manner in which the exchange rate with respect to such payments shall be determined;

(18) any deletions from, modifications of or additions to the Events of Default set forth in Section 6.01 or covenants of the Company set forth in Articles Eight or Ten pertaining to the Securities of the series;

(19) the form of the Securities and Coupons, if any, of the series;

(20) whether the Securities of such series shall be issued in whole or in part in global form, including Book-Entry Securities, and the Depositary for such global Securities;

(21) any Depositaries or paying agents, transfer agents, registrars or other agents with respect to the Securities of the series;

(22) the application, if any, of Section 5.03;

(23) any other terms of the series (which shall not be inconsistent with the provisions of this Indenture); and

(24) the applicability of the seventh paragraph of Section

All Securities (including Coupons, if any) of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution, such Officers' Certificate or any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 3.02 Denominations.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 3.01. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any multiple thereof in the case of Registered Securities or in denominations of \$5,000 in the case of Bearer Securities.

SECTION 3.03 Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman, its President, its Chief Financial Officer or one of its Executive Vice Presidents, under its corporate seal reproduced thereon attested by the signature of its Secretary or one of its Assistant Secretaries or its Treasurer or one of its Assistant Treasurers. The Coupons, if any, shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman, its President, its Chief Financial Officer or one of its Executive Vice Presidents attested by its Secretary or any Assistant Secretary or its Treasurer or one of its Assistant Treasurers. The signature of any of these officers on the Securities (and Coupons, if any) may be manual or facsimile.

Securities (and Coupons, if any) bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities (and Coupons, if any) or did not hold such offices at the date of such Securities (and Coupons, if any).

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities (with or without Coupons) of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. If the form or terms of the Securities of the series have been established in or pursuant to one or more Board Resolutions as permitted by Sections 2.01 and 3.01, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and shall be fully protected in relying upon any of the following:

(1) a Company Request;

(2) any Board Resolution, Officers' Certificate and/or executed supplemental indenture referred to in Sections 2.01 or 3.01 by or pursuant to which the form or forms and the terms of the Securities of such series and the Coupons, if any, appertaining thereto were established;

(3) an Officers' Certificate either setting forth the form or forms and the terms of the Securities of such series and the Coupons, if any, appertaining thereto or stating that such form or forms and terms have been established pursuant to Sections 2.01 or 3.01 and comply with this Indenture, and covering such other matters as the Trustee may reasonably request; and

(4) at the option of the Company, either an Opinion of Counsel, or a letter addressed to the Trustee permitting it to rely on an Opinion of Counsel, substantially to the effect that:

(a) if established pursuant to a Board Resolution as permitted by Section 2.01, the form of such Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture;

(b) if established pursuant to a Board Resolution as permitted by Section 3.01, the terms of such Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture; and

(c) such Securities and Coupons, if any, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles.

The Trustee shall have the right to decline to authenticate and deliver such Securities if the Trustee determines or is advised by counsel that such action may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or Responsible Officers shall determine that such action would expose the Trustee to personal liability to existing Holders or would affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner not reasonably acceptable to the Trustee.

The Trustee shall not be required to authenticate Securities denominated in a coin or currency (or unit including a coin or currency) other than that of the United States if the Trustee reasonably determines that such Securities impose duties or obligations on the Trustee which the Trustee is not able or reasonably willing to accept; provided that the Trustee, upon a Company Request, will resign as Trustee with respect to Securities of any series as to which such a determination is made, prior to the issuance of such Securities, and will comply with the request of the Company to execute and deliver a supplemental indenture appointing a successor Trustee pursuant to Section 9.01.

If all of the Securities of a series are not to be originally issued at the same time, then the documents required to be delivered pursuant to this Section 3.03 must be delivered only once, prior to the authentication and delivery of the first Security of such series (provided the Company Order for the authentication and delivery of such series of Securities authorizes the amount of such Securities to be subsequently issued).

If the Company shall establish pursuant to Section 3.01 that the Securities of a series are to be issued in whole or in part in global form, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series, authenticate and deliver one or more securities in global form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such global Security or Securities, (ii) shall be registered, if in registered form, in the name of the Depository for such Book-Entry Security or Securities or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instruction and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for Securities in certificated form, this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository" or to such other effect as the Depository and the Trustee may agree.

Each Depository designated pursuant to Section 3.01 for a Book-Entry Security in registered form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and any other applicable statute or regulation. The Trustee shall have no responsibility to determine if the Depository is so registered. Each Depository shall enter into an agreement with the Trustee governing their respective duties and rights with regard to Book-Entry Securities.

Each Security shall be dated the date of its authentication, except that each Bearer Security, including any Bearer Security in global form, shall be dated as of the date specified as contemplated by Section 3.01.

No Security or Coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of one of its authorized officers, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Except as permitted by Sections 3.06 or 3.07, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled.

SECTION 3.04 Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form, with or without Coupons of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities and Coupons, if any. Every temporary Security of any series shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities of such series.

Except in the case of temporary Securities in global form, each of which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 10.02 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured Coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations and of like tenor; provided, however, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided, further, that no definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security unless the Trustee shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form approved in the Board Resolutions relating thereto and such delivery shall occur only outside the United States. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series except as otherwise specified as contemplated by Section 3.01 with respect to the payment of interest on Bearer Securities in temporary form.

SECTION 3.05 Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee, for each series of Securities issuable as Registered Securities, a register (the register maintained in such office and in any other office or agency of the Company maintained pursuant to Section 10.02 in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities of such series and of transfers of Registered Securities of such series. Said office or agency is hereby appointed "Security Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency maintained pursuant to Section 10.02 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in certificated form, a Security in global form representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If at any time the Depositary for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depositary for the Securities of such series or if at any time the Depositary for the Securities of such series shall no longer be eligible under Section 3.03, the Company shall appoint a successor Depositary with respect to the Securities of such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the issuer receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 3.01(21) shall no

longer be effective with respect to the Securities of such series and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver Securities of such series in certificated form in an aggregate principal amount equal to the principal amount of the Security or Securities in global form representing such series in exchange for such Security or Securities in global form.

Within 14 days after the occurrence of an Event of Default specified in clause (1), (2) or (3) of Section 6.01 with respect to any series of the Securities if so specified pursuant to Section 3.01, the Company shall execute, and the Trustee upon receipt of a Company Order shall authenticate and deliver, in exchange for any Security of such series in global form, Securities of such series in certificated form in authorized denominations for an aggregate principal amount equal to the principal amount of such Security in global form.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more global Securities shall no longer be represented by such global Security or Securities. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series in certificated form and in an aggregate principal amount equal to the principal amount of the Security or Securities in global form representing such series in exchange for such Security or Securities in global form.

If specified by the Company pursuant to Section 3.01 with respect to a series of Securities, the Depository for such series of Securities may surrender a global Security of such series in exchange in whole or in part for Securities of such series in certificated form on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge to the Depository,

(1) to each Person specified by such Depository a new certificated Security or Securities of the same series of like tenor, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the global Security; and

(2) to such Depository a new global Security of like tenor in a denomination equal to the difference, if any, between the principal amount of the surrendered global Security and the aggregate principal amount of certificated Securities delivered to Holders thereof.

In any exchange provided for in any of the preceding three paragraphs, the Company shall execute and the Trustee shall authenticate and deliver Securities in certificated form in authorized denominations.

Upon the exchange of a global Security for Securities in certificated form, such global Security shall be cancelled by the Trustee. Unless expressly provided with respect to the Securities of any series that such Security may be exchanged for Bearer Securities, Securities issued in exchange for a Book-Entry Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Book-Entry Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Persons in whose names such Securities are so registered.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to the Holder for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer

or exchange of Securities, other than exchanges pursuant to Sections 3.04, 9.06 or 11.06 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange of Securities of any series for a period of 15 days before the selection of any Securities of that series selected for redemption, or (ii) to register the transfer of or exchange of any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, (iii) to register the transfer of or exchange of any Security if the Holder thereof has exercised any right to require the Company to purchase such Security, in whole or in part, except any portion thereof not required to be so purchased, or (iv) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor, provided that such Registered Security shall be simultaneously surrendered for redemption.

SECTION 3.06 Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security or Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security with Coupons corresponding to the Coupons, if any, appertaining to the surrendered Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding with Coupons corresponding to the Coupons, if any, appertaining to the surrendered Security.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Security with a destroyed, lost or stolen Coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding with Coupons corresponding to the Coupons, if any, appertaining to the destroyed, lost or stolen Security.

In case any such mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security or Coupon, pay such Security or Coupon; provided, however, that payment of principal of and any premium or interest on Bearer Securities shall, except as otherwise provided in Section 10.02, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 3.01, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series with its Coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its Coupons, if any, or the destroyed, lost or stolen Coupon, shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and their Coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

SECTION 3.07 Payment of Interest; Interest Rights Preserved.

Unless otherwise provided as contemplated by Section 3.01, interest on any Registered Security which is payable, and is paid or duly provided for on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest

Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than ten days prior to the date of the proposed payment and not less than ten days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities of such Series at his address as it appears in the Security Register, not less than ten days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

At the option of the Company, interest on Registered Securities of any series that bear interest may be paid (i) by mailing a check to the address of the person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer to an account maintained by the person entitled thereto as specified in the applicable Security Register.

Notwithstanding the above, except as otherwise specified with respect to a series of Securities in accordance with the provisions of Section 3.01, a Holder of \$10,000,000 or more in aggregate principal amount of Securities of the same series having the same Interest Payment Date shall be entitled to receive payments of interest by wire transfer of immediately available funds if appropriate wire transfer instructions have been received by the Trustee on or before the Regular Record Date immediately preceding the applicable Interest Payment Date.

Subject to the foregoing provisions of this Section, each Security or Coupon, if any, delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security or Coupon, if any, shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security or Coupon.

SECTION 3.08 Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 3.07) interest on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any Coupon as the absolute owner of such Bearer Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or Coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 3.09 Cancellation.

All Securities and Coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee for cancellation or, if surrendered to the Trustee, promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities and Coupons so delivered shall be promptly cancelled by the Trustee. No Securities or Coupons shall be authenticated in lieu of or in exchange for any Securities or Coupons cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities and Coupons shall be destroyed by the Trustee and, if requested by the Company, a certificate evidencing such destruction shall be delivered to the Company.

SECTION 3.10 Computation of Interest.

Except as otherwise specified as contemplated by Section 3.01 for Securities of any series, interest on the Securities of each series shall be computed, based on actual days elapsed, on the basis of a 360-day year of twelve 30-day months.

ARTICLE IV

CONVERSION OF SECURITIES

SECTION 4.01 Applicability of Article.

If the Securities of any series are Convertible Securities the provisions of this Article Four shall be applicable to the Securities of such series (except as otherwise specified in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established).

Subject to the provisions of this Article Four, the Holder of any Convertible Security shall have the right, at the option of such Holder, to convert the principal amount of such Convertible Security or any portion of the principal amount thereof which is \$1,000 or an integral multiple of \$1,000 (or such principal amount as is specified in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established) into the number of shares of Common Stock obtained by dividing the principal amount so to be converted by the Conversion Price, defined and determined as hereinafter provided, in effect at the Conversion Date (as defined in Section 4.02) in the manner provided in Section 4.02 and subject to settlement of fractional interests in accordance with Section 4.03 and subject to the other provisions of this Article Four with respect to the delivery of property other than Common Stock. Such conversion privilege shall, except as specified in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established, commence on the date of the issuance of such Convertible Security or any Predecessor Security and shall expire at the close of business on the Stated Maturity of such Convertible Security. If a Convertible Security or portion thereof is called for redemption or is delivered for repurchase, such conversion privilege in respect of the Convertible Security or portion so called shall expire at the close of business on the fifth Business Day prior to the Redemption Date or repurchase date, unless the Company shall default in making the payment due upon redemption or repurchase.

The conversion price (the "Conversion Price") for a series of Convertible Securities shall be set forth in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established and shall be subject to adjustment as provided in Section 4.04.

SECTION 4.02 Exercise of Conversion Privilege.

In order to exercise the conversion privilege, the Holder of any Convertible Security to be converted, in whole or in part, shall surrender such Convertible Security to the Conversion Agent at any time during usual business hours at its office or agency maintained for the purpose as provided in this Indenture, accompanied by a fully executed written notice (the "Conversion Notice"), in substantially the form set forth on the reverse of the Convertible Security, that the Holder elects to convert such Convertible Security or, if less than the entire principal

amount thereof is to be converted, a stated portion thereof constituting a multiple of \$1,000 in principal amount (or such other principal amount as is specified in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established). A Convertible Security surrendered for conversion during the period between the close of business on any record date for such Convertible Security and the opening of business on the related Interest Payment Date (the "Interest Period") that shall not have been called for redemption on a Redemption Date within such Interest Period (or on such Interest Payment Date) shall be accompanied also by payment of an amount equal to the interest payable on such Interest Payment Date on the portion of the principal amount of the Convertible Security being surrendered for conversion. Such interest shall be payable to the Holder on the Record Date notwithstanding the conversion. Such Conversion Notice shall also state the name or names (and address or addresses) in which the certificate or certificates for shares of Common Stock shall be issued (or to whom payment in cash in lieu of Common Stock shall be made). Convertible Securities surrendered for conversion shall (if so required by the Company or the Conversion Agent) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Conversion Agent duly executed by, the Holder or his attorney duly authorized in writing.

As promptly as practicable on or after the Conversion Date (as defined below), the Company shall, subject to the provisions of Section 4.07, issue and deliver at such office or agency to such Holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable on conversion of such Convertible Security or portion thereof in accordance with the provisions of this Article Four together with payment in cash, as provided in Section 4.03, in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion or, if so provided in a Board Resolution, Officers' Certificate or executed supplemental indenture referred to in Section 3.01 by or pursuant to which the form and terms of the Convertible Securities of such series were established, a payment in cash in lieu of shares of Common Stock. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date (herein called the "Conversion Date") on which such notice in proper form shall have been received by the Conversion Agent and such Convertible Security shall have been surrendered as aforesaid, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable, if any, upon such conversion shall be deemed to have become on the Conversion Date the holder or holders of record of the shares represented thereby; provided, however, that upon any such surrender on any date when the stock transfer books of the Company shall be closed, the Person or Persons in whose name or names the certificate or certificates for such shares are to be issued, if any, shall be deemed the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open but such conversion shall nevertheless be at the Conversion Price in effect at the close of business on the date when such Security shall have been so surrendered with the Conversion Notice.

In the case of conversion of a portion, but less than all, of a Convertible Security, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Convertible Security or Securities of the same series in the aggregate principal amount equal to the unconverted portion of the principal amount of the surrendered Convertible Security. Except as otherwise expressly provided in this Indenture, no payment or adjustment shall be made for interest accrued on any Convertible Security (or portion thereof) converted or for dividends or distributions on any Common Stock issued upon conversion of any Convertible Security. The right, if any, of a Holder of any Convertible Security to cause the Company to redeem, purchase or repay such Convertible Security shall terminate at the close of business on the Conversion Date.

SECTION 4.03 Fractional Interests.

No fractions of shares or scrip representing fractions of shares shall be issued upon conversion of Convertible Securities. If more than one Convertible Security of the same series shall be surrendered for conversion, in whole or in part, at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Convertible Securities (or specified portions thereof) to be converted, so surrendered. If any fraction of a share of Common Stock would, except for the foregoing provisions of this Section 4.03, be issuable on the conversion of any Convertible Security or Securities (or specified portions thereof), the Company shall make payment in lieu thereof in cash equal to the same fraction of the market price per share of Common Stock. For such purposes the market price per share of Common Stock shall be determined on the basis of the last sale price of one share of Common Stock regular way on the most

recent Trading Day prior to the Conversion Date or, if no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way on such day, in either case (i) as reported on the American Stock exchange, or (ii) if on such Trading Day the Common Stock is not listed or admitted to trading on such exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or (iii) if not listed or admitted to trading on any national securities exchange on such Trading Day, then as reported through the National Association of Securities Dealers, Inc. on its NASDAQ National Market System or NASDAQ System or a similar organization if NASDAQ is no longer reporting information, or (iv) if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on such National Market System or NASDAQ System on such Trading Day, then the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose, or (v) if not quoted by any such organization on such Trading Day, the fair value of such Common Stock on such Trading Day, as determined by the Board of Directors. The term "Trading Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on any of the above mentioned exchanges or in such markets.

SECTION 4.04 Adjustment of Conversion Price.

The Conversion Price with respect to Convertible Securities of a series shall be adjusted from time to time as follows with respect to events that take place after the initial issuance of any Securities of such series:

(1) if the Company shall (i) pay a dividend or make a distribution in shares of Common Stock on the Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares or (iv) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Conversion Price shall be deemed to be proportionately adjusted, so that any Holder of any Convertible Security thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which he would have owned or been entitled to receive immediately following such action had such Convertible Security been converted immediately prior thereto. If in any reclassification the holders of Common Stock are entitled to make an election between different forms of consideration, the Holders shall be deemed to have elected to receive the consideration payable to a plurality of the holders of Common Stock who have not duly filed elections as to the consideration to be received.

An adjustment made pursuant to this subsection (1) shall become effective immediately, except as provided in subsection (6) below, after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(2) In case the Company shall issue generally to holders of Common Stock rights, options or warrants entitling such holders (for a period not exceeding 45 days from the date of such issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (as determined pursuant to subsection (5) below) of the Common Stock on the record date mentioned below, the Conversion Price shall be adjusted to a price, computed to the nearest cent, so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights, options or warrants by a fraction, of which

(i) the numerator shall be the sum of (A) the number of shares of Common Stock outstanding on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants, and (B) the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price (determined by multiplying such total number of shares by the exercise price of such rights, options or warrants and dividing the product so obtained by such current market price), and of which

(ii) the denominator shall be the sum of (A) the number of shares of Common Stock outstanding on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants, and (B) the number of additional shares of Common Stock which are so offered for subscription or purchase.

Such adjustment shall become effective immediately, except as provided in subsection (6) below, after the record date for the determination of holders entitled to receive such rights, options or warrants.

(3) In case the Company shall, by dividend or otherwise, distribute, to substantially all holders of Common Stock, evidences of indebtedness, equity securities (including equity interests in the Company's Subsidiaries) other than Common Stock, or other assets (other than cash dividends paid out of earned surplus of the Company or current net earnings as shown on the books of the Company and other than Extraordinary Cash Dividends, which are governed by the provisions of subsection (4) below), or shall distribute to substantially all holders of Common Stock rights, options or warrants entitling such Holders to subscribe for securities (other than those referred to in subsection (2) above), then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which

(i) the numerator shall be the current market price per share (determined as provided in subsection (5) below) of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination shall, if made in good faith, be conclusive evidence of such fair market value and provided to the Trustee) of the portion of the assets, evidence of indebtedness, equity securities or other securities so distributed or of such subscription rights, options or warrants applicable to one share of Common Stock, and of which

(ii) the denominator shall be such current market price per share of the Common Stock.

Such adjustment shall become effective immediately, except as provided in subsection (6) below, after the record date for the determination of stockholders entitled to receive such distribution. Notwithstanding the foregoing, with respect to the rights ("Rights") distributed under the Rights Agreement, dated as of June 4, 1989, between the Company and BankBoston, N.A. as amended and as it may be further amended after the date hereof and/or in the event that and each time that the Company shall distribute any other rights or warrants (other than those referred to in paragraph (2) of this Section) ("Additional Rights") pro rata to holders of Common Stock, the Company shall make proper provision so that each Holder of a Convertible Security who converts such Convertible Security (or any portion thereof) (A) after the date hereof in the case of Rights and (B) after the record date for any such distribution in the case of Additional Rights, and prior to the expiration or redemption of the Rights or Additional Rights, as the case may be, shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights or Additional Rights, to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights or Additional Rights of separate certificates evidencing such Rights or Additional Rights (the "Distribution Date"), the same number of Rights or Additional Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights or Additional Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights or Additional Rights to which a holder of the number of shares of Common Stock into which the principal amount of the Security so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the term and provisions of and applicable to the Rights or Additional Rights.

If, with respect to any distribution to which this paragraph (3) would otherwise apply, the fair market value of the portion of the assets so distributed applicable to one share of Common Stock exceeds the current market price per share of Common Stock or the current market price per share of Common Stock exceeds such fair market value by less than \$1.00, then the adjustment provided by this subsection (3) shall not be made and in lieu thereof the provision of paragraph (8) shall apply to such distribution.

(4) If the Company shall, by dividend or otherwise, distribute generally to holders of its Common Stock cash (excluding any cash that is distributed upon a merger or consolidation to which Section 4.05 applies) in an aggregate amount such that such dividend or distribution shall constitute an Extraordinary Cash Dividend, then, and in each such case, immediately after the close of business on such date for determination, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction, of which

(i) the numerator shall be equal to (A) the current market price per share (determined as provided in paragraph (5) of this Section) of the Common Stock on the date fixed for such

determination less (B) an amount equal to the excess of such Extraordinary Cash Dividend over four times the per share amount of the Company's most recently declared regular quarterly dividend and of which

(ii) the denominator shall be equal to such market price per share.

