

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

RHODE ISLAND  
(State or other jurisdiction of  
incorporation or organization)

05-0155090  
(I.R.S. Employer  
Identification Number)

1027 NEWPORT AVENUE  
PAWTUCKET, RHODE ISLAND 02862  
(401) 431-8697  
(Address, including zip code, and telephone number, including area code, of  
registrant's principal executive offices)

BARRY NAGLER  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
HASBRO, INC.  
1027 NEWPORT AVENUE  
PAWTUCKET, RHODE ISLAND 02862  
(401) 431-8697  
(Name and address, including zip code, and telephone number, including area  
code, of agent for service of process)

COPIES TO:

KEITH F. HIGGINS, ESQ.  
ROPES & GRAY  
ONE INTERNATIONAL PLACE  
BOSTON, MASSACHUSETTS 02110  
(617) 951-7000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time  
to time after the effective date of this Registration Statement as determined by  
market conditions.

If the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box. [ ]

If any of the securities being registered on this form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with dividend or interest  
reinvestment plans, check the following box. [X]

If this Registration Statement is filed to register additional securities  
for an offering pursuant to Rule 462(b) under the Securities Act, please check  
the following box and list the Securities Act registration number of the earlier  
effective registration statement for the same offering. [ ]

If this Registration Statement is a post-effective amendment filed pursuant  
to Rule 462(c) under the Securities Act, check the following box and list the  
Securities Act registration statement number of the earlier effective  
registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

PROPOSED MAXIMUM PROPOSED MAXIMUM TITLE OF EACH CLASS OF AMOUNT TO OFFERING PRICE PER AGGREGATE OFFERING AMOUNT OF SECURITIES TO BE REGISTERED BE REGISTERED UNIT OR SHARE(1) PRICE(1) REGISTRATION FEE - ---				
----- 2.75% Convertible Senior Debentures due	2021(2)	\$250,000,000	\$930	\$232,500,000 \$21,390
----- Common Stock, \$0.50 par value			11,574,075 shares(2)	(3) (3) (3)

- 
- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) on the basis of the average of the bid and asked prices of the 2.75% Convertible Senior Debentures due 2021 on the PORTAL system on February 20, 2002.
  - (2) The shares of common stock registered hereunder are issuable upon conversion of the debentures at the initial rate of 46.2963 shares of common stock per \$1,000 principal amount of the debentures. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
  - (3) Pursuant to Rule 457(i), there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the debentures because no additional consideration will be received in connection with the exercise of the conversion right.

-----

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

-----

-----

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS SUBJECT TO COMPLETION. DATED FEBRUARY 22, 2002

[HASBRO, INC. LOGO]

\$250,000,000

HASBRO, INC.  
2.75% CONVERTIBLE SENIOR DEBENTURES DUE 2021  
AND  
11,574,075 SHARES OF COMMON STOCK ISSUABLE  
UPON CONVERSION OF THE DEBENTURES

-----  
Hasbro, Inc., or Hasbro, issued the debentures in a private placement in November 2001. This prospectus will be used by selling securityholders to resell, from time to time, their debentures and the common stock issuable upon conversion of their debentures. We will not receive any of the proceeds from any sale of the debentures or common stock issuable upon conversion of the debentures.

Interest on the debentures is payable on June 1 and December 1 of each year, beginning on June 1, 2002. Holders may convert the debentures into 46.2963 shares of our common stock for each \$1,000 principal amount of debentures (equivalent to an initial conversion price of \$21.60 per share based on the issue price of the debentures) under any of the following circumstances: (i) during any calendar quarter if the sale price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last day of the previous quarter is more than 110% of the accreted conversion price (as defined in this prospectus) per share of common stock on such last trading day; (ii) if the debentures have been called for redemption; (iii) upon the occurrence of specified corporate transactions; and (iv) upon the occurrence of specified credit rating events with respect to the debentures. The conversion rate may be adjusted as described in this prospectus. Our common stock is quoted on the New York Stock Exchange under the symbol "HAS." The last reported price of our common stock on February 21, 2002 was \$13.44 per share.

The debentures will mature on December 1, 2021. We may redeem for cash some or all of the debentures at any time on or after December 6, 2005 at a price equal to 100% of the principal amount of the debentures to be redeemed plus accrued and unpaid interest to the redemption date if the sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the fifth business day preceding the date of our notice of redemption is more than 125% of the accreted conversion price.

The interest rate on the debentures is 2.75% per year. If the average of the sale prices of our common stock is less than or equal to 45% of the accreted conversion price per share of common stock (as defined in this prospectus) for any 20 out of the last 30 trading days ending on the fifth day preceding each June 1 and December 1 beginning on December 1, 2005, then the interest rate on the debentures will be subject to an upward interest adjustment to the applicable reset rate for the subsequent six-month period. If an upward interest adjustment is in effect for a particular six-month period, we will pay a portion of the interest adjustment as cash interest at a rate of 0.25% per year (0.125% per six-month period) of the principal amount plus accrued and unpaid non-current interest, and the remaining additional interest will be accrued and payable at maturity. Following a tax event (as defined in this prospectus), we may elect to pay interest entirely in cash. If the average of the sale prices of our common stock is not less than or equal to 45% of the accreted conversion price per share of common stock for any 20 out of the last 30 trading days of the six-month period ending on the fifth day preceding each June 1 and December 1, then the interest rate on the debentures for the subsequent six-month period will revert to 2.75% per year. For United States federal income tax purposes, holders are required to treat the debentures as contingent payment debt instruments. See "Certain United States Federal Income Tax Considerations."

The debentures are our unsecured obligations and rank equally with all of our other existing and future unsecured senior indebtedness. Holders may require us to purchase all or a portion of their debentures on December 1, 2005, December 1, 2011 and December 1, 2016 at a price equal to 100% of the principal amount of the debentures to be purchased plus accrued and unpaid interest to such purchase date. We may choose to pay the purchase price in cash, shares of our common stock or a combination of cash and shares of our common stock. Holders may also require us to purchase debentures for cash upon a Fundamental Change (as defined in this prospectus) involving Hasbro. In the case of a purchase upon a Fundamental Change, the purchase price will be equal to 100% of the principal amount of the debentures plus accrued and unpaid interest.

-----  
INVESTING IN THE DEBENTURES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 2.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is \_\_\_\_\_, 2002

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THIS PROSPECTUS MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

-----  
 TABLE OF CONTENTS

PAGE ---- Note Regarding Forward-Looking  
 Statements..... ii Where You Can Find More  
 Information..... iii Incorporation of  
 Certain Documents by Reference..... iii  
 Summary.....  
     1 Risk  
 Factors..... 2  
     Use of  
 Proceeds..... 8  
     Ratio of Earnings to Fixed  
 Charges..... 8 Description of  
 Debentures..... 9 Description of  
 of Capital Stock..... 28 Certain  
 Anti-Takeover Provisions..... 29  
     Certain United States Federal Income Tax  
     Considerations..... 34 Selling  
 Securityholders..... 40  
     Plan of  
 Distribution..... 44  
     Validity of  
 Securities..... 46  
 Experts.....  
     46

#### NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated in this prospectus by reference may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 reflect our current expectations and are based upon currently available data. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, we note that 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:

- our 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;
- economic conditions, currency fluctuations, political instability and government regulation and other actions in the various markets in which we operate throughout the world;
- our ability to generate sales during the fourth quarter, particularly during the relatively brief holiday season, which is the period in which we derive a substantial portion of our revenues;
- the inventory policies of retailers, including the continuing trend of concentration of our revenues in the second half and fourth quarter of the year, together with the continuing consolidation of our retail customer base and their increased reliance on quick response inventory management techniques, which increases the risks of our underproducing popular items, overproducing less popular items and failing to achieve tight and compressed shipping schedules;
- the bankruptcy or other lack of success of one or more of our significant retailers, which could negatively impact our revenues or bad debt exposure;
- the impact of competition on revenues, margins and other aspects of our business, including our ability to secure, maintain and renew popular licenses and our ability to attract and retain employees in a competitive environment;
- the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization;
- the risk that the market appeal of our licensed products will be less than expected or that the sales revenue generated by those products will be insufficient to cover the minimum guaranteed royalties;
- our ability to obtain and enforce intellectual property rights both in the United States and abroad;
- the risk that any litigation or arbitration disputes or regulatory investigations could entail significant expense;
- our ability to obtain external financing on terms acceptable to us in order to meet our working capital needs;
- the risk that we may be subject to governmental sanctions for failure to comply with applicable regulations or to product liability suits relating to products we manufacture and distribute;
- the risk that our reported goodwill may become impaired, requiring us to take a charge against our income; and
- risks described from time to time in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other filings under the Exchange Act.

These or other events or circumstances could cause our actual performance or financial results in future periods to differ materially from those expressed in the forward-looking statements. We undertake no obligation to make any revisions to the forward-looking statements contained in this prospectus or the documents incorporated by reference in this prospectus, or to update the forward-looking statements to reflect events or circumstances occurring after the date of this prospectus.

#### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Our SEC filings are available over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference facility:

Public Reference Room  
450 Fifth Street, N.W.  
Room 1024  
Washington, D.C. 20549

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, DC 20549. Please call 1-800-SEC-0330 for further information on the operations of the public reference facilities and copying charges. Our SEC filings are also available at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate by reference in this prospectus the following documents filed by us with the SEC:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000;
- Our Quarterly Reports on Form 10-Q for the quarters ended April 1, 2001, July 1, 2001, and September 30, 2001;
- Our Current Reports on Form 8-K dated February 8, 2001, April 23, 2001, July 25, 2001, October 22, 2001, November 27, 2001, December 3, 2001, December 13, 2001, and February 7, 2002; and
- Our Registration Statement on Form 8-A as filed with the SEC on June 4, 1999.

Any statement made in a document incorporated by reference or deemed incorporated herein by reference is deemed to be modified or superseded for purposes of this prospectus if a statement contained in this prospectus or in any other subsequently filed document which also is incorporated or deemed incorporated by reference herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. We also incorporate by reference all documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of this offering.