(5) For the purpose of any computation under subsections (2), (3) or (4) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the Sale Prices for the 20 consecutive Trading Days commencing 30 Trading Days before the date in question.

(6) In any case in which this Section 4.04 shall require that an adjustment of the Conversion Price be made effective immediately following a record date, the Company may elect to defer the effectiveness of such adjustment (but in no event until a date later than the effective time of the event giving rise to such adjustment), in which case the Company shall, with respect to any Convertible Security converted after such record date and before such adjustment shall have become effective, (i) defer paying any cash payment pursuant to Section 4.03 or issuing to the Holder of such Convertible Security the number of shares of Common Stock and other capital stock of the Company issuable upon such conversion in excess of the number of shares of Common Stock and other capital stock of the Company issuable thereupon only on the basis of the Conversion Price prior to adjustment and (ii) not later than five Business Days after such adjustment shall have become effective, pay to such Holder the appropriate cash payment pursuant to Section 4.03 and issue to such Holder the additional shares of Common Stock and other capital stock of the Company issuable on such conversion.

(7) No adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent of the Conversion Price; provided, however, that any adjustments which by reason of this subsection (7) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and, provided, further, that each adjustment shall be required and made in accordance with the provisions of this Article Four (other than this subsection (7)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of Convertible Securities or Common Stock. All calculations under this Article Four shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(8) If the Company makes a distribution to holders of its Common Stock of any of its assets, or debt securities or any rights, warrants or options to purchase securities of the Company that, but for the provisions of the last sentence of subsection (3), would otherwise result in an adjustment in the Conversion Rate, then, from and after the record date for determining the holders of Common Stock entitled to receive the distribution, a Holder of a Convertible Security that converts such Convertible Security in accordance with the provisions of this Indenture shall upon such conversion be entitled to receive, in addition to the shares of Common Stock into which the Convertible Security is convertible, the kind and amount of securities, cash or other assets comprising the distribution that such Holder would have received if such Holder had converted the Convertible Security immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

(9) Whenever the Conversion Price shall be adjusted as herein provided, the Company shall promptly (i) file with the Trustee and each Conversion Agent an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth in reasonable detail the facts requiring such adjustment and the manner of computing the same, and (ii) mail or cause to be mailed a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price to each Holder of Convertible Securities at his address as the same appears on the Security Register.

Anything in this Section 4.04 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by this Section 4.04, as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or distribution of other assets (other than cash dividends) hereafter made by the Company to its stockholders shall not be taxable.

SECTION 4.05 Continuation of Conversion Privilege in Case of Merger, Consolidation or Sale of Assets.

If the Company is a party to a transaction subject to Section

8.01 (other than a sale of all or substantially all of the assets of the Company in a transaction in which the holders of Common Stock immediately prior to such transaction do not receive securities, cash, or other assets of the Company or any other Person) or a merger or binding share exchange which reclassifies or changes its outstanding Common Stock, the Person obligated to deliver securities, cash or other assets to holders of Common Stock pursuant to such transaction subject to Section 8.01, merger or binding share exchange shall enter into a supplemental indenture. If the issuer of securities deliverable upon conversion of Convertible Securities is an Affiliate of the successor Company, that issuer shall join in the supplemental indenture. The supplemental indenture shall provide that the Holder of a Convertible Security shall have the right thereafter (during the period such Convertible Security shall be convertible as specified in Section 4.01) to convert such Convertible Security into the kind and amount of securities, cash, property or other assets which such Holder would have received immediately after the consolidation, merger, binding share exchange or transfer if such Holder had converted the Convertible Security immediately before the effective date of such transaction, assuming (to the extent applicable) that such Holder (i) was not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such Sale or transfer was made, as the case may be (a "Constituent Person"), or an Affiliate of a Constituent Person to such transaction, (ii) made no election, if any, as to the kind or amount of securities, cash or other property receivable upon such transaction with respect thereto, and (iii) was treated alike with the plurality of non-electing Holders. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article Four. The successor Company shall mail to each Holder of a Convertible Security a notice briefly describing the supplemental indenture.

Neither the Trustee nor any conversion agent shall be under any responsibility to determine the correctness of any provisions contained in any such supplemental indenture relating either to the kind or amount of shares of stock or securities or property or cash receivable by Holders upon the conversion of their Securities after any such reclassification, change, consolidation, merger, sale or conveyance or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, an Officers' Certificate or, at the option of the Company, a certificate of a firm of independent public accountants which shall conform to the provisions of Section 1.02 with respect thereto.

If the Company shall enter into a sale of all or substantially all of the assets of the Company in a transaction in which the holders of the Common Stock immediately prior to such transaction do not receive securities, cash, or other assets of the Company or any other Person, the Convertible Securities shall remain convertible into the Common Stock (or other property) which, but for such sale of assets of the Company, the Holders of such Convertible Securities would have been entitled to upon conversion.

If this Section 4.05 applies, neither paragraph (1) nor (3) of Section 4.04 applies.

SECTION 4.06 Notices of Certain Events.

If:

(1) the Company shall declare a dividend (or any other distribution) payable to the holders of Common Stock other than cash dividends which are not Extraordinary Cash Dividends; or

(2) the Company shall authorize the granting generally to the holders of Common Stock of rights, options or warrants to subscribe for or purchase any shares of stock of any class or of any other rights; or

(3) the Company shall authorize any reclassification or change of the Common Stock (other than a subdivision or combination of its outstanding shares of Common Stock), or any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or the sale or conveyance of all or substantially all the property or business of the Company; or

(4) there shall be authorized or ordered any voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(5) the Company or any Subsidiary or Affiliate shall commence a tender offer for all or a portion of the Company's outstanding shares of Common Stock (or shall amend any such tender offer);

then, the Company shall cause to be filed at the office or agency maintained for the purpose of conversion of the Convertible

Securities as provided in Section 10.02, and shall cause to be mailed to each Holder of Convertible Securities, at his address as it shall appear on the Security Register therefor, at least 20 days before the date hereinafter specified (or the earlier of the dates hereinafter specified, in the event that more than one date is specified), a notice stating the date on which (i) a record is expected to be taken for the purpose of such dividend, distribution, rights, options, warrants or tender offer or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights (or in the case of a tender offer to be entitled to tender shares of Common Stock) are to be determined, or (ii) such reclassification, change, consolidation, merger, sale, conveyance, dissolution, liquidation or winding-up is expected to become effective, and the date, if any is to be fixed, as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, change, consolidation, merger, sale, conveyance, dissolution, liquidation, winding-up or tender offer.

SECTION 4.07 Taxes on Conversion.

The Company will pay any and all documentary, stamp or similar taxes payable to the United States (or any other jurisdiction in which the Company is domiciled or incorporated) or any political subdivision or taxing authority thereof or therein (other than any such tax of any such non-United States jurisdiction that would not have been payable in respect of the applicable Holder if such jurisdiction had been the United States or any political subdivision or taxing authority thereof) in respect of the issue or delivery of shares of Common Stock on conversion of Convertible Securities pursuant hereto; provided, however, that the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name, and the Conversion Agent may refuse to deliver the certificates representing such Common Stock until the Person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid. The Company extends no protection with respect to any other taxes imposed in connection with conversion of Convertible Securities.

SECTION 4.08 Company to Provide Stock.

The Company shall at all times reserve and keep available free from preemptive rights, out of its authorized but unissued shares of capital stock, the full number of shares of capital stock to provide for the conversion of Convertible Securities from time to time as such Convertible Securities are presented for conversion; provided, however, that nothing contained herein shall be construed to preclude the Company from satisfying its obligations in respect of the conversion of Convertible Securities by delivery of repurchased shares of Common Stock which are held in the treasury of the Company.

If any shares of capital stock to be reserved for the purpose of conversion of Convertible Securities hereunder require registration with or approval of any governmental authority under any federal or state law or any action in respect of any stock exchange or similar listing before such shares may be validly issued or delivered upon conversion, then the Company covenants that it will in good faith and as expeditiously as possible endeavor to secure such registration, approval or action, as the case may be; provided, however, that, nothing in this Section 4.08 shall be deemed to affect in any way the obligations of the Company to convert Convertible Securities into Common Stock as provided in this Article Four.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the Common Stock, the Company will take all corporation action which may, in the opinion of counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Convertible Securities will upon issue be fully paid and non-assessable by the Company and free of preemptive rights.

SECTION 4.09 Disclaimer of Responsibility for Certain Matters.

Neither the Trustee, the Conversion Agent nor any agent of either shall at any time be under any duty or responsibility to any Holder of Convertible Securities to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the Officers' Certificate referred to in Section 4.04(9), or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee, the Conversion Agent nor any agent of either shall be accountable with respect to the validity or

value (or the kind or amount) of any shares of Common Stock, or of any securities or property (including cash), which may at any time be issued or delivered upon the conversion of any Convertible Security; and neither the Trustee, the Conversion Agent nor any agent of either makes any representation with respect thereto. Neither the Trustee, the Conversion Agent nor any agent of either shall be responsible for any failure of the Company to issue, register the transfer of or deliver any shares of Common Stock or stock certificates or other securities or property (including cash) upon the surrender of any Convertible Security for the purpose of conversion or, subject to Section 3.01, to comply with any of the covenants of the Company contained in this Article Four.

SECTION 4.10 Return of Funds Deposited for Redemption of Converted Convertible Securities.

Any funds which at any time shall have been deposited by the Company or on its behalf with the Trustee or any Paying Agent for the purpose of paying the principal of and interest, if any, on any of the Convertible Securities and which shall not be required for such purposes because of the conversion of such Convertible Securities, as provided in this Article Four, shall after such conversion be repaid to the Company by the Trustee or such Paying Agent.

ARTICLE V

SATISFACTION, DISCHARGE AND DEFEASANCE

SECTION 5.01 Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect with respect to Securities of any series (except as to any surviving rights of registration of transfer or exchange of Securities of such series, replacement of lost, stolen or mutilated Securities of such series and conversion of Securities of such series herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such series, when

(1) either

(ii) all Securities of such series theretofore authenticated and delivered and all Coupons appertaining thereto (other than (i) Coupons appertaining to Bearer Securities of such series surrendered in exchange for Registered Securities and maturing after such exchange, surrender of which is not required or has been waived as provided in Section 3.05, (ii) Securities of such series and Coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06, (iii) Coupons appertaining to Bearer Securities of such series called for redemption and maturing after the relevant Redemption Date, surrender of which has been waived as provided in Section 11.06 and (iv) Securities of such series and Coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee for cancellation; or

(iii) all such Securities and Coupons of such series not theretofore delivered to the Trustee for cancellation

(A) have become due and payable, or

(B) will become due and payable at their Stated Maturity within one year, or

(C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (A), (B) or (C) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities and Coupons of such series not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities and Coupons of such series which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. In addition, the Opinion of Counsel shall be to the effect that Holders of the Securities and Coupons, if any, of such series will not recognize income, gain or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Section 5.01 and will be subject to Federal income tax in the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised and must refer to and be based upon a ruling of the Internal Revenue Service.

At any time when no Securities of any series are outstanding, this Indenture shall upon Company Request cease to be of further effect and the Trustee, at the expense of the Company, shall execute proper instruments of satisfaction and discharge of this Indenture.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.05 and, if money shall have been deposited with the Trustee pursuant to subclause (ii) of clause (1) of this Section, the obligations of the Trustee under Section 5.02 and the last paragraph of Section 10.03, shall survive.

SECTION 5.02 Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.03, all money deposited with the Trustee pursuant to Sections 5.01 and 5.03 shall be held in trust and applied by it, in accordance with the provisions of the Securities and Coupons, if any, and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

SECTION 5.03 Satisfaction, Discharge and Defeasance of Securities of Any Series.

If this Section is specified, as contemplated by Section 3.01, to be applicable to Securities and Coupons, if any, of any series, at the Company's option, either

(1) the Company will be deemed to have been Discharged (as defined below) from its obligations with respect to Securities and Coupons, if any, of such series or

(2) the Company will cease to be under any obligation to comply with any term, provision or condition set forth in (i) Article VIII and Sections 10.09, 10.10 and 10.11 or (ii) the terms, provisions or conditions of such series specified pursuant to Section 3.01 (provided, however, that the Company may not cease to comply with any obligations as to which it may not be Discharged pursuant to the definition of "Discharged"), if, in the case of (1) and (2), with respect to the Securities and Coupons, if any, of such series on the 91st day after the applicable conditions set forth below in (x) and either (y) or (z) have been satisfied:

(x)(i) the Company has paid or caused to be paid all other sums payable with respect to the Outstanding Securities and Coupons, if any, of such series (in addition to any required under (y) or (z)); and (ii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the entire indebtedness on all Outstanding Securities and Coupons, if any, of any such series have been complied with; and

(y)(i) the Company shall have deposited or caused to be deposited irrevocably with the Trustee as a trust fund specifically pledged as security for (on a first-priority perfected basis), and dedicated solely to, the benefit of the Holders of the Securities and Coupons, if any, of such series (A) an amount (in such currency or currency unit in which the Outstanding Securities and Coupons, if any, of such series are payable) or (B) U.S. Government Obligations (as defined below) or, in the case of Securities and Coupons, if any, denominated in a Foreign Currency and if so specified pursuant to Section 3.01, Foreign Government Securities (as defined below), which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later

than the due date of any payment of principal (including any premium) and interest, if any, under the Securities and Coupons, if any, of such series, money in an amount or (C) a combination of (A) and (B) sufficient (in the opinion with respect to (B) and (C) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) to pay and discharge each installment of principal of (including any premium), and interest, if any, on, the Outstanding Securities and Coupons, if any, of such series on the dates such installments of interest or principal are due;

(ii)(A) no Event of Default or event (including such deposit) which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date of such deposit, (B) no Event of Default as defined in clause (5) or (6) of Section 6.01, or event which with notice or lapse of time or both would become an Event of Default under either such clause, shall have occurred within 90 days after the date of such deposit and (C) such deposit and the related intended consequence under (1) or (2) will not result in any default or event of default under any material indenture, agreement or other instrument binding upon the Company or any Subsidiary or any of their properties;

(iii) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that Holders of the Securities and Coupons, if any, of such series will not recognize income, gain or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Section 5.03 and will be subject to Federal income tax in the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised; and

(iv) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that if the deposit referred to in paragraph (y)(i) above shall include U.S. Government Obligations or Foreign Government Securities, such deposit shall not result in the Company, the Trustee or such trust being regulated as an "investment company" under the Investment Company Act of 1940, as amended; or

(z) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 3.01, to be applicable to the Securities and Coupons, if any, of such series.

Any deposits with the Trustee referred to in clause (y)(i) above will be made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee. If any Outstanding Securities and Coupons, if any, of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any mandatory redemption provisions or in accordance with any mandatory sinking fund requirement, the applicable escrow trust agreement will provide therefor and the Company will make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

"Discharged" means that the Company will be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Securities and Coupons, if any, of the series as to which this Section is specified as applicable as aforesaid and to have satisfied all the obligations under this Indenture relating to the Securities and Coupons, if any, of such series (and the Trustee, at the expense of the Company, will execute proper instruments acknowledging the same), except (A) the rights of Holders thereof to receive, from the trust fund described in clause (y)(i) above, payments of the principal of, premium and the interest, if any, on such Securities and Coupons, if any, when such payments are due, (B) the Company's obligations with respect to such Securities and Coupons, if any, under Sections 3.05 and 3.06 (insofar as applicable to Securities of such series), Article IV (insofar as applicable to Securities of such series), Sections 5.02, 10.02 and 10.03 (last paragraph only) and the Company's obligations to the Trustee under Sections 7.05, 7.06 and 7.07 and (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder, will survive such discharge. The Company will reimburse the trust fund for any loss suffered by it as a result of any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or Foreign Government Securities, as the case may be, or any principal, premium or interest paid on such obligations, and, subject to the provisions of Section 7.05, will indemnify the Trustee against any claims made against the Trustee in connection with any such loss.

"Foreign Government Securities" as used in Section 5.03 means, with respect to Securities and Coupons, if any, of any series that are

denominated in a Foreign Currency, securities that are (i) direct obligations of the government that issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of such government (the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of such government) which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specified payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

ARTICLE VI

REMEDIES

SECTION 6.01 Events of Default.

"Event of Default," wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than the series in respect of which the Event of Default is being determined), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25 percent in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or a Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or a Significant Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or a Significant Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(6) the commencement by the Company or a

Significant Subsidiary of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or a Significant Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or a Significant Subsidiary in furtherance of any such action; or

(7) acceleration of Indebtedness of the Company or any Significant Subsidiary aggregating more than \$50 million so that such Indebtedness becomes due prior to the date on which the same would otherwise become due and payable, unless such acceleration is rescinded, annulled or otherwise cured prior to the giving of the notice referred to in the first paragraph of Section 6.02 with respect to the Securities of such series; or

(8) final and nonappealable judgments or orders to pay, in the aggregate at any one time, more than \$50 million rendered by a court of competent jurisdiction against the Company or a Significant Subsidiary, continued for 90 days (during which execution shall not be effectively stayed or bonded) without discharge or reduction to \$50 million or less; or

(9) any other Event of Default provided with respect to Securities of that series.

SECTION 6.02 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25 percent in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable; provided, however, that in the case of any Event of Default with respect to the Company specified in clause (5) or (6) of Section 6.01, such amount shall become immediately due and payable without any notice, declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Securities of that series,

(B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.12.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 6.03 Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security or Coupon, if any, when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities or Coupons, if any, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities or Coupons, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amount forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 6.04 Trustee May Enforce Claims without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 6.05 Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.06 Application of Money Collected.

Any money collected by the Trustee pursuant to this Article in respect of the Securities of any series shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest on the Securities of such series, upon presentation of the

Securities and Coupons, if any, appertaining thereto in respect of which moneys have been collected and the notation thereon of the distribution if such principal, premium and interest is only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 7.05; and

Second: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

SECTION 6.07 Limitation on Suits.

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25 percent in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder,

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 6.08 Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 6.09 Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 6.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.10 Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be

exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 6.11 Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that

(1) such direction shall not (i) be in conflict with any rule of law or with this Indenture, (ii) expose the Trustee to personal liability, or (iii) be unduly prejudicial to Holders not joining therein, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 6.12 Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 6.13 Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 6.14 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than ten percent in principal amount of the Outstanding Securities, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 6.15 Judgment Currency.

The following provisions of this Section 6.15 shall apply to the extent permissible under applicable law: Judgments in respect of any obligations of the Company under any Securities or Coupons, if any, of any series shall be rendered in the currency or currency unit in which such Securities or Coupons are payable. If for the purpose of obtaining a judgment in any court with respect to any obligation of the Company hereunder or under any Security or Coupon, it shall become necessary to convert into any other currency or currency unit any amount in the currency or currency unit due hereunder or under such Security or Coupon, then such conversion shall be made at the Conversion Rate (as defined below) as in effect on the date the Company shall make payment to any person in

satisfaction of such judgment. If pursuant to any such judgment, conversion shall be made on a date other than the date payment is made and there shall occur a change between such Conversion Rate and the Conversion Rate as in effect on the date of payment, the Company agrees to pay such additional amounts (if any) as may be necessary to ensure that the amount paid is the amount in such other currency or currency unit which, when converted at the Conversion Rate as in effect on the date of payment or distribution, is the amount then due hereunder or under such Security or Coupon. Any amount due from the Company under this Section 6.15 shall be due as a separate debt and is not to be affected by or merged into any judgment being obtained for any other sums due hereunder or in respect of any Security or Coupon so that in any event the Company's obligations hereunder or under such Security or Coupon will be effectively maintained as obligations in such currency or currency unit. In no event, however, shall the Company be required to pay more in the currency or currency unit due hereunder or under such Security or Coupon at the Conversion Rate as in effect when payment is made than the amount of currency or currency unit stated to be due hereunder or under such Security or Coupon.

For purposes of this Section 6.15, "Conversion Rate" shall mean the spot rate at which in accordance with normal banking procedures the currency or currency unit into which an amount due hereunder or under any Security or Coupon is to be converted could be purchased with the currency or currency unit due hereunder or under any Security or Coupon, at the option of the Company from major banks located in the Cities of New York or London or any other principal market for such purchased currency or currency unit.

ARTICLE VII

THE TRUSTEE

SECTION 7.01 Certain Rights of Trustee.

(1) Except during the continuance of an Event of Default, (A) the Trustee may rely, in the absence of bad faith on its part, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document furnished to the Trustee and believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties, but, in the case of any such papers or documents which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture and (B) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(2) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(3) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(4) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(5) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(6) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or

attorney.

(7) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(8) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(9) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise in the conduct of his or her own affairs.

(10) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(11) The Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of Holders of a majority in principal amount of the Outstanding Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, under this Indenture.

(12) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 7.01.

SECTION 7.02 Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 7.03 May Hold Securities.

The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

SECTION 7.04 Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 7.05 Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder as agreed to by the Company and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless

against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise of performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee (but only upon such property and funds collected in its capacity as Trustee under this Indenture), except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Securities.

SECTION 7.06 Resignation and Removal; Appointment of Successor.

(1) The Trustee may resign at any time with respect to the Securities of one or more series by giving 30 days written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 7.07 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(2) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(3) If at any time:

(A) the Trustee shall fail to comply with Section 3.10(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(B) the Trustee shall cease to be eligible under Section 3.10(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder, or

(C) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (ii) any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(4) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series: the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 7.07. Within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series may be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee. The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 7.07, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 7.07, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(5) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and

each appointment of a successor Trustee with respect to the Securities of any series in the manner provided in Section 1.06. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 7.07 Acceptance of Appointment by Successor.

(1) In case of the appointment hereunder of a successor Trustee with respect to any series of Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(2) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(3) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (1) or (2) of this Section, as the case may be.

(4) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

SECTION 7.08 Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 7.09 Reports by Trustee.

Within 60 days after May 15 of each year commencing with the

first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Trust Indenture Act Section 313(c) a brief report dated as of such May 15 in accordance with and to the extent required under Trust Indenture Act Section 313(a).

SECTION 7.10 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such. Each successor Trustee shall have a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of a supervising or examining authority, then for the purposes of this Section 7.10, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its more recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinbefore specified in this Article Seven.

SECTION 7.11 Notice of Events of Default.

The Trustee shall give the Holders of any series of Securities notice in writing of any Event of Default with respect to Securities of such series as and to the extent provided by the Trust Indenture Act.

SECTION 7.12 Disqualification; Conflicting Interests.

The Trustee shall comply with the terms of Section 310(b) of the Trust Indenture Act.

ARTICLE VIII

CONSOLIDATION, MERGER OR SALE

SECTION 8.01 Consolidation, Merger or Sale.

Subject to the provisions of Section 8.03, nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Company with or into any other corporation or corporations (whether or not affiliated with the Company), or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance or lease of all or substantially all the property of the Company to any other corporation (whether or not affiliated with the Company) authorized to acquire and operate the same; provided, however, and the Company hereby covenants and agrees, that any such consolidation, merger, sale, conveyance or lease shall be upon the conditions that (a) the corporation (if other than the Company) formed by or surviving any such consolidation or merger, or to which such sale, conveyance or lease shall have been made, shall be a corporation organized under the laws of the United States, any State thereof or the District of Columbia; (b) the due and punctual payment of the principal of, premium, if any and interest, if any, on all the Securities and Coupons, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company, shall be expressly assumed and the conversion rights, if any, shall be provided for in accordance with Article IV, by supplemental indenture satisfactory in form to the Trustee executed and delivered to the Trustee, by the corporation (if other than the Company) formed by such consolidation, or into which the Company shall have been merged, or by the corporation which shall have acquired or leased such property; and (c) immediately after giving effect to such transaction, no Event of Default, and no event which after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing.

SECTION 8.02 Successor Corporation to Be Substituted.

In case of any such consolidation, merger, sale, conveyance or lease and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and interest, if any, on all of the Securities and the due and punctual performance of all the covenants and conditions of this Indenture to be performed by the Company, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part, and the Company (including any intervening successor to the Company which shall have become the obligor hereunder) shall, except in the case of a lease, be relieved of any further obligation under this Indenture and the Securities; provided, however, that in the case of a sale or conveyance of the property of the Company (including any such intervening successor) in connection with which there

is not a plan providing for the complete liquidation of the Company (including any such intervening successor), the Company (including any such intervening successor) shall continue to be liable on (a) its obligations under this Indenture and the Securities to the extent of liability to pay the principal of and interest, if any, on the Securities at the time, places and rate prescribed in this Indenture and the Securities and (b) obligations the Company may have under a supplemental indenture pursuant to Section 4.05. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the initial issuance of the Securities of such series.

In case of any such consolidation, merger, sale, conveyance or lease such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued, as may be appropriate and consented to by the Trustee.

SECTION 8.03 Securities to Be Secured in Certain Events.

If, upon any consolidation or merger or sale, conveyance or lease to which Section 8.02 applies, or upon any acquisition by the Company by purchase or otherwise of all or any part of the properties of any other Person, any Principal Property or shares of stock or evidences of indebtedness of a Subsidiary owned by the Company or a Subsidiary immediately prior thereto would thereupon become subject to any mortgage, security interest, pledge, lien or encumbrance to secure indebtedness for money borrowed by any Person (which indebtedness shall be deemed to be Secured Debt of the Company for purposes of the last paragraph of Section 10.09), the Company, immediately prior to such consolidation, merger, sale, conveyance, lease or acquisition will, unless the incurrence of such Secured Debt is permitted by Section 10.09, by indenture supplemental hereto secure the due and punctual payment of the principal of, premium, if any, and interest, if any, on the Securities then Outstanding (equally and ratably with any other indebtedness entitled thereto immediately following such transaction).

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.01 Supplemental Indentures without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company contained herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default with respect to all or any series of Securities; or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons or to provide for uncertificated (commonly known as "book entry") Securities on terms satisfactory in substance to the Trustee; or

(5) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is

entitled to the benefit of such provision; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.01 and 3.01; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 7.07(2); or

(9) if allowed without penalty under applicable laws and regulations, to permit payment in the United States (including any of the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction of principal, premium, if any, or interest, if any, on Bearer Securities or Coupons, if any; or

(10) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such other provision shall not adversely affect the interests of the Holders of Securities of any series in any material respect; or

(11) to add to, delete from or revise the conditions, limitations on the authorized amount, terms or purposes of issue, authentication and delivery of the Securities, as herein set forth; or

(12) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Section 4.05.

SECTION 9.02 Supplemental Indentures with Consent of Holders.

With the consent of (i) the Holders of not less than a majority in principal amount of the Outstanding Securities, or (ii) in case less than all of the several series of Securities are affected by such addition, change, elimination or modification, the Holders of not less than a majority in principal amount of each series so affected by such supplemental indenture voting as a single class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board of Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.02, or change the coin or currency in which, or delete any country from the Places of Payment (other than any such country in which, in the good faith determination of the Board of Directors, the functions to be performed in the Places of Payment in such country are no longer practicably performable) in which, any Securities or Coupons or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or repurchase (in the case of Securities of a series that are required to be repurchased by the Company as specified pursuant to Section 3.01), on or after the Redemption Date or the repurchase date, as applicable), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 10.02, or

(4) modify any of the provisions of this Section 9.02, Section 6.11, or Section 10.07, except to increase any such percentage or to provide with respect to any particular series the right to condition the effectiveness of any supplemental indenture as to that series on the consent of the Holders of a specified percentage of the aggregate principal amount of Outstanding Securities of such series (which provision may be made pursuant to Section 3.01 without the consent of any Holder) or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 7.07(2) and 9.01(8), or

(5) if applicable, make any change that adversely affects the right to convert any Convertible Security or, except as provided in this Indenture, decrease the conversion rate or increase the conversion price of any Convertible Security.

For the purposes of this Section 9.02, if the Securities of any series are issuable upon the exercise of warrants, any holder of an unexercised and unexpired warrant with respect to such series shall not be deemed to be a Holder of Outstanding Securities of such series in the amount issuable upon the exercise of such warrants.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03 Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05 Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 9.06 Reference in Securities to Supplemental Indentures.

Securities, including any Coupons, of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities including any Coupons of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities including any Coupons of such series.

ARTICLE X

COVENANTS

SECTION 10.01 Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of (and premium, if any) and interest on the Securities of that series by delivering said principal of (and premium, if any) and interest thereon in immediately available funds to the Paying Agent no later than 10 a.m., New York time, on the Stated Maturity and otherwise in accordance with the terms of the Securities and this Indenture.

The interest on Securities with Coupons appertaining thereto shall be payable only upon presentation and surrender of the several Coupons for such interest installments as are evidenced thereby as they severally mature. The interest, if any, on any temporary Bearer Security shall be paid, as to any installment of interest evidenced by a Coupon attached thereto, only upon presentation and surrender of such Coupon and, as to other installments of interest, only upon presentation of such Security for notation thereon of the payment of such interest.

SECTION 10.02 Maintenance of Office or Agency.

If Securities of a series are issued as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities and Coupons, if any, of that series may be presented or surrendered for payment, where securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain, (A) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series which is located outside the United States, where Securities of that series and related coupons may be presented and surrendered for payment; provided, however, that if the Securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange, and (B) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series located outside the United States, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If Securities of a series are issuable as Convertible Securities, the Company will maintain an office or agency where such Securities may be presented for conversion ("Conversion Agent"). If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

No payment of principal or interest on Bearer Securities shall be made at any office or agency of the Company in the United States, by check mailed to any address in the United States, by transfer to an account located in the United States or upon presentation or surrender in the United States of a Bearer Security or coupon for payment, even if the payment would be credited to an account located outside the United States; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of and any interest on any such Bearer Security may be made at the office of the Company's Paying Agent in the Borough of Manhattan, the City of New York, New York if (but only if) payment in Dollars of the full amount of such principal, interest or additional amounts, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities (including any Coupons, if any) of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or recession shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities (including any Coupons, if any) of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 10.03 Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal (and premium, if any) or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for three years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security and Coupon, if any, shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the City of New York or mail to each such Holder or both, or, if a Registered Security, cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04 Maintenance of Properties and Corporate Existence.

The Company shall, and shall cause each of its Subsidiaries to, (a) maintain its properties and assets used or useful in its business in good working order and condition and make all necessary repairs, renewals, replacements, additions, betterments and improvements thereto; (b) maintain with financially sound and reputable insurers such insurance as may be required by law and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated; and (c) keep books of records and accounts reflecting all of its business affairs and transactions in accordance with sound business practices, and reflect in its financial statements adequate accruals and reserves, all in accordance with generally accepted accounting principles.

Subject to Article VIII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises and those of its Subsidiaries; provided, however, that the Company shall not be required to preserve or cause to be preserved any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.05 Statements as to Compliance

The Company will deliver to the Trustee, within 105 days after the end of each fiscal year (which on the date hereof ends on the last Sunday in each calendar year) of the Company, a certificate from the principal executive officer, principal financial officer or principal accounting officer stating whether or not the signer knows of any default by the Company in the performance or observance of any of the terms, provisions or conditions hereof. If such signer knows of such a default, the certificate shall describe the default. For purposes of this Section 10.05, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 10.06 Commission Reports.

The Company shall file with the Trustee, within 15 days after it files them with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. So long as the Securities remain outstanding, the Company shall cause any annual or quarterly or other financial reports furnished by it to shareholders to be mailed to the Holders at their addresses appearing in the Security Register.

SECTION 10.07 Waiver of Covenant.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 10.09 and 10.10, if before the time for such compliance the Holders of (i) a majority in principal amount of the Outstanding Securities or (ii) in case less than all of the several series of Securities then Outstanding are affected by the omission, at least a majority in principal amount of the Outstanding Securities of each series so affected voting as a single class shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 10.08 Additional Instruments and Acts.

Upon request by the Trustee, the Company will execute and deliver such additional instruments and take such action as may be reasonably necessary or proper to carry out more fully the purposes of this Indenture.

SECTION 10.09 Restriction on Creation of Liens

The Company shall not at any time create, incur, assume or guarantee, and shall not cause, suffer or permit a Subsidiary to create, incur, assume or guarantee, any Secured Debt without making effective provision (and the Company covenants that in such case it will make or cause to be made such effective provision) whereby the Securities then Outstanding and any other indebtedness of or guaranteed by the Company or such Subsidiary then entitled thereto, subject to applicable priorities of payment among such other indebtedness, shall be secured by the mortgage, security interest, pledge, lien or encumbrance relating to such Secured Debt equally and ratably with or, at the option of the Company, prior to, any and all other obligations and indebtedness thereby secured, so long as any such other obligations and indebtedness shall be so secured; provided, however, that the foregoing covenants shall not be applicable to the following:

(1)(i) Any mortgage, security interest, pledge, lien or encumbrance on any property hereafter acquired (including acquisition through merger or consolidation), improved or constructed by the Company or a Subsidiary and created contemporaneously with, or within 180 days after, such acquisition (or, in the case of property constructed or improved, within 180 days after the completion and commencement of commercial operation of such property) to secure or provide for the payment of all or any part of the purchase price of such property or the cost of the construction thereof, as the case may be; or (ii) the acquisition of property subject to any mortgage, security interest, pledge, lien or encumbrance upon such property existing at the time of the acquisition thereof, whether or not assumed by the Company or such Subsidiary; or (iii) any mortgage, security interest, pledge, lien or encumbrance existing on the property or on the outstanding shares or indebtedness of a corporation at the time such corporation shall become a Subsidiary (but not created in anticipation of the transaction in which such corporation shall become a

Subsidiary); or (iv) any mortgage, security interest, pledge, lien or encumbrance on the property, shares or indebtedness of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Subsidiary or at the time of a sale, lease or other disposition of the properties of a corporation or firm as an entirety or substantially as an entirety to the Company or a Subsidiary (but not created in anticipation of such transaction); or

(2) Any mortgage, security interest, pledge, lien or encumbrance on property of the Company or a Subsidiary in favor of the United States or any State thereof or any foreign government, or any department, agency or instrumentality or political subdivision of any thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such mortgages; or

(3) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any mortgage, security interest, pledge, lien, encumbrance or Secured Debt referred to in the foregoing subparagraphs (1) and (2); provided, however, that the principal amount of Secured Debt secured thereby shall not exceed the principal amount outstanding at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the property which secured the mortgage, security interest, pledge, lien or encumbrance so extended, renewal or replaced.

Notwithstanding the foregoing provisions of this Section 10.09, the Company and any one or more Subsidiaries may create, incur, assume or guarantee Secured Debt (including pursuant to a transaction to which Section 8.03 applies) not otherwise permitted or excepted without equally and ratably securing the Securities to the extent that the sum of (i) the amount of all Secured Debt then outstanding (other than Secured Debt referred to in subparagraphs (1), (2) and (3) above and Secured Debt deemed outstanding under Section 8.03 in connection with which the Company secures obligations on the Securities then outstanding in accordance with the provisions of Section 8.03) after giving effect thereto plus (ii) the amount of Attributable Debt in respect of Sale and Leaseback Transactions (other than Sale and Leaseback Transactions in respect of which amounts equal to the Attributable Debt relating to the transactions shall have been applied, within 180 days after the effective date of such Sale and Leaseback Transaction, to the prepayment or retirement of Securities or other indebtedness for borrowed money which was recorded as Funded Debt, as of the date of its creation, of the Company or a Subsidiary and which, in the case of such indebtedness of the Company, is not subordinate and junior in right of payment to the Securities and Sale and Leaseback Transactions in which the property involved would have been permitted to be subjected to a mortgage, security interest, pledge, lien or encumbrance pursuant to subparagraphs (1) through (3) above does not at the time exceed the greater of ten percent of Consolidated Net Tangible Assets or \$100,000,000.

SECTION 10.10 Restrictions on Sale and Leaseback Transactions.

The Company shall not, and will not cause, suffer or permit any Subsidiary to, enter into any Sale and Leaseback Transaction of any Principal Property unless at the effective time of such Sale and Leaseback Transaction (a) the Company or such Subsidiary would be entitled, without equally and ratably securing the Securities, to incur Secured Debt secured by a mortgage or security interest on the Principal Property to be leased pursuant to Section 10.09 above, or (b) the Company or such Subsidiary would be entitled, without equally and ratably securing the Securities, to incur Secured Debt in an amount at least equal to the Attributable Debt in respect of such Sale and Leaseback Transaction, or (c) the Company shall apply an amount equal to such Attributable Debt, within 180 days after the effective date of such Sale and Leaseback Transaction, to the prepayment or retirement of Securities or other indebtedness for borrowed money which was recorded as Funded Debt as of the date of its creation and which, in the case of such indebtedness of the Company, is not subordinate and junior in right of payment to the prior payment of the Securities or the prepayment or retirement of any mortgage, lien or other security interest in such Principal Property existing prior to such Sale and Leaseback Transaction; provided, however, that the amount to be so applied to the retirement of such indebtedness shall be reduced by (i) the aggregate principal amount of any Securities delivered within 180 days of the effective date of any such Sale and Leaseback Transaction to the Trustee for retirement and cancellation, and (ii) the aggregate principal amount of such indebtedness (other than the Securities) retired by the Company or a Subsidiary within 180 days of the effective date of any such Sale and Leaseback Transaction.

SECTION 10.11 Names and Addresses of Holders.

The Company shall furnish of cause to be furnished to the Trustee (a) not more than 15 days after each Regular Record Date as defined in Section 1.01 but in any event not less frequently than semi-annually, a

list in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company or any of its Paying Agents other than the Trustee, as to the names and addresses of the Holders of Securities to which such Regular Record Date applies as of such Regular Record Date, and (b) at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, provided no such list need be furnished if the Trustee shall be the Security Registrar.

ARTICLE XI

REDEMPTION OF SECURITIES

SECTION 11.01 Applicability of Article.

Securities (including Coupons, if any) of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Article.

SECTION 11.02 Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities (including Coupons, if any) shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of all or less than all of the Securities (including Coupons, if any) of any series, the Company shall, at least 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities (including Coupons, if any) prior to the expiration of any restriction on such redemption provided in the terms of such Securities and Coupons, if any, or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 11.03 Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities (including Coupons, if any) of any series with the same terms are to be redeemed, the particular Securities (including Coupons, if any) to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities (including Coupons, if any) of such series not previously called for redemption, by lot or any other such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities (including Coupons, if any) of that series or any integral multiple thereof) of the principal amount of Securities (including Coupons, if any) of such series of a denomination larger than the minimum authorized denomination for Securities of that series.

The Trustee shall promptly notify the Company in writing of the Securities (including Coupons, if any) selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 11.04 Notice of Redemption.

Notice of redemption shall be given not less than 15 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, as provided in Section 1.06.

Each such notice of redemption shall specify the Redemption Date, the Redemption Price, the Place or Places of Payment, that the Securities of such series are being redeemed at the option of the Company pursuant to provisions contained in the terms of the Securities of such series or in a supplemental indenture establishing such series, if such be the case, together with a brief statement of the facts permitting such redemption, that payment will be made upon presentation and surrender of the applicable Securities, that all Coupons, if any, maturing subsequent to the date fixed for redemption shall be void, that any interest accrued to the Redemption Date will be paid as specified in said notice, that on and after said Redemption Date any interest thereon or, in case of partial redemptions, on the portions thereof to be redeemed, will cease to accrue, and, if applicable, that on or after said Redemption Date such Securities will cease to be convertible into Common Stock. If less than all the

Securities of any series are to be redeemed the notice of redemption shall specify the numbers of the Securities of such series to be redeemed, and, if only Bearer Securities of any series are to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities, the last date on which exchanges of Bearer Securities for Registered Securities not subject to redemption may be made. In case any Security of any series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the Redemption Date, upon surrender of such Security and any Coupons appertaining thereto, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof and with appropriate Coupons will be issued, or, in the case of Registered Securities providing appropriate space for such notation, at the option of the Holders, the Trustee, in lieu of delivering a new Security or Securities as aforesaid, may make a notation on such Security of the payment of the redeemed portion thereof.

Notice of redemption of Securities and Coupons, if any, to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 11.05 Deposit of Redemption Price.

On or before 10 a.m. New York time on (but in the case of payments to be made at a Place of Payment outside of the United States, its territories, possessions and areas subject to its jurisdiction, at least one New York Business Day before) any Redemption Date, the Company shall deposit in immediately available funds with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money in the relevant currency (or a sufficient number of currency units, as the case may be) sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

SECTION 11.06 Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and, if applicable, shall cease to be convertible into Common Stock. Except as provided in the next succeeding paragraph, upon surrender of any such Security (including Coupons, if any) for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.07.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Bearer Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside of the United States except as otherwise provided pursuant to Section 9.01(9).

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security and, if applicable, such Security shall remain convertible into common Stock until the principal of such Security shall have been paid or duly provided for.

SECTION 11.07 Securities Redeemed in Part.

Any Security (including Coupons, if any) which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee

shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities (with appropriate Coupons, if any, attached) of the same series, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security (including Coupons, if any) so surrendered.

ARTICLE XII

SINKING FUNDS

SECTION 12.01 Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.01 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 12.02. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 12.02 Satisfaction of Sinking Fund Payments with Securities.

The Company (a) may deliver Outstanding Securities of a series (other than any previously called for redemption) and (b) may apply as a credit Securities of a series which have been acquired or redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 12.03 Redemption of Securities for Sinking Fund.

Not less than 45 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 12.02 and will also deliver to the Trustee any Securities to be so delivered. Not less than 15 nor more than 60 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 11.03 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 11.04. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 11.06 and 11.07.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

HASBRO, INC.

By: _____

Name:

Title:

THE BANK OF NOVA SCOTIA
TRUST COMPANY OF NEW YORK,
as Trustee

By: _____

Name:

Title:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

HASBRO, INC.

7.95% NOTES DUE 2003
(the "Securities")

REGISTERED

PRINCIPAL AMOUNT

No. III-1

INTEREST PAYABLE EACH MARCH 15 AND SEPTEMBER 15 AND AT MATURITY.