Statements made in this prospectus or in any document incorporated by reference in this prospectus as to the contents of any contract or other document referred to herein or therein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the documents incorporated by reference, each such statement being qualified in all material respects by such reference.

We will provide a copy of these filings and any exhibits specifically incorporated by reference in these filings and a copy of the indenture and registration agreement referred to herein at no cost by request (written or oral) directed to us at the following address and telephone number: Hasbro, Inc., 1027 Newport Avenue, Pawtucket, Rhode Island, 02862, Attention: Investor Relations, or by telephone to Investor Relations at (401) 431-8697.

## SUMMARY

The following summary is qualified in its entirety by and should be read together with the more detailed information and the audited and unaudited financial statements, including the related notes, incorporated by reference in this prospectus. Except as expressly indicated or unless the context otherwise requires, "Hasbro", "we", "our" and "us" means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its consolidated subsidiaries. Unless the context requires otherwise, all references to "common stock" are to our common stock, par value \$0.50 per share, and the associated rights issued under our Shareholders Rights Plan dated June 16, 1999.

## COMPANY OVERVIEW

Hasbro 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 United States, our widely recognized core brands such as PLAYSKOOL, TONKA, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER, and WIZARDS OF THE COAST provide what we believe to be the highest quality play experiences in the world. We manage our business by focusing on two major areas: Toys and Games. Our offerings include a broad variety of games, including traditional board and card, hand-held electronic, children's consumer electronic, trading card and roleplaying games, as well as electronic interactive products, robotic pets, electronic learning aids and puzzles. Toy offerings include boys' action, preschool, creative play and girls' toys, dolls and plush products. We also license to others various trademarks, characters and other property rights for use in connection with consumer promotions and the sale by others of noncompeting toys and non-toy products.

In our U.S. Toys segment, we market our products as boys' toys, girls' toys, preschool and creative play. Brands and products from the Toys segment include: MR. POTATO HEAD, TONKA, G.I. JOE, STAR WARS, MONSTERS, INC., BOB THE BUILDER, TRANSFORMERS, TINKERTOY, EASY BAKE OVEN, PLAY-DOH and PLAYSKOOL.

In our Games segment, we market our games and puzzles under several well known core brands, including MILTON BRADLEY, PARKER BROTHERS, AVALON HILL, TIGER and WIZARDS OF THE COAST. Brands and products from the Games segment 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, TRIVIAL PURSUIT, DIPLOMACY, ACQUIRE and WHEELS ON THE BUS.

Our Tiger Electronics brand products bring innovation and technology to entertainment and lifestyle products for the whole family, including the HIT CLIPS micro music systems. WIZARDS OF THE COAST trading card and roleplaying games include the popular MAGIC: THE GATHERING, DUNGEONS AND DRAGONS and HARRY POTTER trading card game, based on The New York Times best-selling novels.

We operate in more than 25 countries, selling a representative range of the toy and game products we market in the United States, together with some items which are sold only internationally. In the year ended December 31, 2000, we derived approximately 41% of our total consolidated net revenues from international customers.

Our common stock is listed on the New York Stock Exchange under the symbol "HAS." Our principal executive offices are located at 1027 Newport Avenue, Pawtucket, Rhode Island, 02862. Our telephone number at that address is (401) 431-8697. For additional information about our business, please see our Form 10-K for the fiscal year ended December 31, 2000 and our other filings with the SEC which are incorporated by reference into this document. The capitalized terms used above are our trademarks or trade names, or those of our licensors.

## RISK FACTORS

Investing in the debentures involves risk. The risks and uncertainties described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

### RISKS RELATING TO OUR BUSINESS

VOLATILITY OF CONSUMER PREFERENCES AND THE HIGH LEVEL OF COMPETITION IN THE FAMILY ENTERTAINMENT INDUSTRY MAKES IT DIFFICULT TO MAINTAIN THE LONG-TERM SUCCESS OF EXISTING PRODUCT LINES AND CONSISTENTLY INTRODUCE SUCCESSFUL NEW PRODUCTS.

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 generally, and high technology products in particular, often have short life cycles. The success of entertainment properties released theatrically, such as STAR WARS, DISNEY or HARRY POTTER related productions, can significantly affect revenues we derive from licensed product related to those properties. In addition, competition in the industry could adversely impact our ability to secure, maintain, and renew popular licenses on beneficial terms, if at all, and to attract and retain the talented employees necessary to design, develop and market successful products. We cannot assure you that:

- any of our current products or product lines will continue to be popular for any significant period of time;
- any property for which we have a significant license will achieve popularity;
- any new products or product lines introduced by us will achieve an adequate degree of market acceptance;
- any new product's life cycle will be sufficient to permit us to profitably recover development, manufacturing, marketing, royalties (including royalty advances and guarantees) and other costs of the product; or
- we will be able to manufacture, source and ship new or continuing products in a timely basis to meet constantly changing consumer demands.

Our failure to successfully anticipate, identify and react to consumer preferences in family entertainment could have an adverse effect on our revenues, profitability and results of operations.

OUR BUSINESS IS SEASONAL AND 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 the retail level 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 occurs 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/or overproducing less popular items which would have an adverse effect on our sales and results of operations. In addition, as a result of the seasonal nature of our business, we would be significantly and adversely affected by unforeseen events, such as a terrorist attack, that negatively affect the retail environment if such events were to occur in the fourth quarter.

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.

We depend upon a relatively small retail customer base to sell our products. For the fiscal year ended December 31, 2000, Wal-Mart Stores, Inc. and Toys R Us, Inc. accounted for approximately 14% and 13%, respectively, of our consolidated net revenues and our five largest customers, including Wal-Mart and Toys R Us, in the aggregate accounted for approximately 41% of our consolidated net revenues. In order to maintain our relationships with our major customers, from time to time we may find it necessary to permit customers to return slow-moving items for credit and/or allow price reductions as to certain products then held by retailers in inventory. If one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could have a material adverse effect on our business, financial condition and results of operations.

WE MAY NOT REALIZE ANTICIPATED BENEFITS OF ACQUISITIONS OR THESE BENEFITS MAY BE DELAYED OR REDUCED IN THEIR REALIZATION; OUR ABILITY TO MAKE ACQUISITIONS IS LIMITED BY OUR CREDIT AGREEMENT.

Acquisitions have been a significant part of our growth over the years and have enabled us to further broaden and diversify our product offerings. Although we target companies that we believe offer attractive family entertainment products, we cannot assure you that the products of companies we acquire will achieve or maintain popularity with consumers. 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 cannot assure you 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 that we believe have strong and creative management, in which case we plan to create synergies by operating them autonomously rather than integrating them into our operations. We cannot assure you 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.

Because of limitations in our credit agreement, we are limited in our ability to make substantial acquisitions in the near term. Although we plan to focus greater attention and resources on our core owned and controlled brands, we cannot assure you that such efforts will produce revenue growth to replace the growth historically provided by acquisitions.

OUR SUBSTANTIAL SALES AND MANUFACTURING OPERATIONS OUTSIDE THE UNITED STATES SUBJECT US TO RISKS NORMALLY ASSOCIATED WITH INTERNATIONAL OPERATIONS.

We operate facilities and sell products in numerous countries outside the United States. For the fiscal year ended December 31, 2000, our net revenues from international customers comprised approximately 41% of our total consolidated net revenues. We expect our sales to international customers to continue to account for a significant portion of our revenues. Additionally, we utilize third-party manufacturers located principally in the Far East and we have manufacturing facilities in Ireland and Spain. These sales and

manufacturing operations are subject to the risks normally associated with international operations, including:

- currency conversion risks and currency fluctuations;
- limitations, including taxes, on the repatriation of earnings;
- political instability, civil unrest and economic instability;
- greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- complications in complying with laws in varying jurisdictions and changes in governmental policies;
- natural disasters and the greater difficulty and expense in recovering therefrom;
- transportation delays and interruptions; and
- 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, our operations would be disrupted while alternative sources of products were secured. Also, 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. Because of the importance of our international sales and international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly and adversely affected if any of the risks described above were to occur.

WE MAY NOT REALIZE THE FULL BENEFIT OF OUR LICENSES IF THE LICENSED MATERIAL HAS LESS MARKET APPEAL THAN EXPECTED OR IF SALES REVENUE FROM THE LICENSED PRODUCTS IS NOT SUFFICIENT TO EARN OUT THE MINIMUM GUARANTEED ROYALTIES.

An important part of our business involves obtaining licenses to produce products based on various theatrical releases, such as STAR WARS, MONSTERS, INC., and HARRY POTTER AND THE SORCERER'S STONE. The license agreements usually require us to pay minimum royalty guarantees that may be substantial, and in some cases may be greater than what we are able to recoup from actual sales. In addition, acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses we currently hold when they become available for renewal, or missing business opportunities for new licenses. As a licensee, we have no guaranty that a particular brand will be a successful toy or game product. Furthermore, there can be no assurance that a successful brand will continue to be successful or maintain a high level of sales in the future. In the event that we are not able to acquire or maintain advantageous licenses, our revenues and profits may be adversely effected.

OUR BUSINESS IS DEPENDENT ON INTELLECTUAL PROPERTY RIGHTS AND WE MAY NOT BE ABLE TO PROTECT SUCH RIGHTS SUCCESSFULLY.

Our intellectual property, including our license agreements and other agreements which establish our ownership rights and maintain our confidentiality, are of great value. We rely on a combination of trade secret, copyright, trademark, patent and other proprietary rights laws to protect our rights to this valuable intellectual property related to our brands. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights. We may need to resort to litigation in the future to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Our failure to protect our intellectual property rights, and in

particular the loss of ownership rights granted pursuant to licensing agreements, could have a material adverse effect on our business and competitive position.

WE ARE INVOLVED IN CERTAIN LITIGATION, ARBITRATION AND REGULATORY MATTERS WHERE THE OUTCOME IS UNCERTAIN AND WHICH COULD ENTAIL SIGNIFICANT EXPENSE.