CUSIP: 418056AK3

ORIGINAL ISSUE DATE: March 15, 2000

INTEREST RATE: 7.95%

MATURITY DATE: March 15, 2003

OTHER PROVISIONS:

Hasbro, Inc., a Rhode Island corporation (the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of [] on the Maturity Date set forth above, and to pay interest on the outstanding principal amount hereof from March 15, 2000, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2000 at the rate set forth above per annum until the principal hereof shall have become due and payable, and at the same rate per annum on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded semi-annually. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which the principal of or interest on this Security is payable is not a Business Day, then the payment payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Security (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the March 1 or September 1 immediately preceding the relevant Interest Payment Date.

The principal of and interest on this Security shall be payable at

the office or agency of the Company maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that, payment of interest may be made at the option of the Company (i) by check mailed to the holder at such address as shall appear in the Security Register or (ii) by transfer to an account maintained by the Person entitled thereto, provided that proper written transfer instructions have been received by the relevant record date.

Unless the certificate of authentication hereon has been executed by the Trustee by the manual signature of one of its authorized officers, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture, date as of March 15, 2000 (herein, the "Indenture"), by and between the Company and The Bank of Nova Scotia Trust Company of New York, as Trustee (herein, the "Trustee").

The provisions of this Security are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, HASBRO, INC. has caused this Instrument to be signed manually or by facsimile signature by its Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President, Chief Financial Officer or one of its Executive Vice Presidents, under its corporate seal reproduced hereon and attested by its Secretary or one of its Assistant Secretaries or its Treasurer or one of its Assistant Treasurers.

HASBRO, INC.

By: _____
Name:
Title:

Attested:

By: _____
Name:
Title:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Bank of Nova Scotia Trust Company
of New York,
as Trustee

By: _____
as Authorized Officer

REVERSE OF SECURITY

HASBRO, INC.
7.95% Notes Due 2003

(a) Interest. The Company promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semiannually on March 15 and September 15 of each year, beginning September 15, 2000. Interest on the Security will accrue from the most recent date to which interest has been paid or, if no interest has been paid from March 15, 2000; provided, that, if there is no existing Event of Default in the payment of interest, and if this Security

is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(b) Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the Persons who are the registered Holders of the Security at the close of business on the March 1 or September 1 next preceding the Interest Payment Date. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company, however, may pay principal and interest by its check payable in such money.

The principal of and interest on this Security shall be payable at the office or agency of the Company maintained for that purpose; provided, however, that, payment of interest may be made at the option of the Company (i) by check mailed to the holder at such address as shall appear in the Security Register or (ii) by transfer to an account maintained by the Person entitled thereto, provided that proper written transfer instructions have been received by the relevant record date.

The foregoing notwithstanding, principal of and interest on Securities which are represented by Global Securities held of record by the Depository will be payable in same-day funds.

(c) Registrar and Agents. Initially, The Bank of Nova Scotia Trust Company of New York will act as Registrar, Paying Agent and agent for service of notices and demands. The Company or any of its subsidiaries may act as Paying Agent. The address of The Bank of Nova Scotia Trust Company of New York is 1 Liberty Plaza, 23rd Floor, New York, NY 10006.

(d) Indenture; Limitations. The Company issued the Securities under an Indenture dated as of March 15, 2000 (the "Indenture"), between the Company and The Bank of Nova Scotia Trust Company of New York, as trustee (in such capacity, the "Trustee"). Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, 15 U.S.C. ss.ss. 77aaa-77bbb (the "TIA"), as in effect on the date of the Indenture. The Securities are subject to all such terms, and the Holders of the Securities are referred to the Indenture and the TIA for a statement of them.

The Securities are senior unsecured obligations of the Company ranking pari passu with all other unsecured and unsubordinated indebtedness of the Company from time to time outstanding, and are limited to \$550,000,000 aggregate principal amount. The Indenture imposes certain limitations on the ability of the Company to, among other things, merge or consolidate with any other Person and sell, lease, transfer or otherwise dispose of all or substantially all of its properties or assets or to engage in Sale and Leaseback Transactions.

(e) Optional Redemption by the Company. The Securities are not redeemable prior to Maturity.

(f) Convertibility. The Securities are not Convertible Debt Securities.

(g) Sinking Fund. The Securities are not subject to any sinking fund.

(h) Governing Law. The Securities and the Indenture shall be deemed to be contracts made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said state.

(i) Discharge Prior to Maturity. The Company may elect under certain conditions either (A) to defease and be discharged from any and all obligations with respect to the Securities (except as otherwise provided in the Indenture) ("defeasance") or (B) with respect to such Securities, to be released from its obligations with respect to such Securities relating to restrictions on secured debt and restrictions on Sale and Leaseback Transactions, pursuant to Sections 10.09 and 10.10 of the Indenture, respectively, ("covenant defeasance"), upon the irrevocable deposit with the Trustee, in trust for such purpose, of money, and/or U.S. Government Obligations which through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of and interest, if any, on such Securities on the scheduled due dates therefor. Such a trust may only be established if, among other things, the Company has delivered to the Trustee an Opinion of Counsel to the effect that (i) the Holders of such Securities will not recognize income, gain or loss, for federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to federal

income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred (such opinion, in the case of defeasance under clause (A) above, must refer to and be based upon a ruling of the Internal Revenue Service) and (ii) if the deposit referred to above shall include U.S. Government Obligations, such deposit shall not result in the Company, the Trustee or such trust being regulated as an "investment company," under the Investment Company Act of 1940, as amended.

(j) Denominations, Transfer, Exchange. This Security is one of a duly authorized issue of Securities of the Company designated as its 7.95% Notes Due 2003, limited in aggregate principal amount to \$550,000,000. The Securities are issuable in registered form without coupons in denominations of \$1,000 principal amount and integral multiples thereof. A Holder may register the transfer of or exchange Securities in accordance with the Indenture and subject to the transfer restrictions as may be contained herein and therein from time to time. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

(k) Persons Deemed Owners. The registered Holder of a Security may be treated as its owner for all purposes.

(l) Amendment and Waiver. Subject to certain exceptions, without notice to the Holders of the Securities, the Indenture or the Securities may be amended with the consent of (i) the Holders of not less than a majority in principal amount of the Outstanding Securities, or (ii) in case less than all of the several series of Securities are affected by such amendment, the Holders of not less than a majority in principal amount of each series so affected voting as a single class; and any existing default or compliance with any provision may be waived with the consent of the Holders of a majority in principal amount of the Securities then outstanding. Without the consent of or notice to any Holder of Securities, the Company may amend the Indenture or the Securities to, among other things, cure any ambiguity, to correct or supplement any provision of the Indenture which may be defective or inconsistent with any other provision of the Indenture, or make any other provisions with respect to matters or questions arising under the Indenture, provided that such other provision does not adversely affect the interests of the Holders in any material respect.

(m) Defaults and Remedies. If an Event of Default, as defined in the Indenture, occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of Securities may declare all the Securities to be due and payable immediately in the manner and with the effect provided in the Indenture. Holders of Securities may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it, subject to the provisions of the TIA, before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the Securities then outstanding may direct the Trustee in writing in its exercise of any trust or power with respect to the Securities.

(n) Trustee Dealings with the Company. The Bank of Nova Scotia Trust Company of New York, the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

(o) No Recourse Against Others. No stockholder, director, officer or incorporator, as such, past, present or future, of the Company or any successor corporation or trust shall have any liability for any obligation of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder of a Security by accepting a Security waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Securities.

(p) Authentication. This Security shall not be valid until the Trustee or any authenticating agent appointed by the Trustee signs the certificate of authentication on the other side of this Security.

(q) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= Custodian), AND U/G/M/A (= Uniform Gifts to Minors Act).

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: Hasbro, Inc. 1027 Newport Avenue, Pawtucket, Rhode Island 02861, Attention: General Counsel.

ASSIGNMENT FORM

If you the holder want to assign this Security, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Security to

(Insert assignee's social security or tax ID number) _____

(Print or type assignee's name, address and zip code) and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for such agent.

Date:_____ Your signature:_____

(Sign exactly as your name appears on the other side of this Security)

By:_____

NOTICE: To be executed by an executive officer

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

FORM OF
 AMENDMENT
 DATED AS OF MARCH 10, 2000
 TO
 EMPLOYMENT AGREEMENT

THE AGREEMENT by and between Hasbro, Inc., a Rhode Island corporation (the "Company"), and _____ (the "Executive"), dated as of the ___ day of _____ is hereby amended as follows, effective March 10, 2000.

1. The preamble is amended and restated to read in its entirety as follows:

"The Compensation and Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by any threatened Change of Control, to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Committee has caused the Company to enter into this Agreement."

2. Section 2 is hereby amended to read in its entirety as follows:

"2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) 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")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company or any of its subsidiaries, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (iv) any acquisition by Alan or Sylvia Hassenfeld, members of their respective immediate families or heirs of Alan or Sylvia Hassenfeld or of any member of their respective immediate families, the Sylvia Hassenfeld Trust, the Merrill Hassenfeld Trust, the Stephen Hassenfeld Trust, the Alan Hassenfeld Trust, the Hassenfeld Foundation, any trust or foundation established by or for the primary benefit of any of the foregoing or controlled by one or more of any of the foregoing, or any affiliates or associates (as such terms are defined in Rule 12b-2 promulgated under the Exchange Act) of any of the foregoing (collectively, the "Hassenfeld Group"), (v) any acquisition by any corporation with respect to which, following such acquisition, 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 Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

(b) 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 appointment, election, or nomination for election by the Company's shareholders, 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 either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(c) Consummation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, 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 reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or consummation of 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, 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 Company Common Stock and Outstanding Company 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 Company Common Stock and Outstanding Company Voting Securities, as the case may be."

3. Section 4(b) is hereby amended to read in its entirety as follows:

"(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a bi-weekly rate, at least equal to 26 times the highest bi-weekly base salary paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies (as defined below) in respect of the 52 week period immediately preceding the bi-weekly period in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other peer executives of the Company and its affiliated companies. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with, the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest target bonus for the fiscal year in which the Effective Date occurs provided, however, that if no target bonus is established for such fiscal year, then the Annual Bonus shall equal the average annualized (for any fiscal year consisting of less than twelve full months or with respect to which the Executive has been employed by the Company for less than twelve full months) bonus paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies in respect of the three fiscal years immediately preceding the fiscal year in which the Effective Date occurs provided, however, that if the Executive

has not been employed for all of such period, the average annualized bonuses over the actual number of full or partial fiscal years of employment shall be utilized for this computation. Each such Annual Bonus shall be paid no later than the fifteenth day of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Special Bonus. In addition to Annual Base Salary and Annual Bonus payable as hereinabove provided, if the Executive remains employed with the Company and its affiliated companies through the first anniversary of the Effective Date, the Company shall pay to the Executive a special bonus (the "Special Bonus") in recognition of the Executive's services during the crucial one-year transition period following the Change of Control in cash equal to the sum of (A) 26 times the average bi-weekly base salary paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies during the 260-week period immediately preceding the week in which the Effective Date occurs (such product, the "Average Annual Salary") and (B) the higher of (i) the Highest Annual Bonus (as defined in Section 6(a)(i)A. hereof), and (ii) the average annualized (for any fiscal year consisting of less than twelve full months or with respect to which the Executive has been employed by the Company for less than twelve full months) bonus paid or payable, including by reason of any deferral, to the Executive by the Company and its affiliated companies during the five fiscal year period immediately preceding the fiscal year in which the Effective Date occurs (the "Average Annual Bonus") provided, however, that if the Executive has not been employed for all of such period, the average annualized bonuses over the actual number of full or partial fiscal years of employment shall be utilized for this computation. The Special Bonus shall be paid no later than 30 days following the first anniversary of the Effective Date.

(iv) Incentive, Profit Sharing, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, profit sharing, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), profit sharing and savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies; provided however that the amounts payable pursuant to this Section 4(b)(iv) are not intended to duplicate annual bonuses otherwise payable pursuant to Section 4(b)(ii).

(v) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(vi) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Fringe Benefits. During the Employment Period, the

Executive shall be entitled to fringe benefits, including, without limitation, auto allowances, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(ix) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies."

4. Sections 6(a)(I)A. and 6(a)(I)B. are hereby amended to read in their entirety as follows:

"6. Obligations of the Company upon Termination. (a) Good Reason or during the Window Period; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment either for Good Reason or without any reason during the Window Period:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts (such aggregate shall be hereinafter referred to as the "Special Termination Amount"):

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the Executive's Annual Bonus for the last fiscal year, to the extent not theretofore paid, (3) the product of (x) the greater of (i) the Executive's target bonus for the fiscal year in which the Date of Termination occurs, and (ii) the Annual Bonus (such greater amount shall be hereinafter referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (4) the Special Bonus, if due to the Executive pursuant to Section 4(b)(iii) of this Agreement, to the extent not theretofore paid and (5) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3), (4) and (5) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) two and (2) the sum of (x) the Executive's Average Annual Salary and (y) the greater of (A) the Highest Annual Bonus and (B) the Average Annual Bonus; provided, however, that if the Special Bonus has not been paid to the Executive because such termination occurs prior to the first anniversary of the Effective Date, such amount shall be increased by the amount of the Special Bonus; and"

5. The first sentence of Section 9(b) is hereby amended to read in its entirety as follows:

"(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG LLP, or such other accounting firm as shall then be serving as the auditors for the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company."

Except as herein amended the Employment Agreement between the Company and the Executive shall remain in full force and effect.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from the Compensation and Stock Option Committee of its Board of Directors, the Company has caused these presents to be executed

in its name of its behalf, all as of the day and year first
above written.

HASBRO, INC.

By -----

December 30, 1999

Mr. John T. O'Neill
28 Narragansett Bay Avenue
Warwick, RI 02889

Dear John:

In connection with your retirement from employment with Hasbro, Inc. (the "Company"), on December 31, 1999, the "Company" will pay you the basic early retirement benefits described in Section 2 of the attached "Description of Early Retirement Benefits" if you do not sign and return this letter postmarked by February 22, 2000.

If you timely sign and return this letter, the Company will pay and provide you the enhanced early retirement benefits subject to the terms and conditions outlined in Section 1 of the attached "Description of Early Retirement Benefits". By signing and returning this letter you will be agreeing to the terms and conditions set forth in the numbered paragraphs below, including the release of claims set forth in paragraph 2. You should consult with your own attorney before signing this letter.

If after reviewing this letter with your attorney, you find the terms and conditions are satisfactory to you, you should sign and return this letter to Bob Carniaux, Sr. Vice President, Human Resources in the enclosed Airborne Express return envelope postmarked by February 22, 2000. If you sign this letter, you may change your mind and revoke your agreement during the seven (7) day period after you have signed it. If you do not so revoke, this letter will become a binding agreement between you and the Company upon the expiration of the seven (7) day revocation period.

The following numbered paragraphs set forth the terms and conditions which will apply if you timely sign and return this letter and do not revoke it within the seven (7) day revocation period:

1. Description of Early Retirement Benefits. The early retirement benefits to be paid to you if you timely sign and return this letter are as described in Section 1 of the attached "Description of Early Retirement Benefits". The payment of these benefits is subject to the terms of this letter. You acknowledge and agree that the benefits payable to you if you timely sign and return this letter are more than the Company would be obligated to pay or provide to you if you did not sign and return this letter.

2. Release. You hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company, and any subsidiary or affiliated organization of the Company or their current or former officers, directors, stockholders, corporate affiliates, attorneys, agents and employees (the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature, known or unknown, which you ever had or now have against the Released Parties, including, but not limited to, all claims arising out of your employment, all claims arising out of the retirement of your employment, all claims arising from any failure to re-employ you, all claims of race, sex, national origin, handicap, religious, sexual preference, benefit and age discrimination, all employment discrimination claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Sec. 2000 et seq., the Age Discrimination in Employment Act, 29 U.S.C. Sec. 621 et

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seq., the Americans with Disabilities Act of 1990, 29 U.S.C. Sec. 12101 et seq., the Employee Retirement Income Security Act of 1974, 29 U.S.C. Sec. 1001 et seq., and similar state or local

statutes, wrongful discharge claims, common law tort, defamation, breach of contract and other common law claims, and any claims under any other federal, state or local statutes or ordinances not expressly referenced above; provided, that nothing contained herein will be construed to release your rights, as a former employee, officer and director of the Company and various of its divisions and subsidiaries, to indemnification under applicable by-laws and Company policies, or to your rights to vested benefits under Company-sponsored employee benefits plans.

3. Covenant Not To Sue. You represent and warrant that you have not filed any complaints, charges, or claims for relief against the Released Parties. You further agree not to bring any complaints, charges or claims against the Released Parties with respect to any matters arising out of your employment with or retirement from employment with the Company.

4. Proprietary Information. You acknowledge and reaffirm your representations and obligations as set forth in the Invention, Assignment and Proprietary Information Agreement which you previously signed in connection with your employment with the Company.

5. Legal Expenses. The Company agrees to pay reasonable and documented legal expenses, up to a maximum of fifteen thousand dollars (\$15,000), incurred by you in connection with drafting this Letter Agreement and related documents.

6. Nature of Agreement. You and the Company understand and agree that this letter agreement is a early retirement and settlement agreement and does not constitute an admission of liability or wrongdoing on the part of you, the Company, or any other person.

7. Amendment. This letter agreement shall be binding upon the parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This agreement is binding upon and shall inure to the benefit of the parties and their respective agents, assigns, heirs, executors, successors and administrators. No delay or omission by the Company in exercising any right under this agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

8. Validity. Should any provision of this letter agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby and said illegal and invalid part, term or provision shall be deemed not to be a part of this agreement.

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9. Confidentiality. You understand and agree that the terms and contents of this letter agreement, and the contents of the negotiations and discussions resulting in this agreement, shall be maintained as confidential by you and your agents and representatives, and any dispute resolved by this agreement shall also remain confidential, and none of the above shall be disclosed except to the extent required by federal or state law or as otherwise agreed to in writing by an officer of the Company; provided, that you shall not be under any restraint with respect to disclosure of your continuing obligations to the Company under Section 4 and 13 hereof.

10. Entire Agreement and Applicable Law. This letter agreement contains and constitutes the entire understanding and agreement between the parties hereto with respect to your early retirement benefits and settlement of claims against the Company and cancels all previous oral and written negotiations, agreements, commitments, and writings in connection therewith. This agreement shall be governed by the laws of the State of Rhode Island to the extent not preempted by federal law.

11. Acknowledgments. You acknowledge that you have been given at least twenty-one (21) days to consider this letter agreement and that the Company advised you to consult with any attorney of your own choosing prior to signing this letter. You may revoke

this agreement for a period of seven (7) days after signing this letter, and the agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. Additionally, you will receive another seven (7) day revocation period if the Company's Compensation and Stock Option Committee fails to approve the items described in Section 1(j) of the attached Description of Early Retirement Benefits, said seven (7) days to run from receipt by you of written notice of the Compensation and Stock Option Committee's decision.

12. Voluntary Assent. You affirm that no other promises or agreements of any kind have been made to or with you by any person or entity whatsoever to cause you to sign this letter agreement, and that you fully understand the meaning and intent of this agreement. You state and represent that you have had an opportunity to fully discuss and review the terms of this agreement with an attorney. You further state and represent that you have carefully read this letter, understand the contents herein, freely and voluntarily assent to all of the terms and conditions hereof, and sign your name of your own free act.

13. Covenant Not to Compete.

(a). You agree that you will not, without written consent of the Company, at any time during which Early Retirement Benefits are payable under this letter agreement and for a period of two years from the date Early Retirement Benefits cease under this letter agreement, directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, render services or advice to, or be connected with, as partner, stockholder, director, officer, agent, employee, consultant or otherwise, any business, firm or corporation which competes with the Company in any country or line of business in which the Company is engaged.

(b). You agree that during the period in which Early Retirement Benefits are paid and thereafter for a period of two years, you will not interfere with any relationship, contractual or otherwise, between the Company and any other party, including; without limitation, any customer, supplier, distributor, lessor or lessee, licensor or licensee, commercial or investment banker.

(c). You understand, acknowledge and agree that the provisions of this Section 12 shall survive the termination of this letter agreement.

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If you have any questions about the matters covered in this letter, please call Bob Carniaux, Sr. Vice President, Human Resources at (401) 727-5654.

Very truly yours,

/s/ Alan G. Hassenfeld

Alan G. Hassenfeld
Chairman & CEO
Hasbro, Inc.

JOHN T. O'NEILL
December 30, 1999
Page 5

I hereby agree to the terms and conditions set forth above and in the attached Description of Early Retirement Benefits. I intend that this letter will become a binding agreement between me and the Company if I do not revoke my acceptance within seven (7) days.

/s/ John T. O'Neill
Signature -----
(Employee's Name)

February 18, 2000
Date: -----

To be returned in enclosed envelope by February 22, 2000.

HASBRO, INC.

DESCRIPTION OF EARLY RETIREMENT BENEFITS

Name of Employee: JOHN T. O'NEILL

Date of Offer: December 30, 1999

Retirement Date: December 31, 1999

If you timely sign and return the attached letter and it becomes a binding contract between you and the Company, the Company will pay you the enhanced early retirement subject to the terms and conditions outlined in Section 1 below, the terms and conditions contained in the attached letter and description.

If you do not timely sign and return the attached letter, the Company will pay you the basic early retirement benefits described in Section 2 below, subject to the terms and conditions contained in this description and the Company's Early Retirement Benefits Plan for Salaried Employees.

Section 1. Enhanced Early Retirement Benefits. If you timely sign and return the attached letter and it becomes a binding contract between you and the Company, you will be entitled to an enhanced program of early retirement benefits consisting of the following. These enhanced early retirement payments are offered in consideration of your agreement to retire early:

(a) early retirement payment in the amount of \$960,000 paid in five installments as follows: first payment by February 28, 2000 in the amount of \$135,000, three quarterly payments in the amount of \$200,000 paid on March 31, 2000, June 30, 2000, September 30, 2000, and a final payment on January 3, 2001 in the amount of \$225,000.

(b) early retirement pay at the base rate of \$20,280.78 bi-weekly for 43 pay periods beginning January 21, 2000 and ending on August 31, 2001, (the period between December 31, 1999 and August 31, 2001 being sometimes hereinafter referred to as the "early retirement period"). In addition, since your first week of early retirement will be during the middle of a bi-weekly pay period, your first week of early retirement pay (January 3, 2000 - - - - - January 7, 2000) will be for \$10,140.39 and will be combined with your last week of employment pay in the amount of \$10,140.39 for a total of \$20,280.78 which will be paid on January 7, 2000.

(c) an enhanced deferred compensation program where you will defer 40% of your early retirement pay in the amount of \$8,112.31 bi-weekly on a pre-tax basis for 43 pay periods and one pay period of 40% of your first week's retirement pay in the amount of \$4,056.16, which will be made on January 7, 2000 and thereafter in bi-weekly deferrals (the "Deferrals"). The Deferrals will constitute a separate deferred compensation program ("Program") for you in consideration of your early retirement, the terms of which shall be consistent with the terms of the Hasbro, Inc., Nonqualified Deferred Compensation plan (the "DCP"), in which you will continue to participate including, without limitation, the beneficiary designation and trust provisions, except to the extent inconsistent with the following terms: For purposes of your Program, the Deferrals will be deemed allocated to the same funds and in the same percentages as your election under the DCP and your distributions will be made in ten annual installments in a manner consistent with the DCP, but not commencing until the month next following the termination of your early retirement payments described above;

(d) an award equal to your target incentive (i.e. \$290,015) payable as a management bonus for 1999 when bonuses are paid by the Company in Q1 of 2000;

JOHN T. O'NEILL
December 30, 1999

(e) continuance of your current level of basic, supplemental and dependent life insurance with the Company and you sharing the cost for this coverage on the same basis as the cost is shared between the Company and similarly situated active employees during the early retirement period. Long-term disability benefit ends on December 31, 1999;

(f) continuance of your current medical and dental coverage during the early retirement period, with the Company and you sharing the cost for this coverage on the same basis as the cost is shared between the Company and similarly situated active employees during the same period, and with your and your dependents respective rights to continued coverage (or conversion to an individual policy) at your own expense where available beginning when the extended coverage under this item ends and continuing for the maximum period permitted by the law known as COBRA notwithstanding the continuation of medical and dental coverage during the early retirement period;

(g) continuance of your leased Company executive automobile through the end of the current lease (i.e. January 2002);

(h) continuance of use of your personal computer during the early retirement period provided that you will be responsible for all operating and maintenance costs;

(i) continuance of reimbursement for reasonable expenses for personal executive income tax filing preparation and advising services for tax years 1999 and 2000;

(j) the vesting of all previously granted unvested stock options will be accelerated to December 31, 1999. You will be granted an extended exercise period expiring 36 months after the end of the early retirement period for all your outstanding premium priced stock options. You will be granted an extended exercise period of 12 months after the end of the early retirement period for: (A) all regular stock options granted in and after 1997, and (B) 22,500 regular stock options granted on December 21, 1993. All other regular stock options held by you will be canceled. All of the terms in this section 1 (j) are subject to the approval of the Compensation and Stock Option Committee of the Board of Directors of Hasbro, Inc.

(k) during the early retirement period, your right to reimbursement for income tax service expenses, executive automobile, personal computer, continuance of basic, supplemental and dependent life insurance coverage partially at Company expense, continuance of medical and dental coverage partially at Company expense each shall end to the extent that you are provided with similar coverage(s) or benefit(s) through such new employment.

Section 2. Basic Benefits. If you do not timely sign and return the attached letter, you will be entitled to a program of early retirement benefits consisting of:

(a) early retirement pay at your base rate of pay (as in effect immediately before termination and exclusive of any bonuses, commissions, overtime pay, or other extra forms of compensation) for three (3) weeks;

(b) a lump sum payment to be made at the end of the period of early retirement pay for your unused vacation that has been granted for use in the current year;

JOHN T. O'NEILL
December 30, 1999

DESCRIPTION OF EARLY RETIREMENT BENEFITS (CONTINUED)

(c) continuance of your current level of basic, supplemental and dependent life insurance with the company and you sharing the cost for this coverage on the same basis as the cost is shared between the company and similarly situated active employees during the period of early retirement pay;

(d) continuance of your current medical and dental coverage during the period of early retirement pay, with the Company and

you sharing the cost for this coverage on the same basis as the cost is shared between the Company and similarly situated active employees during the same period, and with your and your dependents rights to continued coverage (or conversion to an individual policy) at your own expense where available beginning when the extended coverage under this item ends and continuing for the maximum period permitted by the law known as COBRA notwithstanding the continuation of medical and dental coverage during the salary continuation period.

(e) If you begin new employment during the period of early retirement pay, your right to early retirement pay and continuance of basic, supplemental and dependent life insurance coverage and of medical and dental coverage partially at Company expense shall end when the new employment begins and you shall be obligated to repay to the Company any early retirement pay paid to you and any premiums paid by the Company for basic life insurance coverage and the Company's share of the cost for medical and dental coverage paid after you begin the new employment.

Section 3. Other Provisions.

(a) You will be entitled to any benefits payable after or on account of retirement from employment under any employee pension or welfare benefit plans, stock option plans, or other plans or programs or policies of the Company in accordance with their terms and conditions, unless otherwise stated above in Section 1. You also will receive a profit sharing payment for fiscal year 1999 on the same basis as other similarly-situated senior executives. Further, for the purpose of computing your pension benefit, you will be credited with 1.30435 years of Credited Service for each 1.0 year of Credited Service actually earned under the Pension Plan. The benefits attributed to the additional service credit shall be payable by the Company and not from the Hasbro, Inc. Pension Plan or the Hasbro, Inc. Supplemental Benefit Retirement Plan, but shall be included and secured under any trust established with respect to the Hasbro, Inc., Supplemental Benefit Retirement Plan, on the same terms and subject to the same conditions as benefits under the Hasbro, Inc. Supplemental Benefits Retirement Plan;

(b) The Company may withhold from any payment described herein:

(1) any federal, state, or local income or payroll taxes required by law to be withheld with respect to such payment;

(2) such sum as the Company may reasonably estimate is necessary to cover any taxes for which the Company may be liable and which may be assessed with regard to such payment; and

JOHN T. O'NEILL
December 30, 1999

DESCRIPTION OF EARLY RETIREMENT BENEFITS (CONTINUED)

- 4 -

(3) such other amounts as appropriately may be withheld under the Company's payroll policies and procedures from time to time in effect.

(c) The early retirement benefits described herein are the maximum benefits that the Company will pay. To the extent that the Company owes you any amounts in the nature of early retirement benefits under any other program, policy or plan of the Company, or to the extent that any federal, state or local law, including, without limitation, so-called "plant closing" laws, requires the Company to give advance notice or make a payment of any kind to you because of your involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, or similar event, the benefits provided hereunder or under the other arrangement shall either be reduced or eliminated to avoid any duplication of payment;

(d) In the event of your death during the early retirement period, the early retirement pay shall cease at death.

HASBRO, INC. AND SUBSIDIARIES

Computation of Earnings Per Share

(Thousands of Dollars and Shares Except Per Share Data)

	1999		1998		1997	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings	\$188,953	188,953	206,365	206,365	134,986	134,986
Interest and amortization on convertible notes, net of taxes	-	-	-	-	-	4,782
Net earnings applicable to common shares	\$188,953	188,953	206,365	206,365	134,986	139,768
Weighted average number of shares outstanding:						
Outstanding at beginning of year	196,175	196,175	200,162	200,162	193,294	193,294
Exercise of stock options and warrants:						
Actual	3,382	3,382	2,214	2,214	1,368	1,368
Assumed	-	7,186	-	7,493	-	3,835
Conversion of convertible notes:						
Actual	-	-	-	-	2,033	2,033
Assumed	-	-	-	-	-	9,429
Purchase of common stock	(4,640)	(4,640)	(4,449)	(4,449)	(3,606)	(3,606)
Equivalent Shares	194,917	202,103	197,927	205,420	193,089	206,353
Earnings per share	\$.97	.93	1.04	1.00	.70	.68

HASBRO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges
Fiscal Years Ended in December

(Thousands of Dollars)

	1999	1998	1997	1996	1995
	----	----	----	----	----
Earnings available for fixed charges:					
Net earnings	\$188,953	206,365	134,986	199,912	155,571
Add:					
Fixed charges	88,456	53,209	43,893	47,174	52,422
Taxes on income	84,892	97,113	69,539	106,981	96,979
	-----	-----	-----	-----	-----
Total	\$362,301	356,687	248,418	354,067	304,972
	=====	=====	=====	=====	=====
Fixed charges:					
Interest on long-term debt	\$ 25,068	9,688	7,348	9,258	9,267
Other interest charges	44,272	26,423	20,138	22,207	28,321
Amortization of debt expense	425	121	377	339	339
Rental expense representative of interest factor	18,691	16,977	16,030	15,370	14,495
	-----	-----	-----	-----	-----
Total	\$ 88,456	53,209	43,893	47,174	52,422
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	4.10	6.70	5.66	7.51	5.82
	=====	=====	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES

Selected Information Contained in
Annual Report to Shareholders

for the Year Ended December 26, 1999

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock, Par Value \$.50 per share (the "Common Stock"), is traded on the New York and London Stock Exchanges. Prior to June 23, 1999, the common stock was traded on the American and London Stock Exchanges. The following table sets forth the high and low sales prices as reported on the Composite Tape of the New York Stock Exchange and the American Stock Exchange, as applicable, and the cash dividends declared per share of Common Stock for the periods listed.

Period	Sales Prices		Cash Dividends Declared
	High	Low	
1998			
1st Quarter	\$25 3/4	19 7/8	\$.05
2nd Quarter	27 1/16	23 1/8	.05
3rd Quarter	27 1/4	19 5/8	.05
4th Quarter	25 7/16	18 5/8	.05
1999			
1st Quarter	\$30 1/8	21 13/16	\$.06
2nd Quarter	37	27	.06
3rd Quarter	28 5/8	21 15/16	.06
4th Quarter	24 1/4	16 7/8	.06

The approximate number of holders of record of the Company's Common Stock as of February 29, 2000 was 7,800.

Dividends

Declaration of dividends is at the discretion of the Company's Board of Directors and will depend upon the earnings, financial condition of the Company and such other factors as the Board of Directors deems appropriate. Payment of dividends is further subject to restrictions contained in agreements relating to the Company's outstanding long-term debt. At December 26, 1999, under the most restrictive agreement the full amount of retained earnings is free of restrictions.

SELECTED FINANCIAL DATA

(Thousands of Dollars and Shares Except per share Data and Ratios)

	Fiscal Year				
	1999	1998	1997	1996	1995
Statement of Earnings Data:					
Net revenues	\$4,232,263	3,304,454	3,188,559	3,002,370	2,858,210
Net earnings	\$ 188,953	206,365	134,986	199,912	155,571
Per Common Share Data:					
Earnings					
Basic	\$.97	1.04	.70	1.02	.79
Diluted	\$.93	1.00	.68	.98	.77
Cash dividends declared	\$.24	.21	.21	.18	.14
Balance Sheet Data:					
Total assets	\$4,463,348	3,793,845	2,899,717	2,701,509	2,616,388
Long-term debt	\$ 420,654	407,180	-	149,382	149,991
Ratio of Earnings to Fixed Charges(1)	4.10	6.70	5.66	7.51	5.82
Weighted Average Number of Common Shares:					

Basic	194,917	197,927	193,089	195,061	197,272
Diluted	202,103	205,420	206,353	209,283	210,075

- (1) For purposes of calculating the ratio of earnings to fixed charges, fixed charges include interest, amortization of debt expense and one-third of rentals; earnings available for fixed charges represent earnings before fixed charges and income taxes.

MANAGEMENT'S REVIEW

Summary

A percentage analysis of results of operations follows:

	1999	1998	1997
	----	----	----
Net revenues	100.0%	100.0%	100.0%
Cost of sales	40.1	41.3	42.6
	-----	-----	-----
Gross profit	59.9	58.7	57.4
Amortization	4.1	2.2	1.7
Royalties, research and development	16.8	12.9	12.1
Advertising	10.8	13.3	12.9
Selling, distribution and administration	19.0	19.8	19.4
Restructuring charge and acquired in-process research and development	1.5	.6	3.9
Interest expense	1.6	1.1	.9
Other (income) expense, net	(.4)	(.4)	.1
	-----	-----	-----
Earnings before income taxes	6.5	9.2	6.4
Income taxes	2.0	2.9	2.2
	-----	-----	-----
Net earnings	4.5%	6.3%	4.2%
	=====	=====	=====

(Thousands of Dollars Except Share Data)

Results of Operations

Net earnings for the year ended December 26, 1999 were \$188,953 compared to \$206,365 and \$134,986 in 1998 and 1997, respectively. Diluted earnings per share was \$.93 in 1999, \$1.00 in 1998 and \$.68 in 1997. During 1999, the Company reorganized its business into segments. Net revenues and operating profits, excluding charges relating to the 1999 consolidation program, of the U.S. Toys, Games and International segments increased in 1999 over comparable 1998 levels. The operating loss in Operations, which is not intended to be a profit center, and the operating profit in the Company's Other segments decreased, all largely due to the reasons discussed below. The overall increase in operating profit of the Games segment was partially offset by the unfavorable impact of increased costs incurred to expand the Company's offering of interactive software games. Part of this increased cost resulted from escalating research and development costs, coupled with the unanticipated shortfall in fourth quarter revenues attributable to the late introduction of new product as well as a significant industry-wide softening of the video and personal computer CD-ROM business in the fourth quarter and price erosion. On an after-tax basis, excluding charges attributable to the 1999 consolidation program, this resulted in an approximate \$53 million dollar loss from interactive software games.

Net revenues for 1999 were \$4,232,263 compared to \$3,304,454 and \$3,188,559 for 1998 and 1997, respectively. This approximate 28% increase in revenues over 1998 levels was net of an approximate \$62,000 unfavorable impact of foreign currency translation rates. The Games segment led revenue growth during the year, accounting for approximately 71% of the increase, followed by U.S. Toys and International, contributing 18% and 13% of revenue growth, respectively. Increased Games segment revenue was primarily driven by FURBY, which accounted for 24% of segment revenue in 1999 compared to 7% in 1998. Revenues from Wizards of the Coast, Inc. (Wizards), acquired in the fourth quarter of 1999, accounted for 14% of Games segment revenues. Increased activity in hand-held electronic games utilizing Company and licensed brands, interactive CD-ROM games and traditional board games such as MONOPOLY and TRIVIAL PURSUIT also contributed to Games segment growth. U.S. Toy segment revenues were boosted by sales of STAR WARS product associated with the theatrical release of STAR WARS: EPISODE 1: THE PHANTOM MENACE. Revenues from this line accounted for 36% of segment revenues in 1999 compared to 13% in 1998. This, as well as the popular POKEMON line, traditional toy offerings such as EASY BAKE and LITE BRITE and the full year inclusion of the MICRO MACHINES line acquired with Galoob Toys, Inc. (Galoob) in the fourth quarter of 1998, also contributed to revenue growth over 1998 by the U.S. Toy segment. The International segment contribution to revenue growth was primarily driven by sales of STAR WARS, POKEMON, TELETUBBIES and FURBY and

hand-held electronic products in certain markets, all partly offset by decreased volume in traditional board games and puzzles as well as the negative impact of foreign currency translation. The results of Other segments negatively affected revenue by approximately 3%, primarily due to decreased revenues of KOOSH and candy product.

The Company's gross profit margin increased to 59.9% from 58.7% in 1998, and 57.4% in 1997. The increase in margin from 1998 principally reflects the increased revenues in the Games segment, where many product lines carry a higher gross margin. The improvement in 1998 from 1997 is attributable to a lower cost structure resulting from the removal of excess capacity, the increased level of sales of interactive products, which have a higher gross margin, and overall favorable material prices. The improvement in the 1998 gross margin was moderated by the unanticipated shortfall in business with Toys 'R Us which resulted in lower than anticipated factory utilization.

Amortization expense of \$173,533 includes amortization of both property rights and cost in excess of net assets acquired. This compares with \$72,208 in 1998 and \$53,767 in 1997. During 1999, impairment charges of \$38,449, or 22% of amortization expense, were recognized, arising from the decision to discontinue or significantly reduce product line offerings as part of our 1999 consolidation program. The remaining increases in all years were attributable to the acquisitions made during the period.

Expenditures for royalties, research and development increased to \$711,790 from \$424,673 in 1998 and \$386,912 in 1997. Included in these amounts are expenditures for research and development of \$254,599 in 1999, \$184,962 in 1998 and \$154,710 in 1997. As percentages of net revenues, research and development was 6.0% in 1999, up from 5.6% in 1998 and 4.9% in 1997. Contractual development commitments recognized for discontinued product lines in connection with the 1999 consolidation program amounted to \$10,992. The remaining 1999 and the 1998 increases reflect the expenditures of the Company's 1998 acquisitions as well as the continuing investment to grow the Company's offering of interactive game titles. Revenues derived from entertainment based properties, such as STAR WARS and POKEMON, and resultant royalties, while continuous over the life of a contract, are generally higher in amount in the year a theatrical release takes place. It is anticipated that operating profit will also generally be higher in these years. The degree to which revenues, royalties and operating profits fluctuate is dependent not only on theatrical release dates, but video release dates as well. Royalty expense increased in dollars and as a percent of net revenues from 1998. Royalty commitments on discontinued product lines recognized in connection with the 1999 consolidation program amounted to \$15,300. The remaining increase reflects the increased percentage of 1999 revenues obtained from licensed product carrying higher royalty rates, primarily STAR WARS. While royalties increased in dollars during 1998, they remained constant as a percentage of net revenues.

On December 15, 1999, the Company announced plans to launch Games.com in mid-2000. Games.com will be the Games segment's online internet portal, allowing users to play Company branded games, have online chats with fellow gamers, compete in tournaments and purchase games and related product from an online store. The Company has entered into a non-binding memorandum of understanding for a three-year licensing and distribution agreement with Go2Net, Inc. providing technology, engineering and software management support for this site. Revenue sources are expected to come from advertising, online game and related product sales and premium subscription services. The Company expects to spend approximately \$60 million during 2000 to develop and launch this site.

Advertising expense decreased to 10.8% of net revenues from the 1998 level of 13.3%, which compared to 12.9% in 1997. The decrease in 1999 primarily reflects the mix of more entertainment based properties, such as STAR WARS and POKEMON, marketed throughout our segments, which tend to carry a lower advertising to revenue ratio. Increased revenues in our Games segment from the popular FURBY and trading card games also contributed to the decrease from 1998, as these lines do not carry as great of an advertising spend ratio as other products. The increase in 1998 from 1997 reflects the mix of more non-entertainment based product in 1998 and the absence of support from a major motion picture release.

During 1999, selling, distribution and administration costs increased in dollars but decreased as a percentage of net revenues to \$799,919, or 19.0% of revenues, from \$655,938, or 19.9% in 1998 and \$617,140, or 19.4%, in 1997. Of the increase in dollars, approximately 25% of the increase reflects the Games segment's 1999 acquisition of Wizards and approximately 31% of the increase reflects higher performance based bonus accruals. The remainder of the increase in dollars primarily reflects costs associated with the higher level of activity in 1999. The decreased percentage reflects higher 1999 revenues as well as the Company's commitment to control these costs, and the benefit received from the 1997 global integration and profit enhancement program. In addition to normal inflationary trends, the 1998 increase over 1997 reflects the impact of the Company's acquisitions and new operations in those years. Also adversely affecting the 1998 rate was the unanticipated

reduction in revenues resulting from the changes in inventory management policies at Toys 'R Us.