As is the case with many large multinational corporations, we are subject from time to time to regulatory investigations, litigation and arbitration disputes. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of such matters could entail significant expense.

During 2001, we received two inquiries from the Office of Fair Trading in the United Kingdom (the "OFT") into allegedly anti-competitive pricing practices by our United Kingdom ("U.K.") subsidiary, Hasbro U.K. Ltd. ("Hasbro U.K."). While the first inquiry related to a small portion of Hasbro U.K.'s business, the inquiry received in the third quarter of 2001 from the OFT sought, among other things, information relating to Hasbro U.K.'s trading arrangements with its direct retail accounts, which represented the bulk of its business in the United Kingdom. If a fine is imposed pursuant to the OFT inquiry, we currently estimate that the amount of the fine could range from approximately \$236,000 to \$38.3 million. Because of a number of factors, including the relatively early stage of this inquiry, the lack of precedent under the applicable U.K. statute, and the significant appeal rights available to us in the event of an adverse determination by the OFT, there is no amount within this range which is a better estimate than any other amount in the range. Although we are vigorously pursuing our position with the OFT, we cannot assure you that the outcome of this matter will not result in a significant fine that materially affects our financial position.

WE RELY ON EXTERNAL FINANCING, INCLUDING OUR CREDIT FACILITY, TO MAINTAIN OUR OPERATIONS. IF WE ARE UNABLE TO OBTAIN SUCH FINANCING, OR IF THE RESTRICTIONS IMPOSED BY SUCH FINANCING WERE TOO BURDENSOME, OUR BUSINESS WOULD BE NEGATIVELY AFFECTED.

In order to meet our working capital needs, particularly those prior to the fourth quarter, we rely on our credit facility. In February 2001, we entered into an amended and restated secured revolving credit agreement with our existing lenders. This facility is secured by substantially all of our domestic accounts receivable and inventory, as well as certain of our investments and intangible assets. The agreement contains certain restrictive covenants setting forth minimum cash flow and coverage requirements, and a number of other limitations, including restrictions on capital expenditures, investments, acquisitions, share repurchases, incurrence of indebtedness and dividend payments. These restrictive covenants may limit our future actions, and financial, operating and strategic flexibility. In addition, our financial covenants were set at the time we entered into our credit facility. Our performance and financial condition may not meet our original expectations, causing us to fail to meet such financial covenants. If we were unable to meet our financial covenants, or if we failed to comply with other covenants in our credit facility, we could face significant negative consequences.

We also may choose to finance our capital needs, from time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms, or at all, could adversely affect our ability to support our future operations or capital needs or engage in other business activities.

MARKET CONDITIONS, GOVERNMENT ACTIONS AND REGULATIONS AND OTHER THIRD PARTY CONDUCT COULD NEGATIVELY IMPACT IMPLEMENTATION OF OUR CONSOLIDATION PROGRAMS, MARGINS, AND OTHER BUSINESS INITIATIVES.

Economic conditions, such as rising fuel prices, may adversely impact our margins. In addition, general economic conditions were significantly and negatively affected by the September 11th terrorist attacks and could be similarly affected by any future attacks. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could adversely affect our sales and profitability. Other conditions, such as the unavailability of electrical components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Additional factors outside of our control could delay or increase the cost of implementing our consolidation programs or alter our actions and reduce actual results.

AS A MANUFACTURER OF CONSUMER RETAIL PRODUCTS, WE ARE SUBJECT TO VARIOUS GOVERNMENT REGULATIONS, VIOLATION OF WHICH CAN SUBJECT US TO SANCTIONS, AND WE COULD BE THE SUBJECT OF FUTURE PRODUCT LIABILITY SUITS, WHICH CAN HARM OUR BUSINESS.

As a manufacturer of consumer retail products, we are subject to significant government regulation under the Consumer Products Safety Act, the Federal Hazardous Substances Act, and the Flammable Fabrics Act. While we take all the steps we believe are necessary to comply with these acts, there can be no assurance that we will be in compliance in the future. Failure to comply could result in sanctions which could have a negative impact on our business, financial condition, and results of operations.

In addition to government regulation, products that have been or may be developed by us may expose us to potential liability from personal injury or property damage claims by the users of such products. There can be no assurance that a claim will not be brought against us in the future. While we currently maintain product liability insurance coverage in amounts we believe sufficient for our business risks, we may not be able to maintain such coverage or such coverage may not be adequate to cover all potential claims. Moreover, even if we maintain successful insurance coverage, any successful claim could materially and adversely affect our business and financial condition and results of operations.

WE HAVE A MATERIAL AMOUNT OF GOODWILL WHICH, IF IT BECOMES IMPAIRED, WOULD RESULT IN A REDUCTION IN OUR NET INCOME.

Approximately \$803.2 million, or 20.9%, of our total assets as of December 31, 2000 represented goodwill. Goodwill is the amount by which the cost of an acquisition accounted for using the purchase method exceeds the fair value of the net assets we acquire. We record goodwill as an intangible asset on our balance sheet and have historically amortized it on a straight-line basis over a period of 10 to 40 years. Recently, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 142, Goodwill and Other Intangible Assets, which is effective for us in the first quarter of fiscal 2002. SFAS No. 142 results in goodwill no longer being amortized. Instead, goodwill is subject to a periodic impairment evaluation based on the fair value of the reporting unit. Reductions in our net income caused by the write-down of goodwill could materially and adversely affect our results of operations.

#### RISKS RELATED TO THE DEBENTURES AND THE OFFERING

WE EXPECT THAT THE TRADING VALUE OF THE DEBENTURES WILL BE SIGNIFICANTLY AFFECTED BY THE PRICE OF OUR COMMON STOCK AND OTHER FACTORS.

The market price of the debentures is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the debentures than would be expected for nonconvertible debt securities we issue. In addition, the debentures have a number of features, including conditions to conversion, which, if not met, could result in a holder receiving less than the value of the common stock into which the debentures are otherwise convertible. These features could adversely affect the value and the trading prices for the debentures.

CHANGES IN OUR CREDIT RATING OR THE CREDIT MARKETS COULD ADVERSELY AFFECT THE PRICE OF THE DEBENTURES.

The price of the debentures is based on a number of factors, including:

- our rating with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us; and
- the overall condition of the financial markets.

The condition of the credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price of the debentures.

In addition, credit rating agencies continually revise their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the family entertainment industry as a whole and may change their credit rating for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their ratings on the debentures. A negative change in our rating could have an adverse effect on the price of the debentures.

AN ACTIVE TRADING MARKET FOR DEBENTURES MAY NOT DEVELOP.

We cannot assure you that an active trading market for the debentures will develop or as to the liquidity or sustainability of any such market, or the ability of holders to sell their debentures or the price at which holders of the debentures may be able to sell their debentures. If an active market for the debentures fails to develop or be sustained, the trading prices of the debentures could be adversely affected. Future trading prices of the debentures will also depend on many other factors, including, among other things, prevailing interest rates, the market for similar securities, the price of our common stock, our performance and other factors.

WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO FINANCE THE FUNDAMENTAL CHANGE PURCHASE OR PURCHASE AT THE OPTION OF THE HOLDER.

On December 1, 2005, December 1, 2011 and December 1, 2016, and upon the occurrence of a Fundamental Change (as defined below under "Description of Debentures -- Fundamental Change") of Hasbro, holders of the debentures may require us to purchase their debentures. However, it is possible that we would not have sufficient funds at that time to make the required purchase of the debentures. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, may not constitute a Fundamental Change under the indenture. See "Description of Debentures -- Purchase of Debentures by Us at the Option of the Holder" and "-- Fundamental Change."

YOU SHOULD CONSIDER THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF OWNING THE DEBENTURES.

While the proper tax treatment of a holder of the debentures is uncertain, we and each holder agreed in the indenture to treat the debentures as "contingent payment debt instruments" and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments. Pursuant to this agreement, a holder is required to accrue interest on a constant yield-to-maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing (8.24%). A holder will recognize taxable income significantly in excess of cash received while the debentures are outstanding. In addition, a holder will recognize ordinary income upon a sale, exchange, conversion or redemption of the debentures at a gain. See "Certain United States Federal Income Tax Considerations."



## DESCRIPTION OF DEBENTURES

We issued the debentures under an indenture dated as of November 30, 2001 between us and The Bank of Nova Scotia Trust Company of New York, as trustee.

The following summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of the debentures and the indenture. We urge you to read the indenture and the form of the debentures, which you may obtain from us upon request. In this section, references to "Hasbro", "we", "our" or "us" refer solely to Hasbro, Inc. and not its subsidiaries.

### GENERAL

The debentures are senior unsecured obligations of ours and are limited to an aggregate principal amount of \$250,000,000. The debentures will mature on December 1, 2021. The debentures rank equally with all of our existing and future senior unsecured indebtedness.

The debentures were initially offered at a price to investors of \$1,000 per debenture. The debentures accrue interest at a rate of 2.75% per year from November 30, 2001 or from the most recent interest payment date to which interest has been paid or duly provided, payable semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2002. In addition, we will pay an upward interest adjustment under the circumstances described below. The maturity value of each debenture may exceed \$1,000 in the event an upward interest adjustment becomes payable on the debentures. The debentures were issued only in denominations of \$1,000 principal amount and multiples of \$1,000 principal amount.

Interest, including additional amounts in the event of an upward interest adjustment, will be paid to the person in whose name a debenture is registered at the close of business on May 15 or November 15, as the case may be, immediately preceding the relevant interest payment date. We will calculate interest on the debentures on the basis of a 360-day year composed of twelve 30-day months.

You have the option to convert your debentures into shares of our common stock initially at a conversion rate of 46.2963 shares of common stock per debenture. This is equivalent to an initial conversion price of \$21.60 per share of common stock. The conversion rate is subject to adjustment if certain events occur. Upon conversion, you will receive only shares of our common stock. You will not receive any cash payment for interest accrued to the conversion date.