On December 7, 1999, the Company announced a program to further consolidate manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. Costs associated with this consolidation program amounted to \$141,575, and were recorded in the fourth quarter as follows:

Restructuring charge	\$ 64,232

Other operating expenses:	
Cost of sales	8,740
Amortization	38,449
Royalties, research and development	26,292
Advertising	3,862

	77,343

Total consolidation program costs	\$ 141,575
	=====

The significant components of the restructuring charge were the planned closing of two factories, in Mexico and the United Kingdom, the reduction of capacity at the remaining three factories, the shift of production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. The plan anticipates the redundancy of approximately 2,200 employees, including 1,800 in manufacturing and sourcing activities and 400 worldwide in research and product development, marketing, sales and administration. The restructuring charge of \$64,232 represents approximately \$38,700 of cash charges for severance benefits which will be disbursed over the employee's entitlement period, \$14,300 of cash charges for lease and facility closing costs to be expended over the contractual lease term and closing process, and non-cash charges of \$11,200 for fixed asset write-offs, arising primarily in the manufacturing area. Of the cash amount, approximately \$4,700 has been paid for severance benefits relating to 193 employees terminated as of December 26, 1999. Non-cash charges relating to fixed asset write-offs have been credited to the respective line items in the balance sheet. The remaining amount of approximately \$48,000 is included in accrued liabilities. The restructuring plan is expected to be completed in fiscal 2000. The Company expects to generate pre-tax savings of approximately \$16,000 in 2000 and \$23,000 per year thereafter from these actions.

The components of the consolidation program included in other operating expenses represent costs associated with exiting certain product lines and reevaluating other product lines which resulted in reduced expectations. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Approximately \$12,000 represents cash charges that will be incurred on contractual royalty, product development and advertising commitments associated with the discontinued product lines. Non-cash charges of approximately \$65,000 relate to asset write-offs and write-downs of underutilized assets. This includes impairment of intangible assets arising from the decision to discontinue or significantly reduce product line offerings. The resulting sum of undiscounted future cash flows of these assets was not sufficient to cover the carrying amount of the assets, and as such, they were written down to their fair market value. Items relating to property rights and licenses, goodwill, inventory, prepaid and other current assets have been credited to the respective asset in the balance sheet.

During the third quarter of 1998, the Company incurred a one-time charge to write off the \$20,000 appraised value of acquired in-process research and development of MicroProse, Inc. (MicroProse), which was acquired for a total purchase price of approximately \$70,000 on September 14, 1998.

Late in the fourth quarter of 1997, the Company announced a global integration and profit enhancement program which included the redundancy of approximately 2,500 employees, principally in manufacturing, and provided for actions in three principal areas: a continued consolidation of the Company's manufacturing operations; the streamlining of marketing and sales, while exiting from certain underperforming markets and product lines; and the further leveraging of overheads. Of the \$140,000 estimated costs related to these actions, \$125,000 was reported as a restructuring charge and \$15,000 was reflected in cost of sales. Of the restructuring amount, approximately \$54,000 related to severance and people costs, \$52,000 to property, plant and equipment and leases and \$19,000 to product line related costs. During 1998, the employment of all employees planned for redundancy was terminated. The program has been completed. The Company had initially estimated its pretax cost savings from this initiative to be \$40,000 in 1998 and \$70,000 per year thereafter. Because of the unanticipated shortfall in sales to Toys 'R Us during 1998 and changes in product mix, factory utilization rates were not as high as initially anticipated, which resulted in below target savings during

1998. The Company estimated pretax savings of approximately \$30,000 during 1998. During 1999, the Company estimates that it has realized planned pretax savings of approximately \$70,000. The positive cash flow impact from this program has and will occur largely in the form of reduced outflows for payment of costs associated with the manufacture and sourcing of products.

Interest expense was \$69,340 in 1999 compared to \$36,111 during 1998 and \$27,486 during 1997. The increase during the current year largely reflects the costs associated with funding the Company's 1998 acquisitions, the 1999 acquisition of Wizards and the Company's stock repurchase program, all partially offset by the availability of funds generated during 1999 and 1998. Due to additional debt incurred during 1999, interest expense in 2000 is expected to increase.

Other income of \$15,616 in 1999 compares with \$14,707 in 1998 and expense of \$3,097 in 1997. While 1999 and 1998 were essentially flat, the change between 1998 and 1997 primarily reflects the larger benefits to Hasbro from its consolidated and unconsolidated operations in which it either is, or has, a minority partner, increased interest income and a decrease in foreign currency transactional losses.

Income tax expense as a percentage of pretax earnings in 1999 decreased to 31.0% from 32.0% and 34.0% in 1998 and 1997, respectively. The decrease in all periods reflects the downward trend of the tax on international earnings due to the reorganization of the Company's global business.

Liquidity and Capital Resources

The Company continued to have a strong and liquid balance sheet with cash and cash equivalents of \$280,159 at December 26, 1999. Cash and cash equivalents were \$177,748 and \$361,785 at December 27, 1998 and December 28, 1997, respectively.

Hasbro generated approximately \$392,000 of net cash from its operating activities in 1999, compared with approximately \$127,000 in 1998 and \$544,000 in 1997. The significant change between the 1999 and 1998 amounts results from a combination of factors. Included in the 1999 amount was \$38,361 utilized by changes in operating assets and liabilities, compared with \$267,231 utilized in 1998 and \$273,344 provided in 1997. Full year accounts receivable for 1999 increased at a rate significantly below that of the increase in fourth quarter revenues. Reflecting the acquisition of Wizards made during the fourth quarter and growth in inventory levels in the International segment for 2000 product introduction, inventories increased over prior year levels. Prepaid and other current assets also increased from the prior year, in part due to the acquisition of Wizards and the increased spending on product development. Reflecting amounts due for the Wizards acquisition, the remaining unpaid amounts from the 1999 consolidation program and increased bonus accruals in high performing segments, accounts payable and accrued liabilities increased by 35% over prior year levels. Royalty advances made in connection with the STAR WARS license that apply to future years have been included in long-term assets.

During 1998, \$267,231 was utilized by changes in operating assets and liabilities. With the \$170,723 increase in fourth quarter revenues from the comparable period of 1997, most of which, under Hasbro's normal trading terms, became due after the end of the Company's fiscal year, accounts receivable increased. Inventories also increased, in part reflecting acquisitions made during the year, as did prepaid expenses and other current assets, largely reflecting higher advance royalty payments. Partially offsetting these utilizations of funds was a small increase in accounts payable and other accrued liabilities. During 1997, \$273,344 was provided by changes in operating assets and liabilities. Contributing to this were reductions in accounts receivable, inventories and prepaid expenses and other current assets and an increase in trade payables and accrued liabilities, reflecting the unpaid portion of the costs associated with the Company's global integration and profit enhancement program.

Cash flows from investing activities were a net utilization of \$429,092, \$792,700 and \$269,277 in 1999, 1998 and 1997, respectively. During 1999, the Company expended approximately \$107,000 on additions to its property, plant and equipment while during 1998 and 1997 it expended approximately \$142,000 and \$100,000, respectively. Of these amounts, 53% in 1999, 38% in 1998 and 51% in 1997 were for purchases of tools, dies and molds related to the Company's products. The 1998 additions also include the expenditures associated with the consolidation of its Spanish manufacturing and marketing operations into one facility. During the three years, depreciation and amortization of plant and equipment was \$103,791, \$96,991 and \$112,817, respectively.

On September 30, 1999, the Company acquired the outstanding shares of Wizards, for an initial purchase price of \$325,000, subject to additional payments based upon the closing balance sheet and future payments contingent upon achieving certain operating objectives. The total acquisition cost to date amounts to \$412,769. The Company also made other smaller acquisitions

and investments, none of which were significant. Hasbro made three major acquisitions during 1998, having an aggregate purchase price of \$669,737. On April 1, 1998, it acquired substantially all of the business and operating assets of Tiger Electronics, Inc. and certain affiliates. On September 14, 1998, it acquired the outstanding shares of MicroProse through a cash tender offer of \$6.00 for each outstanding share of MicroProse. On October 30, 1998, it acquired the outstanding shares of Galoob through a cash tender offer of \$12.00 for each outstanding share of Galoob. During 1997, Hasbro acquired certain assets of OddzOn Products, Inc. and Cap Toys, Inc., wholly owned subsidiaries of Russ Berrie and Company, Inc., for \$167,379.

As part of the traditional marketing strategies of the toy industry, many sales made early in the year are not due for payment until the fourth quarter or early in the first quarter of the subsequent year, thus making it necessary for the Company to borrow significant amounts pending these collections. During the year, the Company borrowed through the issuance of commercial paper and short-term lines of credit to fund its seasonal working capital requirements in excess of funds available from operations and the issuance of long-term debt. During 2000, the Company expects to fund these needs in a similar manner and believes that the funds available to it are adequate to meet its needs. At March 5, 2000, the Company's unused committed and uncommitted lines of credit, including revolving credit agreements for \$350,000 (long-term) and \$350,000 (short-term), were in excess of \$1,300,000.

During 1999, net financing activities provided approximately \$145,000 of funds to the Company, primarily through the use of short-term borrowings. Net financing activities during 1998 provided approximately \$490,000, principally through the issuance of \$100,000 of 5.60% notes due November 1, 2005, \$150,000 of 6.15% notes due July 15, 2008 and \$150,000 of 6.60% debentures due July 15, 2028. In 1997, net financing activities utilized approximately \$125,000 of Hasbro's funds. During 1999, the Company also invested approximately \$240,000 to repurchase its common stock in the open market. This compares with approximately \$180,000 and \$135,000 repurchased in the open market in 1998 and 1997, respectively.

During October 1997, the Company called its 6% Convertible Subordinated Notes Due 1998 for redemption. Substantially all of these notes were converted into approximately 11.4 million shares of Hasbro common stock.

On December 9, 1997, the Board of Directors (the Board) canceled all prior share repurchase authorizations and authorized the purchase of up to an additional \$500,000 of the Company's common stock. At December 26, 1999, \$72,008 remained under this authorization. In addition to the remaining amount under this repurchase authorization, on December 6, 1999 the Board authorized an additional common share repurchase program up to \$500,000. The Company anticipates that it will continue to repurchase its shares in the future, when it deems conditions to be favorable (see discussion of the Dutch Auction Tender Offer below), and will fund such purchases from working capital or available lines of credit. The shares acquired under these programs are being used for corporate purposes including issuance upon the exercise of stock options and warrants.

Financial Risk Management

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as a result of sourcing products in four currencies while marketing those products in more than thirty currencies. Results of operations will be affected primarily by changes in the value of the U.S. dollar, Hong Kong dollar, British pound, Euro and Mexican peso versus other currencies, principally in Europe and the United States.

To manage this exposure, as of December 26, 1999, Hasbro has hedged a portion of its estimated fiscal 2000 foreign currency transactions using a combination of forward foreign exchange contracts and purchased foreign currency options. The Company estimates that a hypothetical immediate 10% unfavorable movement in the currencies involved could result in an approximate \$4.7 million decrease in the fair value of these instruments. The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in other than the U.S. dollar. Hasbro believes, however, that the risk on this net exposure would not be material to its financial condition. In addition, the Company's revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. The Company does not speculate in and other than set forth above, the Company does not hedge foreign currencies.

At December 26, 1999, the Company had fixed rate long-term debt of \$420,654. Interest rate changes affect the fair value of this fixed rate debt but do not impact earnings or cash flows. The Company estimates that a hypothetical one percentage point decrease or increase in interest rates would increase or decrease the fair value of this debt by approximately \$27,000 or \$24,000, respectively.

The Economy and Inflation

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The Company continued to experience difficult economic environments in some parts of the world during 1999. The principal market for the Company's products is the retail sector where certain customers have experienced economic difficulty. The Company closely monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The effect of inflation on the Company's operations during 1999 was not significant and the Company will continue its policy of monitoring costs and adjusting prices accordingly.

Year 2000

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During 1999, the Company concluded its efforts to address the Year 2000 issue. A planned global 'enterprise' system became operational at many of the Company's major units replacing a number of older non-compliant systems and modifications or replacements were made of other non-compliant systems. Readiness reviews were completed on customers, vendors and service providers. Contingency plans were expanded to include potential Year 2000 related failures. Excluding costs related to the enterprise system, the Company's out of pocket costs associated with becoming Year 2000 compliant were approximately \$2,500. These costs were expensed as incurred, and the Company does not anticipate any additional material expenditure as a result of Year 2000 issues.

Based on operations since January 1, 2000, including the leap year date of February 29, 2000, the Company has not experienced any significant disruption or change, and does not expect any significant impact to its ongoing business as a result of the Year 2000 issue. Additionally, the Company is not aware of any significant Year 2000 issues or problems that have arisen for its significant customers, vendors or service providers. As there can be no assurance that the Company's efforts to achieve Year 2000 readiness have been completely successful or that customers, vendors and service providers will not experience Year 2000 related failures in the future, the Company will continue to monitor its exposure to Year 2000 issues and will leave its contingency plans in place in the event that any significant Year 2000 related issues arise.

Euro Conversion

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Certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Economic Monetary Union common currency, or Euro. While the Euro was introduced on January 1, 1999, member countries will continue to use their existing currencies through January 1, 2002, with the transition period for full conversion to the Euro ending June 30, 2002. Transition to the Euro creates certain issues for the Company with respect to upgrading information technology systems for 2002 full use requirements, reassessing currency risk, product pricing, amending business and financial contracts as well as processing tax and accounting records. The Company has and will continue to address these transition issues and does not expect the Euro to have a material effect on the results of operations or financial condition of the Company.

Forward-Looking Statements

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This discussion contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "expect," "intend," "may," "planned," "potential," "should," "will," and "would." These forward-looking statements are inherently subject to known and unknown risks and uncertainties. A variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. These factors include, but are not limited to market conditions, third party actions or approvals and the impact of competition that could delay or increase the cost of implementation of our consolidation program or alter our actions and reduce actual results, and with respect to our on-line gaming site initiative, technical difficulties in adapting games to on-line format and establishing the on-line game site that could delay or increase the cost of the site becoming operational; the acceptance by customers of the games and other products and services to be offered at our on-line game site; and competition from other on-line game sites and other game playing formats as well as competition from other internet companies in recruiting and retaining talented employees. We undertake no obligation to revise the forward-looking statements contained in this discussion or to update the forward-looking statements to reflect events or circumstances occurring after the date of this discussion.

Other Information

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The Company's revenue pattern continues to show the second half of the year more significant to its overall business and within that half, the fourth quarter most prominent. The first half of 1999 represented a greater proportion of full year revenues than the first half of 1998, principally

because of the May 19, 1999 theatrical release of STAR WARS: EPISODE 1: THE PHANTOM MENACE. The trend of retailers over the past few years has been to make a higher percentage of their purchases within or close to the fourth quarter holiday consumer selling season, which includes Christmas.

The Company is not aware of any material amounts of potential exposure relating to environmental matters and does not believe its compliance costs or liabilities to be material to its operating results or financial position.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 was amended during 1999, requiring the Company to adopt SFAS 133 effective January 1, 2001. SFAS 133 will require that the Company record all derivatives, such as foreign exchange contracts, in the balance sheet at fair value. Changes in derivative fair values will either be recognized in earnings as an offset to the changes in the fair value of the related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other shareholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. The impact of SFAS 133 on the Company's financial statements will depend on several factors, including interpretive guidance issued from the FASB, the extent of the Company's hedging activities and use of equity and other financial derivatives, the Company's ability to forecast foreign currency transactions compared to actual results and the effectiveness of the hedging instruments used. However, the Company does not believe adoption of SFAS 133 will have a material impact on either the Company's financial condition or its results of operations.

On February 25, 2000, the Company announced plans to repurchase up to 17.25 million shares of its common stock at a purchase price between \$15.25 and \$17.50 per share through a Modified Dutch Auction Tender Offer, commencing February 29 and expiring on March 27, 2000, unless extended by the Company. The Modified Dutch Auction tender procedure allows shareholders to select the price within the specified range at which each shareholder is willing to sell all or a portion of his or her shares to the Company. This repurchase will complete the repurchase authorization of 1997 and utilize part of the additional \$500 million share repurchase authorization of December 1999.

On March 15, 2000 the Company issued \$750 million of debt securities in the form of \$550 million of notes at 7.95% due March 15, 2003 and \$200 million notes at 8.50% due March 15, 2006. The Company intends to use the proceeds of these notes to pay down short term debt primarily incurred in connection with the acquisition of Wizards and the repurchase of shares of its common stock, including repurchases of shares under the Modified Dutch Auction Tender Offer.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See attached pages.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hasbro, Inc.:

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 26, 1999 and December 27, 1998 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended December 26, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasbro, Inc. and subsidiaries as of December 26, 1999 and December 27, 1998

and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 26, 1999 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Providence, Rhode Island

February 7, 2000

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 26, 1999 and December 27, 1998

(Thousands of Dollars Except Share Data)

Assets	1999	1998
-----	----	----
Current assets		
Cash and cash equivalents	\$ 280,159	177,748
Accounts receivable, less allowance for doubtful accounts of \$65,000 in 1999 and \$64,400 in 1998	1,084,118	958,826
Inventories	408,571	334,801
Prepaid expenses and other current assets	358,804	318,611
	-----	-----
Total current assets	2,131,652	1,789,986
Property, plant and equipment, net	318,825	330,355
	-----	-----
Other assets		
Cost in excess of acquired net assets, less accumulated amortization of \$193,947 in 1999 and \$152,008 in 1998	806,092	704,282
Other intangibles, less accumulated amortization of \$300,632 in 1999 and \$192,268 in 1998	949,789	837,899
Other	256,990	131,323
	-----	-----
Total other assets	2,012,871	1,673,504
	-----	-----
Total assets	\$4,463,348	3,793,845
	=====	=====

HASBRO, INC. AND SUBSIDIARIES

Consolidated Balance Sheets, Continued
December 26, 1999 and December 27, 1998

(Thousands of Dollars Except Share Data)

Liabilities and Shareholders' Equity	1999	1998
-----	----	----
Current liabilities		
Short-term borrowings	\$ 714,669	372,249
Trade payables	284,772	209,119
Accrued liabilities	983,280	729,605
Income taxes	88,606	55,327
	-----	-----
Total current liabilities	2,071,327	1,366,300
Long-term debt	420,654	407,180
Deferred liabilities	92,392	75,570
	-----	-----
Total liabilities	2,584,373	1,849,050
	-----	-----
Shareholders' equity		
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-
Common stock of \$.50 par value. Authorized 300,000,000 shares; issued 209,694,630 shares in 1999 and 209,698,516 shares in 1998	104,847	104,849

Additional paid-in capital	468,329	521,316
Retained earnings	1,764,110	1,621,799
Accumulated other comprehensive earnings	(32,982)	(9,625)
Treasury stock, at cost, 16,710,620 shares in 1999 and 13,523,983 shares in 1998	(425,329)	(293,544)
	-----	-----
Total shareholders' equity	1,878,975	1,944,795
	-----	-----
Total liabilities and shareholders' equity	\$4,463,348	3,793,845
	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings
Fiscal Years Ended in December

(Thousands of Dollars Except Share Data)

	1999	1998	1997
	----	----	----
Net revenues	\$4,232,263	3,304,454	3,188,559
Cost of sales	1,698,242	1,366,061	1,359,058
	-----	-----	-----
Gross profit	2,534,021	1,938,393	1,829,501
	-----	-----	-----
Expenses			
Amortization	173,533	72,208	53,767
Royalties, research and development	711,790	424,673	386,912
Advertising	456,978	440,692	411,574
Selling, distribution and administration	799,919	655,938	617,140
Restructuring charge	64,232	-	125,000
Acquired in-process research and development	-	20,000	-
	-----	-----	-----
Total expenses	2,206,452	1,613,511	1,594,393
	-----	-----	-----
Operating profit	327,569	324,882	235,108
	-----	-----	-----
Nonoperating (income) expense			
Interest expense	69,340	36,111	27,486
Other (income) expense, net	(15,616)	(14,707)	3,097
	-----	-----	-----
Total nonoperating expense	53,724	21,404	30,583
	-----	-----	-----
Earnings before income taxes	273,845	303,478	204,525
Income taxes	84,892	97,113	69,539
	-----	-----	-----
Net earnings	\$ 188,953	206,365	134,986
	=====	=====	=====
Per common share			
Net earnings			
Basic	\$.97	1.04	.70
	=====	=====	=====
Diluted	\$.93	1.00	.68
	=====	=====	=====
Cash dividends declared	\$.24	.21	.21
	=====	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Fiscal Years Ended in December

(Thousands of Dollars)

	1999	1998	1997
	----	----	----
Cash flows from operating activities			
Net earnings	\$188,953	206,365	134,986
Adjustments to reconcile net earnings to net cash provided by operating			

activities:			
Depreciation and amortization of plant and equipment	103,791	96,991	112,817
Other amortization	173,533	72,208	53,767
Deferred income taxes	(38,675)	1,679	(40,555)
Acquired in-process research and development	-	20,000	-
Change in operating assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	(11,248)	(126,842)	11,920
(Increase) decrease in inventories	(44,212)	(44,606)	40,739
(Increase) decrease in prepaid expenses and other current assets	(26,527)	(113,451)	20,326
Long-term royalty advance	(150,000)	-	-
Increase in trade payables and other current liabilities	193,626	17,668	200,359
Other	2,271	(3,425)	9,482
	-----	-----	-----
Net cash provided by operating activities	391,512	126,587	543,841
	-----	-----	-----
Cash flows from investing activities			
Additions to property, plant and equipment	(107,468)	(141,950)	(99,356)
Investments and acquisitions, net of cash acquired	(352,417)	(667,736)	(172,116)
Other	30,793	16,986	2,195
	-----	-----	-----
Net cash utilized by investing activities	(429,092)	(792,700)	(269,277)
	-----	-----	-----

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued
Fiscal Years Ended in December

(Thousands of Dollars)

	1999	1998	1997
	----	----	----
Cash flows from financing activities			
Proceeds from borrowings with original maturities of more than three months	460,333	407,377	295,132
Repayments of borrowings with original maturities of more than three months	(308,128)	(24,925)	(304,927)
Net proceeds of other short-term borrowings	226,103	271,895	21,599
Purchase of common stock	(237,532)	(178,917)	(134,880)
Stock option and warrant transactions	50,358	58,493	37,258
Dividends paid	(45,526)	(42,277)	(39,694)
	-----	-----	-----
Net cash provided (utilized) by financing activities	145,608	491,646	(125,512)
	-----	-----	-----
Effect of exchange rate changes on cash	(5,617)	(9,570)	(6,238)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	102,411	(184,037)	142,814
Cash and cash equivalents at beginning of year	177,748	361,785	218,971
	-----	-----	-----
Cash and cash equivalents at end of year	\$280,159	177,748	361,785
	=====	=====	=====
Supplemental information			
Cash paid during the year for			
Interest	\$ 64,861	25,135	23,480
	=====	=====	=====
Income taxes	\$108,342	128,436	135,446
	=====	=====	=====
Non-cash financing activities			
6% Convertible Subordinated Notes Due 1998, converted into common stock	\$ -	-	149,354
	=====	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Shareholders' Equity
	-----	-----	-----	-----	-----	-----
Balance, December 29, 1996	\$ 66,080	282,922	1,364,285	19,993	(81,234)	1,652,046
Three-for-two stock split	33,039	(33,039)	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance, December 29, 1996, as restated for stock split	99,119	249,883	1,364,285	19,993	(81,234)	1,652,046
Net earnings	-	-	134,986	-	-	134,986
Other comprehensive earnings	-	-	-	(23,896)	-	(23,896)
Comprehensive earnings	-	-	-	-	-	111,090
Purchase of treasury stock	-	-	-	-	(134,880)	(134,880)
Stock option and warrant transactions	-	57,378	-	-	41,287	98,665
Dividends declared	-	-	(41,783)	-	-	(41,783)
Conversion of 6% debt	5,730	147,354	-	-	-	153,084
Other	-	(117)	7	-	5	(105)
	-----	-----	-----	-----	-----	-----
Balance, December 28, 1997	104,849	454,498	1,457,495	(3,903)	(174,822)	1,838,117
Net earnings	-	-	206,365	-	-	206,365
Other comprehensive earnings	-	-	-	(5,722)	-	(5,722)
Comprehensive earnings	-	-	-	-	-	200,643
Purchase of treasury stock	-	-	-	-	(178,917)	(178,917)
Stock option and warrant transactions	-	66,818	-	-	60,195	127,013
Dividends declared	-	-	(42,061)	-	-	(42,061)
	-----	-----	-----	-----	-----	-----
Balance, December 27, 1998	\$ 104,849	521,316	1,621,799	(9,625)	(293,544)	1,944,795
	=====	=====	=====	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity, continued

(Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Shareholders' Equity
	-----	-----	-----	-----	-----	-----
Balance, December 27, 1998	\$ 104,849	521,316	1,621,799	(9,625)	(293,544)	1,944,795
Net earnings	-	-	188,953	-	-	188,953
Other comprehensive earnings	-	-	-	(23,357)	-	(23,357)
Comprehensive earnings	-	-	-	-	-	165,596
Purchase of treasury stock	-	-	-	-	(237,532)	(237,532)
Stock option and warrant transactions	-	(52,892)	-	-	105,747	52,855
Dividends declared	-	-	(46,642)	-	-	(46,642)
Other	(2)	(95)	-	-	-	(97)
	-----	-----	-----	-----	-----	-----
Balance, December 26, 1999	\$ 104,847	468,329	1,764,110	(32,982)	(425,329)	1,878,975
	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Thousands of Dollars Except Share Data)

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all significant majority-owned subsidiaries (Hasbro or the Company). Investments in affiliates representing 20% to 50% ownership

interest are accounted for using the equity method. All significant intercompany balances and transactions have been eliminated.

Preparation of Financial Statements

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

Fiscal Year

Hasbro's fiscal years end on the last Sunday in December. Each of the reported three fiscal years are fifty-two week periods.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Long-Lived Assets

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

Cost in Excess of Net Assets Acquired and Other Intangibles

Approximately 45% of Hasbro's goodwill results from the 1984 acquisition of Milton Bradley Company (Milton Bradley), including its Playskool and international units, and the 1991 acquisition of Tonka Corporation (Tonka), including its Kenner, Parker Brothers and international units. Approximately 29% results from the Company's 1998 acquisitions of Tiger Electronics, Inc., MicroProse, Inc. and Galoob Toys, Inc. An additional approximate 15% results from the Company's 1999 acquisition of Wizards of the Coast, Inc. Goodwill is being amortized on the straight-line basis over lives ranging from seven to forty years.

Substantially all of the other intangibles consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers, but does not individually value, existing copyrights, trademarks, patents, license agreements and other product-related rights. Approximately 61% of these other intangibles relate to rights acquired in the acquisitions noted above. These rights, which were valued at their acquisition date based on the anticipated future cash flows from the underlying product lines, are being amortized over three to twenty-five years using the straight-line method. An additional approximate 12% of these other intangibles relate to rights acquired from a major motion picture studio and are being amortized over the contract life, in proportion to projected sales of the licensed products during the same period.

Depreciation and Amortization

Depreciation and amortization are computed using accelerated and straight-line methods to amortize the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment 3 to 12.

Tools, dies and molds are amortized over a three year period or their useful lives, whichever is less, using an accelerated method.

Revenue Recognition

Revenue from product sales is recognized upon shipment to customers. Provisions for discounts, rebates and returns are made when the related revenues are recognized.

Research and Development

Research and product development costs for 1999, 1998 and 1997 were \$254,599, \$184,962 and \$154,710, respectively.

Advertising

Production costs of commercials and programming are charged to operations in the fiscal year during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the fiscal year incurred.

Income Taxes

Hasbro uses the asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes have not been provided on undistributed earnings of international subsidiaries as substantially all of such earnings are indefinitely reinvested by the Company.

Comprehensive Income

Comprehensive income is comprised primarily of gains and losses on the translation of foreign currency financial statements and also includes unrealized gains and losses on certain investment securities, net of tax. The related tax (benefit) expense of other comprehensive income items was \$(3,187), \$(1,684) and \$1,005 for the years 1999, 1998 and 1997, respectively. Reclassification adjustments were not material for all years presented.

Foreign Currency Translation

Foreign currency assets and liabilities are translated into dollars at current rates, and revenues, costs and expenses are translated at average rates during each reporting period. Current earnings include gains or losses resulting from foreign currency transactions as well as translation gains and losses resulting from the use of the U.S. dollar as the functional currency in highly inflationary economies. Other gains and losses resulting from translation of financial statements are the principal component of other comprehensive earnings.

Pension Plans, Postretirement and Postemployment Benefits

Hasbro, except for certain international subsidiaries, has pension plans covering substantially all of its full-time employees. Pension expense is based on actuarial computations of current and future benefits. The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense.

Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retire under any of its United States defined benefit pension plans and meet certain age and length of service requirements. It also has several plans covering certain groups of employees which may provide benefits to such employees following their period of employment but prior to their retirement.

Risk Management Contracts

Hasbro does not enter into derivative financial instruments for speculative purposes. The Company enters into foreign currency forward and option contracts to mitigate its exposure to foreign currency exchange rate fluctuations. This exposure relates to future purchases of inventory not denominated in the functional currency of the unit purchasing the inventory as well as other cross-border currency requirements. Premiums on option contracts are amortized over their term and if such contract is terminated before its maturity, the unamortized premium is expensed and included in other expense, net. The carrying value of options is included in prepaid expenses and other current assets. Gains and losses on forward and option contracts meeting hedge accounting requirements are deferred and recognized as adjustments to the carrying value of the related transactions. In the event hedge accounting requirements are not met, gains and losses on such instruments are included currently in the statements of earnings.

Earnings Per Common Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted earnings per share is similar except that the weighted average number of shares outstanding is increased by shares issuable upon exercise of stock options and warrants for which market price exceeds exercise price, less

shares which could have been purchased by the Company with the related proceeds.

A reconciliation of earnings per share for the three fiscal years ended December 26, 1999 is as follows:

	1999		1998		1997	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings	\$188,953	188,953	206,365	206,365	134,986	134,986
Effect of dilutive securities:						
6% Convertible Notes due 1998	-	-	-	-	-	4,782
Adjusted net earnings	\$188,953	188,953	206,365	206,365	134,986	139,768
Average shares outstanding (in thousands)	194,917	194,917	197,927	197,927	193,089	193,089
Effect of dilutive securities:						
6% Convertible Notes due 1998	-	-	-	-	-	9,428
Options and warrants	-	7,186	-	7,493	-	3,836
Equivalent shares	194,917	202,103	197,927	205,420	193,089	206,353
Earnings per share \$.97	.93	1.04	1.00	.70	.68

(2) Acquisitions

On September 30, 1999, Hasbro acquired Wizards of the Coast, Inc. for an initial purchase price of \$325,000 subject to additional payments based upon the closing balance sheet and future payments contingent upon achieving certain operating objectives. The total acquisition cost to date amounts to \$412,769 and has been accounted for using the purchase method. Based upon estimates of fair market value, \$77,039 has been allocated to net tangible assets, \$214,700 has been allocated to property and related rights and \$121,030 to goodwill.

Hasbro made three major acquisitions during 1998, having an aggregate purchase price of \$669,737. On April 1, it acquired substantially all of the business and operating assets of Tiger Electronics, Inc. and certain affiliates (Tiger). On September 14, 1998, it acquired MicroProse, Inc. (MicroProse) through a cash tender offer of \$6.00 for each outstanding share of MicroProse. Upon completion of a short-form merger, MicroProse became a wholly owned subsidiary of the Company and each untendered share was converted into the right to receive \$6.00 in cash. On October 30, 1998, it acquired Galoob Toys, Inc. (Galoob) through a cash tender offer of \$12.00 for each outstanding share of Galoob. Upon completion of a short-form merger, Galoob became a wholly owned subsidiary of the Company and each untendered share was converted into the right to receive \$12.00 in cash.

These three acquisitions were accounted for using the purchase method, and accordingly, the net assets acquired have been recorded at their fair value and the results of their operations included from the dates of acquisition. Based on fair market value, \$86,926 has been allocated to net tangible assets, \$301,100 to product rights, \$261,711 to goodwill and \$20,000 to acquired in-process research and development. The appraised fair value of this acquired in-process research and development (interactive game software projects under development at the date of acquisition) was determined using the discounted cash flow approach, considered the percentage of completion at the date of acquisition and was expensed at acquisition.

On a pro forma basis, reflecting the acquisitions described above as if they had taken place at the beginning of each period and after giving effect to adjustments recording the acquisitions, and excluding the charge for in-process research and development, unaudited net revenues, net earnings and basic and diluted earnings per share for the year ended December 26, 1999 would have been \$4,630,368, \$270,386, \$1.39 and \$1.34, respectively, and for the year ended December 27, 1998 would have been \$3,685,696, \$143,205, \$.72 and \$.70, respectively. These pro forma results are not indicative of either future performance or actual results

which would have occurred had the acquisitions taken place at the beginning of the respective periods.

(3) Inventories

	1999	1998
Finished products	\$348,058	283,160
Work in process	13,470	12,698
Raw materials	47,043	38,943
	\$408,571	334,801

(4) Property, Plant and Equipment

	1999	1998
Land and improvements	\$ 16,323	14,748
Buildings and improvements	199,713	197,295
Machinery and equipment	355,958	295,810
	571,994	507,853
Less accumulated depreciation	298,766	227,820
	273,228	280,033
Tools, dies and molds, net of amortization	45,597	50,322
	\$318,825	330,355

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

(5) Short-Term Borrowings

Hasbro has available unsecured committed and uncommitted lines of credit from various banks approximating \$760,000 and \$645,000, respectively. Substantially all of the short-term borrowings outstanding at the end of 1999 and 1998 represent borrowings made under, or supported by, these lines of credit and the weighted average interest rates of the outstanding borrowings were 6.4% and 6.0%, respectively. Hasbro's working capital needs were fulfilled by borrowing under these lines of credit and through the issuance of commercial paper, both of which were on terms and at interest rates generally extended to companies of comparable creditworthiness. The committed lines include \$350,000 and \$350,000 available under long-term and short-term revolving credit agreements, respectively. These agreements contain certain restrictive covenants with which the Company is in compliance. Compensating balances and facility fees were not material.

(6) Accrued Liabilities

	1999	1998
Royalties	\$178,211	116,603
Advertising	140,129	172,621
Payroll and management incentives	114,852	54,622
Other	550,088	385,759
	\$983,280	729,605

(7) Long-Term Debt

1999	1998		
		5.60% Notes Due 2005	\$100,000
		6.15% Notes Due 2008	150,000
		6.60% Debentures Due 2028	150,000
		Other	20,654
			\$420,654

Current installments of \$4,142 in 1999 and \$260 in 1998 are aggregated with short-term borrowings. The maturities of long-term debt in 2001 and in the succeeding three years are \$2,007, \$1,041, \$1,076 and \$1,112.

(8) Income Taxes

Income taxes attributable to earnings before income taxes are:

	1999	1998	1997
	----	----	----
Current			
United States	\$ 77,512	40,256	62,042
State and local	5,566	5,226	8,296
International	40,489	49,952	39,756
	-----	-----	-----
	123,567	95,434	110,094
	-----	-----	-----
Deferred			
United States	(40,131)	(6,458)	(31,533)
State and local	(3,440)	(554)	(2,793)
International	4,896	8,691	(6,229)
	-----	-----	-----
	(38,675)	1,679	(40,555)
	-----	-----	-----
	\$ 84,892	97,113	69,539
	=====	=====	=====

Certain tax benefits are not reflected in income taxes in the statements of earnings. Such benefits of \$16,735 in 1999, \$14,377 in 1998 and \$4,036 in 1997, relate primarily to stock options.

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

	1999	1998	1997
	----	----	----
Statutory income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net	.5	1.0	1.7
Goodwill amortization	3.3	1.8	2.4
Tax on international earnings	(7.9)	(5.4)	(4.9)
Other, net	.1	(.4)	(.2)
	----	----	----
	31.0%	32.0%	34.0%
	=====	=====	=====

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

	1999	1998	1997
	----	----	----
United States	\$ 79,519	123,969	157,987
International	194,326	179,509	46,538
	-----	-----	-----
	\$273,845	303,478	204,525
	=====	=====	=====

The components of deferred income tax expense arise from various temporary differences and relate to items included in the statements of earnings.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 26, 1999 and December 27, 1998 are:

	1999	1998
	----	----
Deferred tax assets:		
Accounts receivable	\$ 36,696	27,556
Inventories	26,205	14,718
Net operating loss carryovers	28,930	31,608
Operating expenses	39,512	44,491
Postretirement benefits	12,243	12,269
Other	99,143	74,955
	-----	-----
Gross deferred tax assets	242,729	205,597
Valuation allowance	(15,146)	(13,261)
	-----	-----
Net deferred tax assets	227,583	192,336
	-----	-----
Deferred tax liabilities	100,820	46,174
	-----	-----
Net deferred income taxes	\$126,763	146,162
	=====	=====

Hasbro has a valuation allowance for deferred tax assets at December 26, 1999 of \$15,146, which is an increase of \$1,885 from the \$13,261 at December 27, 1998. The allowance pertains to United States and international operating loss carryforwards, some of which have no expiration and others that would expire beginning in 2002. If fully realized, \$9,672 will reduce goodwill and the balance will reduce future

income tax expense. Deferred tax liabilities relate primarily to property rights.

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

Deferred income taxes of \$115,646 and \$100,332 at the end of 1999 and 1998, respectively, are included as a component of prepaid expenses and other current assets, and \$19,592 and \$53,331, respectively, are included as a component of other assets. At the same dates, deferred income taxes of \$1,236 and \$491, respectively, are included as a component of accrued liabilities, and \$7,239 and \$7,010, respectively, are included as a component of deferred liabilities.

The cumulative amount of undistributed earnings of Hasbro's international subsidiaries held for reinvestment is approximately \$347,000 at December 26, 1999. In the event that all international undistributed earnings were remitted to the United States, the amount of incremental taxes would be approximately \$48,000.

(9) Capital Stock

Preference Share Purchase Rights

Hasbro maintains a Preference Share Purchase Rights plan (the Rights Plan). Under the terms of the Rights Plan, each share of common stock is accompanied by a Preference Share Purchase Right. Each Right is only exercisable under certain circumstances and, until exercisable, the Rights are not transferable apart from Hasbro's common stock. When exercisable, each Right will entitle its holder to purchase until June 30, 2009, in certain merger or other business combination or recapitalization transactions, at the Right's then current exercise price, a number of the acquiring company's or Hasbro's, as the case may be, common shares having a market value at that time of twice the Right's exercise price. Under certain circumstances, the Company may substitute cash, other assets, equity securities or debt securities for the common stock. At the option of the Board of Directors of Hasbro (the Board), the rightholder may, under certain circumstances, receive shares of Hasbro's stock in exchange for Rights.

Prior to the acquisition by the person or group of beneficial ownership of a certain percentage of Hasbro's common stock, the Rights are redeemable for \$.01 per Right. The Rights Plan contains certain exceptions with respect to the Hassenfeld family and related entities.

Common Stock

On December 9, 1997, the Board canceled all prior share repurchase authorizations and authorized the purchase of up to an additional \$500,000 of the Company's common stock. At December 26, 1999, \$72,008 remained under this authorization. In addition to the remaining amount under this repurchase authorization, on December 6, 1999, the Board authorized an additional common share repurchase program up to \$500,000.

On February 19, 1999, the Board declared a three-for-two stock split, payable in the form of a 50% stock dividend, on March 15, 1999 to shareholders of record on March 1, 1999. All earnings per common share amounts, references to common stock and shareholders' equity amounts have been restated as if the stock split had occurred as of the earliest period presented.

(10) Stock Options and Warrants

Hasbro has various stock option plans for employees as well as a plan for non-employee members of the Board (collectively, the plans) and has reserved 31,771,373 shares of its common stock for issuance upon exercise of options granted or to be granted under the plans. These options generally vest in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant. Certain of the plans permit the granting of awards in the form of stock options, stock appreciation rights, stock awards and cash awards. At December 26, 1999, awards made under these plans have been in the form of stock options.

As permitted by Statement of Financial Accounting Standards No. 123 (SFAS 123), Hasbro continues to apply Accounting Principles Board Opinion No. 25 (APB 25) in accounting for the plans under which no compensation cost is recognized. Had compensation expense been recorded under the

provisions of SFAS 123, the impact on the Company's net earnings and earnings per share would have been:

	1999	1998	1997
	----	----	----
Reported net earnings	\$188,953	206,365	134,986
Pro forma compensation expense, net of tax	(18,335)	(10,339)	(5,880)
	-----	-----	-----
Pro forma net earnings	\$170,618	196,026	129,106
	=====	=====	=====
Pro forma earnings per share			
Basic	\$.88	.99	.67
Diluted	\$.84	.95	.65
	=====	=====	=====

The weighted average fair value of options granted in 1999, 1998 and 1997 were \$12.13, \$8.66 and \$5.76, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: risk-free interest rates of 5.60%, 5.70% and 6.20%; expected dividend yields of 0.78%, 0.85% and 1.12% and expected volatility of approximately 34%, 26% and 21%, and expected lives of approximately 6 years.

Additionally, the Company has reserved 16,762,500 shares of its common stock for issuance upon exercise of outstanding warrants. During 1999, 5,737,500 warrants were exercised at an exercise price of \$14.00. During 1998, warrants to purchase 6,000,000 shares at an exercise price of \$23.3333 per share were issued in connection with the acquisition of certain rights. The fair value of these warrants was \$11.42 each on the date of grant.

Information with respect to options and warrants, in thousands of shares, for the three years ended December 26, 1999 is as follows:

	1999	1998	1997
	----	----	----
Number of shares:			
Outstanding at beginning of year	36,361	31,424	20,452
Granted	7,168	8,639	14,191
Exercised	(8,313)	(3,468)	(2,651)
Expired or canceled	(1,440)	(234)	(568)
	-----	-----	-----
Outstanding at end of year	33,776	36,361	31,424
	=====	=====	=====
Exercisable at end of year	23,456	11,673	11,090
	=====	=====	=====
Weighted average exercise price:			
Granted	\$ 31.32	23.86	18.77
Exercised	\$ 14.51	13.34	12.30
Expired or canceled	\$ 27.43	18.75	15.80
Outstanding at end of year	\$ 21.46	18.17	16.08
Exercisable at end of year	\$ 19.09	14.43	13.46
	=====	=====	=====

Information, in thousands of shares, with respect to the 33,776 options and warrants outstanding and the 23,456 exercisable at December 26, 1999, is as follows:

Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
-----	-----	-----	-----
Outstanding			
\$ 4.56-\$13.86	1,531	3.1 years	\$10.67
\$14.00-\$16.64	4,924	4.3 years	\$15.25
\$18.67-\$23.27	13,347	8.8 years	\$18.93
\$23.33-\$36.27	13,974	9.6 years	\$27.25
	=====		=====
Exercisable			
\$ 4.56-\$13.86	1,531		\$10.67
\$14.00-\$16.64	3,719		\$15.57
\$18.67-\$23.27	11,379		\$18.72
\$23.33-\$36.27	6,827		\$23.52
	=====		=====

(11) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

Hasbro's net pension and profit sharing cost for 1999, 1998 and 1997 was approximately \$12,600, \$12,900 and \$13,400, respectively.