If any interest payment date, maturity date, redemption date or purchase date of a debenture falls on a day that is not a business day, the required payment of principal and interest will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for the period from and after the interest payment date, maturity date, redemption date or purchase date, as the case may be, to the date of that payment on the next succeeding business day. The term "business day" means, with respect to any debenture, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

Each holder agreed in the indenture, for United States federal income tax purposes, to treat the debentures as "contingent payment debt instruments" and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments, including our determination that the rate at which interest will be deemed to accrue for United States federal income tax purposes is 8.24%, which is the rate comparable to the rate at which we would borrow on a noncontingent, nonconvertible borrowing. Accordingly, each holder is required to accrue interest on a constant yield to maturity basis at that rate, with the result that a holder will recognize taxable income significantly in excess of cash received while the debentures are outstanding. Based on our treatment of the debentures for United States federal income tax purposes, as discussed above, a holder would be required to recognize ordinary income upon a conversion of a debenture into our common stock equal to the excess, if any, between the value of the stock received on the conversion and the holder's adjusted tax basis in the debentures. For a more detailed discussion, see "Certain United States Federal Income Tax Considerations." However, the proper application of the regulations that govern contingent payment debt instruments to a holder of a debenture

is uncertain in a number of respects, and if our treatment were successfully challenged by the Internal Revenue Service, it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, and should not have recognized ordinary income upon a taxable disposition of its debenture.

EACH INVESTOR SHOULD CONSULT A TAX ADVISOR REGARDING THE TAX TREATMENT OF AN INVESTMENT IN THE DEBENTURES AND WHETHER AN INVESTMENT IN THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE INVESTOR'S PARTICULAR TAX SITUATION.

#### INTEREST ADJUSTMENT

The interest rate on the debentures is 2.75% per year through December 1, 2005. If the average of the sale prices of our common stock is less than or equal to 45% of the accreted conversion price per share of common stock for any 20 out of the last 30 trading days ending on the fifth day preceding any June 1 or December 1, as applicable, commencing December 1, 2005, then the interest rate on the debentures will be subject to an upward interest adjustment to the applicable reset rate (as defined below) for the six-month period beginning June 1 or December 1. If an upward interest adjustment is in effect and the average of the sale prices of our common stock is not less than or equal to 45% of the accreted conversion price of the debentures for any 20 out of the last 30 trading days ending on the fifth day preceding any June 1 or December 1, then the interest rate on the debentures for the six-month period beginning on such June 1 or December 1 will revert to 2.75% per year. If an upward interest adjustment is in effect for a particular six-month period, we will pay a portion of the interest adjustment as cash interest at an annualized rate of 0.25% per year (0.125% per six-month period) of the sum of the principal amount plus any accrued and unpaid non-current interest, and the remaining interest will be accrued and payable at maturity. Following a tax event, we may elect to pay interest entirely in cash.

In the event of an upward interest adjustment, the maturity value of a debenture will exceed its initial maturity value of \$1,000.

The "sale price" of our common stock on any date means the closing per share sale price (or if no closing 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 the average asked prices) on that date as reported on the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, then as reported by the Nasdaq system.

The accreted conversion price per share of our common stock as of any day will equal 100% of the principal amount of the debentures plus accrued and unpaid non-current interest, divided by the number of shares of common stock issuable upon conversion of such debenture on that day.

In the event of any upward interest adjustment, we will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on our Web site or through such other public medium as we may use at that time.

The "applicable reset rate" for any six-month period in which there is an upward interest adjustment in effect will be the rate set as of each purchase date (as defined below) and will be equal to the rate (the "reference fixed rate") that would, in the sole and reasonable judgment of the reset rate agent, result in a trading price of par for a hypothetical issue of senior, non-convertible, fixed-rate, callable debt securities of ours with:

- (i) a final maturity equal to the term from the most recent purchase date until the next purchase date;
- (ii) an aggregate principal amount equal to the then principal amount of the debentures plus accrued and unpaid non-current interest; and
- (iii) provisions that are, insofar as would be practicable for an issue of senior, non-convertible, fixed-rate, callable debt securities, substantially identical to those of the debentures;



provided that the applicable reset rate for any period shall not exceed 11% per year. If the reset rate agent determines in its reasonable judgment that there is no suitable reference fixed rate, the applicable interest rate on the debentures for that period will be the interest rate then in effect on the debentures, such interest rate to remain in effect until the reset rate agent determines that there is a suitable reference fixed rate at which time the reset rate agent shall determine the applicable reset rate for the period ending on the next purchase date.

#### RESET RATE AGENT; DETERMINATIONS CONCLUSIVE

We have designated Salomon Smith Barney Inc. as the reset rate agent. For the determination of the applicable reset rate, the reset rate agent will seek indicative reference rates from one other nationally recognized investment bank. The determination of any applicable reset rate will be made by the reset rate agent by averaging the indicative reference rates obtained by Salomon Smith Barney Inc. and such other investment bank. The determination of any applicable reset rate by the reset rate agent will be conclusive and binding upon the reset rate agent, Hasbro, the trustee and the holders of the debentures, in the absence of manifest error.

The reset rate agent may be removed at any time with or without cause by us giving at least 60 days' written notice to the reset rate agent. The reset rate agent may resign at any time upon giving at least 30 days' written notice to us. A successor reset rate agent will be appointed by us.

#### INTEREST

We will pay interest on the sum of principal amount plus accrued and unpaid non-current interest, if any, on the debentures at a rate of 2.75% per year. In addition, we will pay additional interest in the event of an upward interest adjustment. Interest will be based on a 360-day year comprised of twelve 30-day months, and will be payable semiannually on June 1 or December 1. Cash interest as a result of an upward interest adjustment will be paid at the rate of 0.25% per year (0.125% per six-month period), and any remaining interest resulting from the upward interest adjustment will accrue and be payable at maturity. The record date for the payment of interest to holders will be May 15 and November 15 of each year. Following a tax event (as defined below), we may elect to pay interest entirely in cash. We will give notice to holders of the debentures, no later than 30 days prior to each record date, of the amount of cash interest to be paid as of the next interest payment date. We will pay interest on the debentures by wire transfer or by check mailed to the address of the registered holders of the debentures as of the record date relating to each interest payment date.

You should be aware that interest that accrues for the period you hold the debentures must be included in your gross income for United States federal income tax purposes in accordance with the Treasury regulations that govern debt instruments providing for contingent payments. For more information, see the discussion below in the section captioned "Certain United States Federal Income Tax Considerations."

#### TAX EVENT

We can elect to pay the entire interest adjustment on the debentures in cash from and after the date a tax event occurs instead of having non-current interest accrue on the debentures. If that happens, the principal amount on which we pay cash interest will be restated and will be equal to the principal amount as of the day of restatement plus accrued and unpaid non-current interest. This restated principal amount will be the amount due at maturity. If we elect this option, interest will be based on a 360-day year comprised of twelve 30-day months. Cash interest at the higher rate will accrue from our option exercise date and will be payable semiannually in arrears on June 1 or December 1.

The term "tax event" means the receipt by us of an opinion of a nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of:

- any amendment to or change (including any announced prospective change (which will not include a proposed change)) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority of the United States or any political subdivision, provided that a tax event will not occur more than 90 days before the effective date of any prospective change in such laws or regulations; or
- any judicial decision or official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "administrative action"); or
- any amendment to or change in the administrative position or interpretation of any administrative action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental agency or regulatory body, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such administrative action or decision is announced, in each case, on or after the date of original issuance of the debentures;

there is more than an insubstantial risk that interest on the debentures, including interest pursuant to an upward interest adjustment, either:

- would not be deductible by us in its entirety on a current accrual basis; or
- would not be deductible under any other method, in whole or in part, by us for United States federal income tax purposes.

#### OPTIONAL REDEMPTION

No sinking fund is provided for the debentures. Prior to December 6, 2005, we cannot redeem the debentures. On or after December 6, 2005, we may redeem for cash all or part of the debentures at any time, upon not less than 30 nor more than 60 days' notice by mail to holders of debentures, for a price equal to 100% of the principal amount of the debentures to be redeemed plus any accrued and unpaid interest to the redemption date, if the sale price of our common stock for at least 20 trading days in any period of 30 consecutive trading days ending on the fifth day preceding the date of such notice is more than 125% of the accreted conversion price per share of common stock.

If we decide to redeem fewer than all of the outstanding debentures, the trustee will select the debentures to be redeemed by lot, or on a pro rata basis or by another method the trustee considers fair and appropriate.

If the trustee selects a portion of your debenture for partial redemption and you convert a portion of the same debenture, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to:

- issue, register the transfer of or exchange any debenture during a period of 15 days before any selection of debentures for redemption; or
- register the transfer of or exchange any debenture so selected for redemption, in whole or in part, except the unredeemed portion of any debenture being redeemed in part.

#### CONVERSION RIGHTS

Subject to the conditions described below, holders may convert each of their debentures into shares of our common stock initially at a conversion ratio of 46.2963 shares of common stock per \$1,000 principal amount of debentures (equivalent to an initial conversion price of \$21.60 per share of common stock based on the issue price of the debentures). The conversion rate and the equivalent conversion price in effect at

any given time are referred to as the "applicable conversion rate" and the "applicable conversion price," respectively, and will be subject to adjustment as described below. If a debenture has been called for redemption, holders will be entitled to convert the debentures from the date of notice of the redemption until the close of business two business days immediately preceding the date of redemption. A holder may convert fewer than all of such holder's debentures so long as the debentures converted are an integral multiple of \$1,000 principal amount.

Holders may surrender their debentures for conversion into shares of our common stock prior to stated maturity under the following circumstances.

#### CONVERSION UPON SATISFACTION OF SALE PRICE CONDITION

A holder may surrender any of its debentures for conversion into shares of our common stock during any calendar quarter if the sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the previous quarter is more than 110% of the accreted conversion price per share of common stock on such last trading day.

#### CONVERSION UPON REDEMPTION

A holder may surrender for conversion any debenture called for redemption at any time prior to the close of business two business days prior to the redemption date, even if it is not otherwise convertible at such time.

#### CONVERSION UPON SPECIFIED CORPORATE TRANSACTIONS

If we elect to:

- distribute to all holders of our common stock certain rights entitling them to purchase shares of our common stock at less than the sale price of a share of our common stock as of the business day prior to the date of declaration for such distribution or
- distribute to all holders of our common stock our assets, debt securities or certain rights to purchase our securities, which distribution has a per share value exceeding 15% of the sale price of our common stock on the day preceding the declaration date for such distribution,

we must notify the holders of the debentures at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their debentures for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place, even if the debentures are not otherwise convertible at such time; provided that a holder may not exercise this right to convert if the holder will otherwise participate in the distribution without conversion.

In addition, if we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into cash, securities or other property (other than if such property consists of shares of voting common stock of the surviving person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States, and such shares represent at least 95% of the aggregate fair market value (as determined by our board of directors) of such property), a holder may surrender debentures for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction. If we are a party to a consolidation, merger or binding share exchange pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a debenture into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its debentures immediately prior to the transaction. If the transaction also constitutes a Fundamental Change, as defined below, a holder can require us to purchase all or a portion of its debentures as described below under "-- Fundamental Change."

## CONVERSION UPON CREDIT RATINGS EVENT

A holder may surrender any of its debentures for conversion at any time if the long-term credit rating assigned to the debentures by any two of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P") or Fitch IBCA Duff & Phelps are reduced two notches below Ba3, BB and BB, respectively, or if the debentures are no longer rated by any two of these ratings services, or if the ratings for the debentures have been suspended by any two of these ratings services.

The initial conversion rate is 46.2963 shares of common stock for each debenture. This is equivalent to an initial conversion price of \$21.60 per share of common stock based on the issue price of the debentures. You will not receive any cash payment representing accrued and unpaid interest upon conversion of a debenture. Instead, upon conversion we will deliver to you a fixed number of shares of our common stock and any cash payment to account for fractional shares. The cash payment for fractional shares will be based on the sale price of our common stock on the trading day immediately prior to the conversion date. Delivery of shares of common stock will be deemed to satisfy our obligation to pay the principal amount of the debentures, including accrued interest. Accrued and unpaid interest will be deemed paid in full rather than canceled, extinguished or forfeited. We will not adjust the conversion rate to account for the accrued interest. We have designated the trustee to initially act as the conversion agent.

If a holder wishes to exercise its conversion right, such holder must deliver an irrevocable conversion notice, together, if the debentures are in certificated form, with the certificated security, to the conversion agent who will, on the holder's behalf, convert the debentures into shares of our common stock. Holders may obtain copies of the required form of the conversion notice from the conversion agent.

If a holder has already delivered a purchase notice or a Fundamental Change notice with respect to a debenture, however, the holder may not surrender that debenture for conversion until the holder has withdrawn the notice in accordance with the indenture.

Based on our treatment of the debentures for United States federal income tax purposes, as discussed above, a holder would be required to recognize ordinary income upon a conversion of a debenture into our common stock equal to the excess, if any, between the value of the stock received on the conversion and the holder's adjusted tax basis in the debentures. For a more detailed discussion, see "Certain United States Federal Income Tax Considerations."

The conversion rate is subject to adjustment upon the following events:

(1) the payment of dividends and other distributions payable exclusively in shares of our common stock on our common stock;

(2) the issuance to all or substantially all holders of our common stock of rights or warrants that allow the holders to purchase shares of our common stock at less than the then Average Sale Price (as defined in the indenture); provided that no adjustment will be made if holders of the debentures may participate in the transaction on a basis and with notice that our board of directors determines to be fair and appropriate or in certain other cases;

(3) subdivisions, combinations, or reclassifications of our common stock;

(4) payment of dividends or distributions to all holders of our common stock consisting of evidences of our indebtedness, securities or capital stock, cash or assets, excluding any common stock referred to in (1) above, any rights or warrants referred to in (2) above and dividends and distributions paid solely in cash;

(5) payment of dividends or distributions on our common stock paid exclusively in cash, excluding:

- cash dividends that do not exceed the per share amount of the immediately preceding regular cash dividend, as adjusted to reflect any of the events described in (1) to (4) above;

- cash dividends, if the annualized per share amount thereof does not exceed 15% of the current market price of our common stock on the trading day immediately prior to the date of declaration of the dividend; and
- a redemption of any rights issued under our shareholders rights plan; and

(6) payment to holders of our common stock in respect of a tender or exchange offer, other than an odd lot offer, made by us or any subsidiary of ours for our common stock (excluding stock options) in excess of 110% of the current market price of our common stock as of the trading day next succeeding the last date tenders or exchanges may be made in the tender or exchange offer.

In the event we elect to make a distribution described in (2) or (5) above which, in the case of (5), has a per share value equal to more than 15% of the sale price of our shares of common stock on the day preceding the declaration date for such distribution, we will be required to give notice to the holders of the debentures at least 20 days prior to the ex-dividend date for such distribution and, upon the giving of such notice, the debentures may be surrendered for conversion at any time until the close of business on the business day prior to the ex-dividend date or until we announce that such distribution will not take place. No adjustment to the conversion rate or the ability of a holder of a debenture to convert will be made if the holder will otherwise participate in the distribution without conversion or in certain other cases.

If our shareholders rights plan, described under "Certain Anti-Takeover Provisions -- Shareholders Rights Plan," is triggered, holders of the debentures will be entitled to receive these rights provided that the debentures are converted into shares of common stock prior to the distribution of the separate certificate representing those rights. There shall not be any adjustment to the conversion rate as a result of:

- the issuance of the rights;
- the distribution of separate certificates representing the rights;
- the exercise or redemption of the rights in accordance with any rights agreement; or
- the termination or invalidation of the rights.

The applicable conversion price will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by Hasbro or any of its subsidiaries; or
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the debentures were first issued.

We may increase the conversion rate as permitted by law for at least 20 days, so long as the increase is irrevocable during the period. If any action would require adjustment of the conversion rate under more than one of the provisions described above, only one adjustment will be made and that adjustment will be the amount of adjustment that has the highest absolute value to the holders of the debentures. No adjustment in the applicable conversion price will be required unless the adjustment would require an increase or decrease of at least 1% of the applicable conversion price. If the adjustment is not made because the adjustment does not change the applicable conversion price by more than 1%, then the adjustment that is not made will be carried forward and taken into account in any future adjustment. Except as specifically described above, the applicable conversion price will not be subject to adjustment in the case of the issuance of any of our common stock, or securities convertible into or exchangeable for our common stock.

## PURCHASE OF DEBENTURES BY US AT THE OPTION OF THE HOLDER

Holders have the right to require us to purchase the debentures on December 1, 2005, December 1, 2011 and December 1, 2016 (each, a "purchase date"). We will be required to purchase any outstanding debentures for which a holder delivers a written purchase notice to the paying agent. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 20 business days prior to the relevant purchase date until the close of business two business days prior to the purchase date. If the purchase notice is given and withdrawn during such period, we will not be obligated to purchase the related debentures. Our purchase obligation is also subject to some additional conditions as described in the indenture. Also, our ability to satisfy our purchase obligations may be affected by the factors described in "Risk Factors" under the caption "We may not have the ability to raise the funds necessary to finance the Fundamental Change purchase or purchase at the option of the holder."

The purchase price payable will be equal to 100% of the principal amount of the debentures to be purchased plus any accrued and unpaid interest to such purchase date.

We may choose to pay the purchase price in cash or shares of our common stock or a combination of cash and shares of our common stock, provided that we will pay any accrued and unpaid current cash interest in cash. For a discussion of the United States federal income tax treatment of a holder receiving cash, shares of common stock or any combination thereof, see "Certain United States Federal Income Tax Considerations."

If we choose to pay the purchase price in whole or in part in shares of our common stock or a combination of cash and shares of our common stock, we will be required to give notice on a date not less than 20 business days prior to each purchase date to all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law (i.e. if no notice is given, we will pay the purchase price with cash), stating, among other things:

- whether we will pay the purchase price of the debentures in cash, in shares of our common stock, or any combination thereof, specifying the percentages of each;
- If we elect to pay with shares of our common stock, the method of calculating the price of our common stock; and
- the procedures that holders must follow to require us to purchase their debentures.

If we pay with shares of our common stock, they will be valued at 97.5% of the market price of our common stock.

Simultaneously with such notice of purchase, we will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information and publish the information on our Web site or through such other public medium as we may use at that time.

A holder's notice electing to require us to purchase your debentures must state:

- if certificated debentures have been issued, the debentures certificate numbers, or if not certificated, your notice must comply with appropriate DTC procedures;
- the portion of the principal amount of debentures to be purchased, in multiples of \$1,000;
- that the debentures are to be purchased by us pursuant to the applicable provisions of the debentures; and
- in the event we elect, pursuant to the notice that we are required to give, to pay the purchase price in shares of our common stock, in whole or in part, but the purchase price is ultimately to be paid to the holder entirely in cash because any of the conditions to payment of the purchase price or

portion of the purchase price in shares of our common stock is not satisfied prior to the close of business on the last business day prior to the purchase date, whether the holder elects:

(1) to withdraw the purchase notice as to some or all of the debentures to which it relates, or

(2) to receive cash in respect of the entire purchase price for all debentures or portions of debentures subject to the purchase notice.

If the holder fails to indicate the holder's choice with respect to the election described in the final bullet point above, the holder will be deemed to have elected to receive cash in respect of the entire purchase price for all debentures subject to the purchase notice in these circumstances. For a discussion of the United States federal income tax treatment of a holder receiving cash instead of shares of our common stock, see "Certain United States Federal Income Tax Considerations."