United States Plans

Substantially all United States employees are covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans, principally covering non-union employees, are based primarily on salary and years of service. One of these plans is funded. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. One of these plans is also funded. At December 26, 1999, the two funded plans have plan assets of \$242,889 and accumulated benefit obligations of \$137,828. The unfunded plans have accumulated benefit obligations of \$16,878.

Hasbro also provides certain postretirement health care and life insurance benefits to eligible employees who retire and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 is and will continue to be substantially borne by the Company. The cost of providing benefits on behalf of employees who retire after 1992 is shared, with the employee contributing an increasing percentage of the cost, resulting in an employee-paid plan after the year 2002. The plan is not funded.

	Pension		Postretirement	
	1999	1998	1999	1998
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 207,063	184,589	\$ 28,428	28,885
Service cost	9,356	9,362	227	224
Interest cost	13,670	12,798	1,775	1,893
Plan amendments	(2,298)	-	-	-
Actuarial (gain) loss	(32,438)	6,468	(3,263)	(271)
Benefits paid	(6,305)	(5,539)	(2,484)	(2,303)
Expenses paid	(730)	(615)	-	-
Projected benefit obligation at end of year	\$ 188,318	207,063	\$ 24,683	28,428
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 219,410	196,634	\$ -	-
Actual return on plan assets	30,061	28,522	-	-
Employer contribution	453	408	-	-
Benefits paid	(6,305)	(5,539)	-	-
Expenses paid	(730)	(615)	-	-
Fair value of plan assets at end of year	\$ 242,889	219,410	\$ -	-
Funded status	\$ 54,571	12,347	\$(24,683)	(28,428)
Unrecognized net (gain) loss	(80,496)	(39,402)	(406)	2,885
Unrecognized prior service cost	5,836	9,268	-	-
Accrued benefit cost	\$(20,089)	(17,787)	\$(25,089)	(25,543)

The assets of the funded plans are managed by investment advisors and consist primarily of pooled indexed and actively managed bond and stock funds. For measuring the expected pension accumulated benefit obligation, assumed discount rates of 7.75%, 6.75% and 7.00% were used for 1999, 1998 and 1997, respectively; assumed long-term rates of compensation increase of 4.50% in 1999 and 1998 and 5.00% in 1997, and an assumed long-term rate of return on plan assets of 9.00% in all years.

For measuring the expected postretirement benefit obligation, an 7.25%, 7.50% and 8.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999, 1998 and 1997, respectively. The 1999 and 1998 rates were further assumed to decrease gradually to 4.50% in 2012, while the 1997 rate was assumed to decrease to 5.00% over this same period. All were assumed to remain constant after 2012. The discount rates used in the pension calculation were also used for the postretirement calculation.

	1999	1998	1997
	----	----	----
Components of net periodic cost			

Pension			

Service cost	\$ 9,356	9,362	8,022
Interest cost	13,670	12,798	11,451
Expected return on assets	(19,484)	(17,465)	(14,517)
Net amortization and deferrals	(786)	(448)	(465)
	-----	-----	-----
Net periodic benefit cost	\$ 2,756	4,247	4,491
	=====	=====	=====
Postretirement			

Service cost	\$ 227	224	205
Interest cost	1,775	1,893	2,039
Net amortization and deferrals	27	57	22
	-----	-----	-----
Net periodic benefit cost	\$ 2,029	2,174	2,266
	=====	=====	=====

If the health care cost trend rate were increased one percentage point in each year, the accumulated postretirement benefit obligation at December 26, 1999 and the aggregate of the benefits earned during the period and the interest cost would have each increased by approximately 10%.

Hasbro also has a profit sharing plan covering substantially all of its United States non-union employees. The plan provides for an annual discretionary contribution by the Company which for 1999, 1998 and 1997 was approximately \$4,900, \$5,000 and \$5,100, respectively.

International Plans

Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. These plans were neither significant individually nor in the aggregate.

Postemployment Benefits

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

(12) Leases

Hasbro occupies certain manufacturing facilities and sales offices and uses certain equipment under various operating lease arrangements. The rent expense under such arrangements, net of sublease income which is not material, for 1999, 1998 and 1997 amounted to \$56,072, \$50,932 and \$48,090, respectively.

Minimum rentals, net of minimum sublease income which is not material, under long-term operating leases for the five years subsequent to 1999 and in the aggregate are as follows:

2000	\$ 40,084
2001	33,976
2002	26,274
2003	22,834
2004	20,451
Later years	107,623

	\$251,242
	=====

All leases expire prior to 2015. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 1999.

In addition, Hasbro leases certain facilities which, as a result of restructurings, are no longer in use. Future costs relating to such facilities were included as a component of the restructuring charge and are not included in the table above.

(13) Consolidation Program and Restructuring Charge

On December 7, 1999, the Company announced a program to further consolidate manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. Costs associated with this consolidation program amounted to \$141,575, and were recorded in the fourth quarter as follows:

Restructuring charge	\$ 64,232

Other operating expenses:	
Cost of sales	8,740
Amortization	38,449
Royalties, research and development	26,292
Advertising	3,862

	77,343

Total consolidation program costs	\$ 141,575
	=====

The significant components of the restructuring plan include the closing of two factories in Mexico and the United Kingdom, reducing capacity at the remaining three factories, shifting production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. This plan anticipates the redundancy of approximately 2,200 employees, including 1,800 in manufacturing and sourcing activities and 400 worldwide in research and product development, marketing, sales and administration. The restructuring charge of \$64,232 represents approximately \$38,700 of cash charges for severance benefits which will be disbursed over the employee's entitlement period, \$14,300 of cash charges for lease and facility closing costs to be expended over the contractual lease term and closing process and non-cash charges of \$11,200 for fixed asset write-offs, arising primarily in the manufacturing area. Of the cash amount, approximately \$4,700 has been paid for severance benefits relating to 193 employees terminated as of December 26, 1999. Non-cash charges relating to fixed asset write-offs have been credited to the respective line items on the balance sheet. The remaining amount of approximately \$48,000 is included in accrued liabilities. The restructuring plan is expected to be completed in fiscal 2000.

The components of the consolidation program included in other operating expenses represent costs associated with exiting certain product lines and reevaluating other product lines resulting in reduced expectations. The product lines being exited were not, either individually or in the aggregate, material to the Company's revenues or operating results. Approximately \$12,000 represents cash charges which will be incurred on contractual royalty, product development and advertising commitments associated with the discontinued product lines. Non-cash charges of approximately \$65,000 relate to asset write-offs and write-downs of underutilized assets. This includes impairment of intangible assets arising from the decision to discontinue or significantly reduce product line offerings. The resulting sum of undiscounted future cash flows of these assets was not sufficient to cover the carrying amount of the assets, and as such, they were written down to their fair market value. Items relating to property rights and licenses, goodwill, inventory, prepaid and other current assets have been credited to the respective asset in the balance sheet.

Late in the fourth quarter of 1997, the Company announced a global integration and profit enhancement program which anticipated the redundancy of approximately 2,500 employees, principally in manufacturing, and provided for actions in three principal areas: a continued consolidation of the Company's manufacturing operations; the streamlining of marketing and sales, while exiting from certain underperforming markets and product lines; and the further leveraging of overheads. Of the \$140,000 estimated costs related to these actions, \$125,000 was reported as a restructuring charge and \$15,000 was reflected in cost of sales. Of the restructuring amount, approximately \$54,000 related to severance and people costs, \$52,000 to property, plant and equipment and leases and \$19,000 to product line related costs. During 1998, the employment of all employees planned for redundancy was terminated. This program has been completed.

(14) Financial Instruments

 Hasbro's financial instruments include cash and cash equivalents, accounts receivable, short- and long-term borrowings, accounts payable and accrued liabilities. At December 26, 1999, the carrying cost of these instruments approximated their fair value. Its financial instruments also include foreign currency forwards and options. At December 26, 1999, the carrying value of these instruments approximated their fair value based

on quoted or publicly available market information.

Hasbro uses foreign currency forwards and options, generally purchased for terms of not more than twelve months, to protect itself from adverse currency rate fluctuations on firmly committed and anticipated foreign currency transactions. These over-the-counter contracts, which hedge future purchases of inventory and other cross-border currency requirements, are primarily denominated in United States and Hong Kong dollars and Irish punts and entered into with counterparties who are major financial institutions with which Hasbro also has other financial relationships. The Company believes any risk related to default by a counterparty to be remote.

The Company had the equivalent of approximately \$85,000 and \$130,000 of foreign currency forwards outstanding at December 26, 1999 and December 27, 1998, respectively, and approximately \$132,000 of foreign currency options outstanding at December 26, 1999. Gains and losses deferred under hedge accounting provisions are subsequently included in the measurement of the related foreign currency transaction. Gains and losses on contracts not meeting hedge accounting provisions are included currently in earnings. The aggregate amount of gains and losses resulting from all foreign currency transactions was not material.

(15) Commitments and Contingencies

Hasbro had unused open letters of credit of approximately \$15,000 and \$20,000 at December 26, 1999 and December 27, 1998, respectively.

The Company routinely enters into license agreements with inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. Under terms of currently existing agreements, in certain circumstances the Company may become liable for remaining guaranteed minimum royalties of up to \$665,000 between 2000 and 2007. Of this amount, approximately \$233,000 has been paid. Approximately \$83,000 is included in the \$111,523 of prepaid royalties which are a component of prepaid expenses and other current assets in the balance sheet. Included in other assets is \$150,000 representing the long-term portion of the amount paid in 1999. Of the remaining unpaid minimum guaranty, Hasbro may be required to pay amounts as follows:

2000	\$ 88,000
2001	84,000
2002	130,000
2003	6,000
2004	2,000
2005	122,000

	\$ 432,000
	=====

Such payments are related to royalties which are expected to be incurred on anticipated revenues in the years 2000 through 2007.

Hasbro is party to certain legal proceedings, substantially involving routine litigation incidental to the Company's business, none of which, individually or in the aggregate, is deemed to be material to the financial condition of the Company.

(16) Segment Reporting

----- Segment and Geographic Information -----

Hasbro is a worldwide marketer and distributor of children's and family entertainment products, principally engaged in the design, manufacture and marketing of games and toys ranging from traditional to high-tech. During the second quarter of 1999, the Company redefined its focus and method of managing its business into two major areas, Toys and Games. Following this organizational adjustment, within its two key areas, under the provisions of Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company's reportable segments are U.S. Toys, Games, International and Global Operations. Prior year amounts have been reclassified to reflect the Company's current focus.

In the United States, the U.S. Toy segment includes the design, marketing and selling of boys action figures, vehicles and playsets, girls toys, preschool toys and infant products and creative play products. The Games segment includes the development, marketing and selling of traditional board games and puzzles, handheld electronic games, electronic interactive plush, children's consumer electronics, electronic learning aids, trading card and role-playing games and interactive software games based on the Company's owned and licensed brands. Within the

	Revenues from External Customers	Affiliate Revenues	Operating Profit	Depreciation and Amortization	Capital Additions	Total Assets
1997						
U.S. Toys (a)	\$1,068,736	-	59,354			
Games (a)	725,683	3,151	151,352			
U.S. Toys and Games (a)	1,794,419	3,151	210,706	45,381	13,604	1,676,254
International	1,212,811	24,616	133,374	25,153	6,976	887,256
Global Operations (b)	8,108	1,117,281	5,061	74,153	60,821	714,656
Other segments	173,221	3,148	8,586	14,045	2,222	267,756
Corporate and eliminations	-	(1,148,196)	17,381	7,852	15,733	(646,205)
Segment total	3,188,559	-	375,108	166,584	99,356	2,899,717
Restructuring	-	-	(140,000)	-	-	-
Consolidated Total	\$3,188,559	-	235,108	166,584	99,356	2,899,717

(a) As a result of the complexity of the Company's organizational changes, it currently is unable to segregate assets and related expenses between the U.S. Toys and Games segments, and thus they are currently reported as one. It is anticipated that such items will be segregated beginning in fiscal 2000 and will then be separately reported. Certain asset related expense items including depreciation and amortization of intangibles have been allocated to segments based upon estimates in order to arrive at segment operating profit.

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

(c) The impact of the consolidation program to operating profit by segment was \$16,150 to U.S. Toys, \$35,732 to Games, \$23,044 to International, \$44,324 to Global Operations and \$22,325 to Other segments.

The following table presents consolidated net revenues by classes of principal products for the years ended in December:

	1999	1998	1997
Boys toys	\$1,232,300	891,600	1,152,900
Games and puzzles	1,936,100	1,268,700	1,093,700
Interactive software games	229,400	192,300	87,000
Preschool toys	273,600	341,600	317,200
Other	560,863	610,254	537,759
Net revenues	\$4,232,263	3,304,454	3,188,559

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

	1999	1998	1997
Net revenues			
United States	\$2,818,837	2,113,057	1,947,824
International	1,413,426	1,191,397	1,240,735
	\$4,232,263	3,304,454	3,188,559
Pretax earnings			
United States	\$ 158,834	194,050	117,436
International	115,011	109,428	87,089
	\$ 273,845	303,478	204,525
Long-lived assets			
United States	\$1,880,029	1,694,967	1,119,836
International	194,677	177,569	126,067
	\$2,074,706	1,872,536	1,245,903

Principal international markets include Western Europe, Canada, Mexico, Australia, New Zealand and Hong Kong.

Other Information

Hasbro markets its products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness of its customers, adjusting credit policies and limits as deemed appropriate, a substantial portion of its customers' ability to discharge amounts owed is dependent upon the overall retail economic environment.

Sales to the Company's two largest customers, Wal-Mart Stores, Inc. and Toys 'R Us, Inc., amounted to 16% each of consolidated net revenues during 1999, 18% and 17%, respectively, during 1998 and 15% and 22%, respectively, during 1997.

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

(17) Quarterly Financial Data (Unaudited)

1999

	Quarter					Full Year
	First	Second	Third	Fourth		
Net revenues	\$668,398	874,574	1,098,179	1,591,112	4,232,263	
Gross profit	\$411,881	529,548	654,166	938,426	2,534,021	
Earnings before income taxes	\$ 19,993	46,796	123,434	83,622(a)	273,845	
Net earnings	\$ 13,795	32,289	85,170	57,699	188,953	
	=====	=====	=====	=====	=====	
Per common share						
Earnings						
Basic	\$.07	.17	.44	.30	.97	
Diluted	\$.07	.16	.43	.29	.93	
Market price						
High	\$ 30 1/8	37	28 5/8	24 1/4	37	
Low	\$ 21 13/16	27	21 15/16	16 7/8	16 7/8	
Cash dividends declared	\$.06	.06	.06	.06	.24	
	=====	=====	=====	=====	=====	

1998

	Quarter					Full Year
	First	Second	Third	Fourth		
Net revenues	\$482,820	572,057	945,498	1,304,079	3,304,454	
Gross profit	\$278,508	324,962	543,129	791,794	1,938,393	
Earnings before income taxes	\$ 11,808	8,262	89,601(a)	193,807	303,478	
Net earnings	\$ 7,793	5,453	61,330	131,789	206,365	
	=====	=====	=====	=====	=====	
Per common share						
Earnings						
Basic	\$.04	.03	.31	.67	1.04	
Diluted	\$.04	.03	.30	.65	1.00	
Market price						
High	\$ 25 3/4	27 1/16	27 1/4	25 7/16	27 1/4	
Low	\$ 19 7/8	23 1/8	19 5/8	18 5/8	18 5/8	
Cash dividends declared	\$.05	.05	.05	.05	.21	
	=====	=====	=====	=====	=====	

1997

	Quarter				Full Year
	First	Second	Third	Fourth	
Net revenues	\$555,784	583,886	915,533	1,133,356	3,188,559
Gross profit	\$320,413	330,969	512,506	665,613	1,829,501
Earnings before income taxes	\$ 40,147	20,283	115,441	28,654(a)	204,525
Net earnings	\$ 25,694	12,981	77,400	18,911	134,986
	=====	=====	=====	=====	=====
Per common share					
Earnings					
Basic	\$.13	.07	.41	.10	.70
Diluted	\$.13	.07	.38	.09	.68
Market price					
High	\$ 19 3/4	19 5/8	20 3/4	24 5/16	24 5/16
Low	\$ 16 1/16	15 1/4	17 5/8	17 1/8	15 1/4
Cash dividends declared	\$.05	.05	.05	.05	.21
	=====	=====	=====	=====	=====

(a) In 1999 and 1997, includes \$64,232 and \$125,000, respectively relating to restructuring of operations and, in 1998, includes the expense impact of \$20,000 relating to acquired in-process research and development.

HASBRO, INC. AND SUBSIDIARIES

Subsidiaries of the Registrant (a)

Name Under Which Subsidiary Does Business	State or Other Jurisdiction of Incorporation or Organization
Galoob Toys, Inc.	Delaware
Hasbro Interactive, Inc.	Delaware
Hasbro Interactive GmbH	Germany
Hasbro International, Inc.	Delaware
Hasbro de Mexico S.A. de C.V.	Mexico
Hasbro France S.A.	France
Hasbro Deutschland GmbH	Germany
Hasbro Italy S.r.l.	Italy
Hasbro Latin America Inc.	Delaware
Hasbro Argentina S.A.	Argentina
Hasbro Chile LTDA	Chile
Hasbro Latin America, L.P.	Delaware
Hasbro S.A.	Switzerland
Hasbro Canada Corporation / Corporation	
Hasbro Canada	Nova Scotia
Hasbro Asia-Pacific Marketing Ltd.	Hong Kong
Tiger Electronics Far East Services, Limited	Hong Kong
Hasbro (Schweiz) AG	Switzerland
Hasbro U.K. Limited	United Kingdom
Hasbro Interactive Limited	United Kingdom
Tiger Electronics UK Limited	United Kingdom
EuroPress Limited	United Kingdom
MB International B.V.	The Netherlands
Hasbro B.V.	The Netherlands
Hasbro Hellas Industrial & Commercial Company S.A.	Greece
Hasbro Importacao e Exportacao e de Jogos e Brinquedos Lds	Portugal
Hasbro Magyarorszag Kft	Hungary
Hasbro Osterreich Ges.m.b.H	Austria
Hasbro Poland SpZoo	Poland
Hasbro Toys & Games Holdings, S.L.	Spain
MB Espana, S.A.	Spain
Hasbro Iberia SL	Spain
S.A. Hasbro N.V.	Belgium
Inter-Toy Equitim Araclari Sanayi Ve Ticaret A.S.	Turkey
Hasbro Osterreich Ges.m.b.H	Austria
Hasbro Far East LTD	Hong Kong
Tiger Electronics Far East, Limited	Hong Kong
Hasbro Ireland Limited	Ireland
Hasbro Australia Limited	Australia
Hasbro New Zealand Limited	New Zealand
Juguetreñas S.A. de C.V.	Mexico
Palmyra Holdings Pte Ltd.	Singapore
Hasbro Hong Kong Limited	Hong Kong
Hasbro Singapore Pte Ltd.	Singapore
Hasbro Toy (Malaysia) Sdn Bhd	Malaysia
Hasbro Managerial Services, Inc.	Rhode Island
Larami Limited	Delaware
OddzOn, Inc.	Delaware
Tiger Electronics, Ltd.	Delaware
Wizards of the Coast, Inc.	Washington
Hasbro Internet Holdings, Inc	Delaware
Games.Com, Inc.	Delaware

(a) Inactive subsidiaries and subsidiaries with minimal operations have been omitted. Such subsidiaries, if taken as a whole, would not constitute a significant subsidiary.

ACCOUNTANTS' CONSENT

The Board of Directors
Hasbro, Inc.:

We consent to incorporation by reference in the Registration Statements Nos. 2-78018, 2-93483, 33-57344, 33-59583, 333-38159, 333-10404 and 333-10412 on Form S-8 and Nos. 33-41548, 333-44101 and 333-82077 on Form S-3 of Hasbro, Inc. of our reports dated February 7, 2000 relating to the consolidated balance sheets of Hasbro, Inc. and subsidiaries as of December 26, 1999 and December 27, 1998 and the related statements of earnings, shareholders' equity and cash flows and related schedule for each of the fiscal years in the three-year period ended December 26, 1999, which report on the consolidated financial statements is incorporated by reference and which report on the related schedule is included in the Annual Report on Form 10-K of Hasbro, Inc. for the fiscal year ended December 26, 1999.

/s/ KPMG LLP

Providence, Rhode Island
March 22, 2000

YEAR
DEC-26-1999
DEC-26-1999
280,159
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1,149,118
65,000
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4,232,263
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1,698,242
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0
188,953
.97
.93