You may withdraw any purchase notice by a written notice of withdrawal delivered to the paying agent prior to the close of business on the date that is two business days prior to the purchase date. The notice of withdrawal must state:

- the principal amount of the withdrawn debentures;
- if certificated debentures have been issued, the certificate numbers of the withdrawn debentures, or if not certificated, your notice must comply with appropriate DTC procedures; and
- the principal amount, if any, which remains subject to the purchase notice.

If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares to be delivered by us will be equal to the portion of the purchase price to be paid in shares of our common stock divided by 97.5% of the market price of one share of our common stock as determined by us in our purchase notice. We will pay cash based on the market price for all fractional shares.

The "market price" means the average of the sale prices of our common stock for the 20 trading day period ending on the third business day prior to the applicable purchase date or the date of determination (if the third business day prior to the applicable purchase date or the date of determination is a trading day, or if not, then on the last trading day prior to the third business day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during such 20 trading day period and ending on the applicable purchase date or the date of determination, of some events that would result in an adjustment of the conversion rate with respect to our common stock.

Because the market price of our common stock is determined prior to the applicable purchase date, holders of the debentures bear the market risk with respect to the value of our common stock to be received from the date the market price is determined to the purchase date. We may pay the purchase price or any portion of the purchase price in shares of our common stock only if the information necessary to calculate the market price is published in a daily newspaper of national circulation.

Upon determination of the actual number of shares of our common stock to be paid upon redemption of the debentures, we will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on our Web site or through such other public medium as we may use at that time.

A holder must either effect book-entry transfer or deliver the debentures, together with necessary endorsements, to the office of the paying agent after delivery of the purchase notice to receive payment of the purchase price. You will receive payment on the purchase date or the time of book-entry transfer or the delivery of the debentures. If the paying agent holds money or securities sufficient to pay the purchase price of the debentures on the business day following the purchase date, then:

- the debentures will cease to be outstanding;
- interest, including any interest payable pursuant to an interest adjustment will cease to accrue; and
- all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the debentures is made or whether or not the debenture is delivered to the paying agent.

#### RANKING

The debentures are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured indebtedness. However, the debentures are effectively subordinated to all existing and future obligations of our subsidiaries.

As of December 30, 2001, we had approximately \$1,149.9 million of total indebtedness outstanding, excluding the indebtedness of our subsidiaries. As of December 30, 2001, our subsidiaries had approximately \$52.1 million of outstanding indebtedness, to which the debentures would have been structurally subordinated.

#### FUNDAMENTAL CHANGE

If a Fundamental Change as defined below occurs, a holder of debentures will have the right, at its option, to require us to purchase all of its debentures not previously called for redemption, or any portion of the principal amount thereof, that is equal to \$1,000 or an integral multiple of \$1,000. The price we are required to pay is equal to 100% of the principal amount of the debentures to be purchased plus accrued and unpaid interest to the purchase date.

Within 30 days after the occurrence of a Fundamental Change, we are obligated to give to the holders of the debentures notice of the Fundamental Change and of the purchase right arising as a result of the Fundamental Change. We must also deliver a copy of this notice to the trustee. To exercise the purchase right, a holder of the debentures must deliver on or before the 30th day after the date of our notice irrevocable written notice to the trustee of the holder's exercise of its purchase right, together with the debentures with respect to which the right is being exercised. We are required to purchase the debentures on the date that is 45 days after the date of our notice.

A Fundamental Change will be deemed to have occurred at the time that any of the following occurs:

(1) any person acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of our capital stock entitling the person to exercise 50% or more of the total voting power of all shares of our capital stock that is entitled to vote generally in elections of directors ("voting stock"), other than an acquisition by us, any of our subsidiaries or any of our employee benefit plans; or

(2) we merge or consolidate with or into any other person, any merger of another person into us, or we convey, sell, transfer or lease all or substantially all of our assets to another person, other than any transaction:

- that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our capital stock (such as an acquisition by a subsidiary); or
- where the holders of our voting stock immediately prior to the transaction have 50% or more of the total voting stock of Hasbro or its successor immediately after the transaction; or
- which is effected solely to change our jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of our common stock solely into shares of our common stock of the surviving entity; or

(3) any time our continuing directors do not constitute a majority of our board of directors (or, if applicable, a successor corporation to us).

However, a Fundamental Change will not be deemed to have occurred if either:

(A) the sale price of our common stock for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the Fundamental Change or the public



announcement of the Fundamental Change in the case of a Fundamental Change relating to an acquisition of capital stock, or the period of 10 consecutive trading days ending immediately before the Fundamental Change, in the case of Fundamental Change relating to a merger, consolidation or asset sale, equals or exceeds 105% of the accreted conversion price per share of common stock in effect on each of those trading days; or

(B) all of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights) in a merger or consolidation otherwise constituting a Fundamental Change under clause (1) and/or clause (2) above consists of shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (or will be so traded or quoted immediately following the merger or consolidation) and as a result of the merger or consolidation the debentures become convertible into such common stock.

For purposes of these provisions:

- whether a person is a "beneficial owner" will be determined in accordance with Rule 13d-3 under the Exchange Act; and
- "person" includes any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

The definition of Fundamental Change includes a phrase relating to the conveyance, transfer, sale, lease or disposition of "all or substantially all" of our assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of the debentures to require us to purchase its debentures as a result of the conveyance, transfer, sale, lease or other disposition of less than all of our assets may be uncertain.

The foregoing provisions would not necessarily provide the holders of the debentures with protection if we are involved in a highly leveraged or other transaction that may adversely affect the holders.

If a Fundamental Change were to occur, we may not have enough funds to pay the Fundamental Change purchase price. See "Risk Factors" under the caption "We may not have the ability to raise the funds necessary to finance the Fundamental Change purchase or purchase at the option of the holder." In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting our holders to accelerate or to require us to purchase our indebtedness upon the occurrence of similar events or on some specific dates. If we fail to purchase the debentures when required following a Fundamental Change, we will be in default under the indenture.

#### MERGER AND SALES OF ASSETS BY HASBRO

We may not, in a single transaction or a series of related transactions (1) consolidate with or merge into any other person or convey, transfer, sell or lease our properties and assets substantially as an entirety to any person or (2) permit any person to consolidate with or merge into us unless:

- the person formed by the consolidation or into which we are merged or the person to which our properties and assets are so conveyed, transferred, sold or leased, shall be a corporation, limited liability company, partnership or trust organized and existing under the laws of the United States, any State within the United States or the District of Columbia and, if we are not the surviving person, the surviving person assumes the payment of the principal of and interest on the debentures and the performance of our other covenants under the indenture;
- in all cases, immediately after giving effect to the transaction, no event of default, and no event that, after notice or lapse of time or both, would become an event of default, will have occurred and be continuing; and
- we or such successor person shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such transaction and the supplemental indenture comply with the

indenture and that all conditions precedent in the indenture relating to such transaction have been satisfied.

#### EVENTS OF DEFAULT

The following are events of default with respect to the debentures:

(1) default for 30 days in payment of any interest or liquidated damages (as described below) due and payable on the debentures, including additional interest payable upon an upward interest adjustment;

(2) default in payment of the principal amount of the debentures and accrued and unpaid interest at maturity, upon redemption, purchase at the option of the holder or following a Fundamental Change when the same becomes due and payable;

(3) default in our obligation to deliver shares of our common stock upon an appropriate election by holders of debentures to convert those debentures and continuance of such default for 10 days;

(4) failure to comply in any material respect with any other covenant or agreement in respect of the debentures contained in the indenture or the debentures for 60 days after written notice to us by the trustee or to us and the trustee by holders of at least 25% in aggregate principal amount of the debentures then outstanding;

(5) failure to provide timely notice of a Fundamental Change;

(6) default under any credit agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us or any of our significant subsidiaries (or the payment of which is guaranteed by us or any of our significant subsidiaries), which default

- is caused by a failure to pay when due any principal of such indebtedness within the grace period provided for in such indebtedness, which failure continues beyond any applicable grace period, or
- results in the acceleration of such indebtedness prior to its express maturity, without such acceleration being rescinded or annulled,

and, in each case, the principal amount of such indebtedness, together with the principal amount of any other such indebtedness under which there is a payment default or the maturity of which has been so accelerated, aggregates \$25,000,000 or more and such payment default is not cured or such acceleration is not annulled within 30 days after written notice to us by the trustee or to us and the trustee by holders of at least 25% in aggregate principal amount of the debentures then outstanding;

(7) failure by us or any of our significant subsidiaries to pay final, non-appealable judgments (other than any judgment as to which a reputable insurance company has accepted full liability) aggregating in excess of \$25,000,000, which judgments are not stayed, bonded or discharged within 60 days after their entry; and

(8) certain events involving our or any of our significant subsidiaries' bankruptcy, insolvency or reorganization.

The indenture requires that we file annually with the trustee a certificate describing any material default by us in the performance of any conditions or covenants that has occurred under the indenture and its status. We must give the trustee written notice within 30 days of any event of default described in (4), (5), (6), (7) or (8) above.

The indenture provides that if an event of default occurs and is continuing with respect to the debentures, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debentures may declare the principal amount plus accrued and unpaid interest, if any, on the debentures to be due and payable immediately. If an event of default relating to events or bankruptcy,

insolvency or reorganization occurs, the principal amount plus accrued and unpaid interest, if any, on the debentures will become immediately due and payable without any action on the part of the trustee or any holder.

A holder of debentures may pursue any remedy under the indenture only if:

- the holder gives the trustee written notice of a continuing event of default for the debentures;
- the holders of at least 25% in principal amount of the outstanding debentures make a written request to the trustee to pursue the remedy;
- the holder offers to the trustee indemnity reasonably satisfactory to the trustee;
- the trustee fails to act for a period of 60 days after receipt of notice and offer of indemnity; and
- during that 60-day period, the holders of a majority in principal amount of the debentures do not give the trustee a direction inconsistent with the request.

This provision does not, however, affect the right of a holder of debentures to sue for enforcement of payment of the principal of or interest, including liquidated damages, on the holder's debenture on or after the respective due dates expressed in its debenture or the holder's right to convert its debenture in accordance with the indenture.

The trustee is entitled under the indenture, subject to the duty of the trustee during a default to act with the required standard of care, to be indemnified before proceeding to exercise any right or power under the indenture at the direction of the registered holders of the debentures or which requires the trustee to expend or risk its own funds or otherwise incur any financial liability. The indenture also provides that the registered holders of a majority in principal amount of the outstanding debentures (or of all debt securities affected, voting as one class) may 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 that series of debt securities. The trustee, however, may refuse to follow any such direction that conflicts with law or the indenture, is unduly prejudicial to the rights of other registered holders of that series of debt securities, or would involve the trustee in personal liability.

The indenture provides that while the trustee generally must mail notice of a default or event of default to the registered holders of the debentures within 60 days of occurrence, the trustee may withhold notice of any default or event of default (except in payment on the debt securities) if the trustee in good faith determines that the withholding of such notice is in the interest of the registered holders of the debentures.

#### MODIFICATION AND WAIVER

We may amend or supplement the indenture if the holders of a majority in principal amount of the debentures consent to it. Without the consent of the holder of each debenture affected, however, no modification may:

- reduce the amount of debentures whose holders must consent to an amendment, supplement or waiver;
- reduce the rate of accrual of interest or change the time for payment of interest on the debentures;
- reduce the value of our common stock to which reference is made in determining whether an interest adjustment will be made on the debentures, or change the method by which this value is calculated;
- reduce the principal amount of the debentures or change its stated maturity;
- reduce the redemption or purchase price of the debentures or change the time at which the debentures may or must be redeemed or purchased;

- make payments on the debentures payable in currency other than as originally stated in the debentures;
- impair the holder's right to institute suit for the enforcement of any payment on the debentures;
- make any change in the percentage of principal amount of debentures necessary to waive compliance with some provisions of the indenture or to make any change in this provision for modification;
- waive a continuing default or event of default regarding any payment on the debentures; or
- adversely affect the conversion or repurchase provisions of the debentures.

We may amend or supplement the indenture or waive any provision of it without the consent of any holders of debentures in some circumstances, including:

- to cure any ambiguity, omission, defect or inconsistency, provided such amendment does not materially and adversely affect the debentures;
- to provide for the assumption of our obligations under the indenture by a successor upon any merger, consolidation or asset transfer permitted under the indenture;
- to provide for uncertificated debentures in addition to or in place of certificated debentures or to provide for bearer debentures;
- to provide any security for or guarantees of the debentures;
- to comply with any requirement to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939;
- to add covenants that would benefit the holders of debentures or to surrender any rights we have under the indenture;
- to add events of default with respect to the debentures; or
- to make any change that we and the trustee may deem necessary or desirable, provided such amendment does not materially and adversely affect the debentures.

The holders of a majority in principal amount of the outstanding debentures may waive any existing or past default or event of default. Those holders may not, however, waive any default or event of default in any payment on any debenture or compliance with a provision that cannot be amended or supplemented without the consent of each holder affected.

#### REGISTRATION RIGHTS

The shelf registration statement of which this prospectus forms a part has been filed under the terms of the registration agreement we entered into with the initial purchasers of the debentures. Pursuant to the registration agreement, we agreed for the benefit of the holders of the debentures and common stock issued upon conversion thereof that

- we would, at our cost, within 90 days after the original issue date of the debentures, file a shelf registration statement with the SEC with respect to resales of the debentures and the common stock issuable upon their conversion;
- we will use our commercially reasonable efforts to cause such shelf registration statement to be declared effective under the Securities Act within 180 days after the issue date; and
- subject to our rights to suspend the use of the shelf registration statement, we will use our commercially reasonable efforts to keep the shelf registration statement continuously effective under the Securities Act until the earliest of (i) the second anniversary of the issue date, (ii) the date on which the debentures or the common stock issuable upon their conversion may be sold by non-affiliates of us pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by

the SEC under the Securities Act and (iii) the date as of which all the debentures or the common stock issuable upon their conversion have been sold pursuant to the shelf registration statement.

If the shelf registration statement

- is not filed with the SEC on or prior to 90 days, or has not been declared effective by the SEC within 180 days or
- is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by a replacement shelf registration statement filed and declared effective) or usable for the offer and sale of transfer restricted securities for a period of time (including any suspension period) which exceeds 90 days in the aggregate in any 12-month period during the period beginning on the issue date and ending on or prior to the second anniversary of such date

(both of which we refer to as a "registration default"), we will pay liquidated damages to each holder of transfer restricted securities which has complied with its obligations under the registration agreement.

The amount of liquidated damages payable during any period in which a registration default has occurred and is continuing is that amount which is equal to:

- 0.25 percent (or 25 basis points) per annum per \$1,000 principal amount of debentures or \$2.50 per annum per 46.2963 shares of our common stock (subject to adjustment in the event of a stock split, stock recombination, stock dividend and the like) constituting transfer restricted securities, for the first 90 days during which a Registration Default has occurred and is continuing; and
- 0.50 percent (or 50 basis points) per annum per \$1,000 principal amount of debentures or \$5.00 per annum per 46.2963 shares of our common stock (subject to adjustment as set forth above) constituting transfer restricted securities for any additional days during which such registration default has occurred and is continuing.

All accrued liquidated damages will be paid on each damages payment date (as defined in the registration agreement). Following the cure of a registration default, liquidated damages will cease to accrue with respect to such registration default.

"Transfer restricted securities" means each debenture and any share of our common stock issued on conversion thereof until the date on which such debenture or share, as the case may be:

- has been transferred pursuant to the shelf registration statement or another registration statement covering such debenture or share which has been filed with the SEC pursuant to the Securities Act, in either case after such registration statement has become effective under the Securities Act;
- has been transferred pursuant to Rule 144 under the Securities Act (or any similar provision then in force); or
- may be sold or transferred pursuant to paragraph (k) of Rule 144 under the Securities Act (or any successor provision promulgated by the SEC).

Upon request, we will provide or cause to be provided to each holder of the debentures, or our common stock issuable upon conversion of the debentures, copies of this prospectus. We will also notify or cause to be notified each such holder when the shelf registration statement for the debentures or our common stock issuable upon conversion of the debentures has become effective and take certain other actions as are required to permit unrestricted resales of the debentures or our common stock issuable upon conversion of the debentures. A holder of debentures or our common stock issuable upon conversion of the debentures that sells such securities pursuant to a shelf registration statement:

- is required to be named as a selling security holder in this prospectus and to deliver this prospectus to purchasers;
- is subject to certain of the civil liability provisions under the Securities Act in connection with such sales; and

- is bound by the provisions of the registration agreement that are applicable to such holder (including certain indemnification and contribution rights or obligations).

Holders of debentures or our common stock wishing to resell debentures or our common stock issuable upon their conversion pursuant to the shelf registration statement are required to complete and deliver to us a notice and questionnaire. Holders are required to complete and deliver the questionnaire at least 10 days prior to the effectiveness of the shelf registration statement if they wish to be named as selling securityholders in this prospectus at the time of effectiveness. If we receive a completed questionnaire, together with such other information as may be reasonably requested by us, from a holder of debentures following the effectiveness of the shelf registration statement, we will, as promptly as practicable but in any event within five business days of such receipt, file such supplements to this prospectus as are necessary to permit such holder to deliver this prospectus to purchasers of debentures or our common stock issuable upon their conversion (subject to our right to suspend the use of the prospectus as described below). However, to the extent that we are required to file an amendment to the shelf registration statement in order to permit any such holder to deliver this prospectus to purchasers of debentures or our common stock issuable upon their conversion, we will file such an amendment no later than the first business day of the next calendar quarter that begins on or after ten business days following the date we receive the completed questionnaire. Any holder that does not timely complete and deliver a questionnaire or provide such other information will not be named as a selling securityholder in this prospectus and therefore will not be permitted to sell any securities pursuant to the shelf registration statement.

We are permitted to suspend the use of this prospectus which is a part of the shelf registration statement for a period not to exceed 45 days in any three-month period or for two periods not to exceed an aggregate of 90 days in any twelve-month period (both of which we refer to as a "suspension period") under certain circumstances relating to pending corporate developments, public filings with the SEC and similar events. We will pay all expenses of the shelf registration statement; however, each holder is required to bear the expense of any broker's commission, agency fee or underwriter's discount or commission.

The summary herein of certain provisions of the registration agreement is subject to, and is qualified in its entirety by reference to, all the provisions of the registration agreement, a copy of which is available upon request to us as described under "Where You Can Find More Information."

#### CALCULATIONS IN RESPECT OF DEBENTURES

We are responsible for making all calculations called for under the debentures, except for such calculations made by the reset rate agent. These calculations include, but are not limited to, determinations of the market prices of our common stock, accrued interest payable on the debentures and the accreted conversion price of the debentures. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of debentures. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and each of the trustee and conversion agent is entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of debentures upon the request of that holder.

#### GOVERNING LAW

The indenture and the debentures are governed by, and construed in accordance with, the laws of the State of New York.

#### TRUSTEE

The Bank of Nova Scotia Trust Company of New York is the trustee, security registrar, paying agent and conversion agent.

If an event of default occurs and is continuing, the trustee will be required to use the degree of care and skill of a prudent man in the conduct of his own affairs. The trustee will become obligated to exercise any of its powers under the indenture at the request of any of the holders of any debentures only after those holders have offered the trustee indemnity reasonably satisfactory to it.

If the trustee becomes one of our creditors, it will be subject to limitations in the indenture on its rights to obtain payment of claims or to realize on some property received for any such claim, as security or otherwise. The trustee is permitted to engage in other transactions with us. If, however, it acquires any conflicting interest, it must eliminate that conflict or resign. The Bank of Nova Scotia Trust Company of New York is currently serving as the trustee under other indentures governing our debt issuances.

#### FORM, EXCHANGE, REGISTRATION AND TRANSFER

We issued the debentures in registered form, without interest coupons. We will not charge a service charge for any registration of transfer or exchange of the debentures. We may, however, require the payment of any tax or other governmental charge payable for that registration.

The debentures are exchangeable for other debentures, for the same total principal amount and for the same terms but in different authorized denominations in accordance with the indenture. Holders may present debentures for registration of transfer at the office of the security registrar or any transfer agent we designate. The security registrar or transfer agent will effect the transfer or exchange when it is satisfied with the documents of title and identity of the person making the request.

We have appointed the trustee as security registrar for the debentures. We may at any time rescind that designation or approve a change in the location through which any registrar acts. We are required to maintain an office or agency for transfers and exchanges in each place of payment. We may at any time designate additional registrars for the debentures.

In the case of any redemption, the security registrar will not be required to register the transfer or exchange of any debentures either:

- during a period of 15 days before any selection of debentures for redemption; or
- if the debentures have been called for redemption in whole or in part, except the unredeemed portion of any debentures being redeemed in part.

#### PAYMENT AND PAYING AGENT

Payments on the debentures will be made in U.S. dollars at the office of the trustee. At our option, however, we may make payments by check mailed to the holder's registered address or, with respect to global debentures, by wire transfer. We will make interest payments to the person in whose name the debentures are registered at the close of business on the record date for the interest payment.

We have designated the trustee as our paying agent for payments on debentures. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts.

Subject to the requirements of any applicable abandoned property laws, the trustee and paying agent shall pay to us upon written request any money held by them for payments on the debentures that remain unclaimed for two years after the date upon which that payment has become due. After payment to us, holders entitled to the money must look to us for payment. In that case, all liability of the trustee or paying agent with respect to that money will cease.

#### NOTICES

Except as otherwise described herein, notice to registered holders of the debentures will be given by mail to the addresses as they appear in the security register. Notices will be deemed to have been given on the date of such mailing.

## REPLACEMENT OF DEBENTURES

We will replace any debentures that become mutilated, destroyed, stolen or lost at the expense of the holder upon delivery to the trustee of the mutilated debentures or evidence of the loss, theft or destruction satisfactory to us and the trustee. In the case of a lost, stolen or destroyed debentures, indemnity satisfactory to the trustee and us may be required at the expense of the holder of the debentures before a replacement debenture will be issued.

## PAYMENT OF STAMP AND OTHER TAXES

We will pay all stamp and other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of the debentures. We will not be required to make any payment with respect to any other tax, assessment or governmental charge imposed by any government or any political subdivision thereof or taxing authority thereof or therein.

## BOOK-ENTRY SYSTEM

The debentures are represented by one or more global securities. Each global security is deposited with, or on behalf of, DTC and is registered in the name of a nominee of DTC. Except under circumstances described below, the debentures will not be issued in definitive form.

Investors who purchase debentures in offshore transactions in reliance on Regulation S under the Securities Act may hold their interest in a global security directly through Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, societe anonyme ("Clearstream"), if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream hold interests in the global securities on behalf of their participants through their respective depositaries, which in turn hold such interests in the global securities in customers' securities accounts in the depositaries' names on the books of DTC.

Upon the issuance of the global security, DTC credited on its book-entry registration and transfer system the accounts of persons designated by the initial purchaser with the respective principal amounts of the debentures represented by the global security. Ownership of beneficial interests in a global security is limited to persons that have accounts with DTC or its nominee ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in a global security is shown on, and the transfer of that ownership is effected only through, records maintained by DTC or its nominee (with respect to interests of persons other than participants). The laws of some states require that some purchasers of securities take physical delivery of the securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, is considered the sole owner or holder of the debentures represented by that global security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global security are not entitled to have debentures represented by that global security registered in their names, are not entitled to receive (and will not receive) physical delivery of debentures in definitive form and are not considered the owners or holders thereof under the indenture. Principal and interest payments, if any, on debentures registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the relevant global security. Neither Hasbro, the trustee, any paying agent or the security registrar for the debentures has any responsibility or liability for any aspect of the records relating to nor payments made on account of beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest, if any, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global



security held through these participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participants.

Unless and until they are exchanged in whole or in part for debentures in definitive form, the global securities may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the global securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the global securities from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and such credit of any transactions interests in the global securities settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in the global securities by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

If DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days, we will issue debentures in definitive form in exchange for the global securities relating to the debentures. In addition, we may at any time and in our sole discretion determine not to have debentures represented by global securities and, in such event, will issue debentures in definitive form in exchange for the global securities relating to the debentures. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of debentures represented by the global security equal in principal amount to the beneficial interest and to have the debentures registered in its name. Debentures so issued in definitive form will be issued as registered debentures in denominations of \$1,000 and integral multiples thereof, unless otherwise specified by us.

## DESCRIPTION OF CAPITAL STOCK

### GENERAL

Our authorized capital stock consists of 600,000,000 shares of common stock, and 5,000,000 shares of preference stock. No shares of preference stock were issued or outstanding as of February 21, 2002. However, 60,000 shares of preference stock (the "Junior Participating Preference Stock") have been authorized and reserved for issuance in connection with the preference stock purchase rights (the "Rights") described in "Certain Anti-Takeover Provisions "-- Shareholders Rights Plan" and "-- Junior Participating Preference Stock."

### VOTING RIGHTS

Each holder of common stock is entitled to one vote for each share held on all matters to be voted upon by shareholders.

### DIVIDEND RIGHTS

The holders of common stock, subject to the rights of holders of any outstanding preference stock, are entitled to receive dividends as determined by the board of directors.

### LIQUIDATION RIGHTS AND OTHER PROVISIONS

Subject to the prior rights of creditors and the holders of any outstanding preference stock, the holders of the common stock are entitled to share ratably in our remaining assets in the event of our liquidation, dissolution or winding up.

The common stock is fully paid and is not liable to any calls or assessments and is not convertible into any other securities. There are no redemption or sinking fund provisions applicable to the common stock, and, in accordance with the Rhode Island Business Corporation Act and our Articles of Incorporation, there are no preemptive rights.

EquiServe Trust Company, N.A., acting directly and through EquiServe L.P., acts as transfer agent and registrar for our common stock.

### DIRECTORS' LIABILITY

Our Articles of Incorporation provide that, to the fullest extent permitted by the Rhode Island Business Corporation Act, a member of the board of directors will not be personally liable to us or our shareholders for monetary damages for breaches of his or her legal duties to us or our shareholders as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our shareholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for unlawfully declaring dividend payments or purchasing stock; or
- for any transaction from which the director derived an improper personal benefit, other than as permitted under Section 7-1.1-37 of the Rhode Island Business Corporation Act.

In addition, we have entered into an indemnification agreement with each of our directors, whereby we have agreed to indemnify each director for amounts that the director is legally obligated to pay, including judgments, settlements of fines, including certain related expenses to be advanced by us, due to

any actual or alleged breach of duty, neglect, error, misstatement, misleading statement or other act or omission by a director in his or her capacity as a director. This indemnification agreement excludes claims:

- covered by our directors and officers liability insurance policy;
- for which the director is otherwise indemnified or reimbursed;
- relating to certain judgments or adjudications under which the director is liable for breaches of duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or involving knowing violations of law, liability imposed pursuant to the provisions of Section 7-1.1-43 of the Rhode Island Business Corporation Act, actions or certain transactions from which the director derives an improper personal benefit;
- relating to the director's liability for accounting for profits under Section 16 of the Exchange Act;
- in respect of remuneration, if found unlawful; and
- as to which a final and non-appealable judgment has determined that payment to the director thereunder is unlawful.

In addition, our By-Laws include certain provisions which provide that our directors and officers generally shall be indemnified against specific liabilities to the fullest extent permitted or required by the Rhode Island Business Corporation Act.

#### CERTAIN ANTI-TAKEOVER PROVISIONS

The provisions of our Articles of Incorporation summarized in the succeeding paragraphs could have an anti-takeover effect. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors and in their policies. They may, however, delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider to be in his or her best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

Our Board of Directors is divided into three classes that are elected for staggered three-year terms. Directors can be removed from office only for cause and, with certain exceptions, only with the approval of a majority vote of the entire Board of Directors or by the affirmative vote of holders of a majority of our then outstanding shares of capital stock entitled to vote for these directors. Vacancies on the Board of Directors may be filled only by the remaining directors and not by the shareholders.

Under our Articles of Incorporation, the Board of Directors by resolution may establish one or more series of preference stock having the number of shares, designation, relative voting rights, dividend rates, liquidation and other rights, preferences and limitations as may be fixed by the Board of Directors without any further shareholder approval. These rights, preferences, privileges and limitations as may be established could have the effect of impeding or discouraging the acquisition of control of us.

Our Articles of Incorporation also provide that any action required or permitted to be taken by our shareholders may be effected only at an annual or special meeting of shareholders, or by the unanimous written consent of shareholders.

In order to approve a number of extraordinary corporate transactions, such as a merger, consolidation or sale of all or substantially all assets, with an Interested Person, as defined below, our Articles of Incorporation require:

- an 80% vote of all outstanding shares entitled to vote, including a majority vote of all disinterested shareholders;
- the approval of a majority of the entire Board of Directors, including the affirmative vote of a majority of the "Continuing Directors," as defined in our Articles of Incorporation; and

- the satisfaction of procedural requirements which are intended to assure that shareholders are treated fairly under the circumstances.

"Interested Person," as used in the preceding paragraph means:

- any person together with its "Affiliates" and "Associates," as defined in the Exchange Act, and any person acting in concert therewith who is the beneficial owner, directly or indirectly, of ten percent or more of the votes held by the holders of the securities generally entitled to vote for directors (the "Voting Stock"),
- any Affiliate or Associate of an Interested Person, including without limitation, a Person acting in concert therewith,
- any person that at any time within the two year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of ten percent or more of the votes held by the holders of shares of Voting Stock, or
- an assignee of, or successor to, any shares of Voting Stock which were at any time within the two year period prior to the date in question beneficially owned by any Interested Person, if such assignment or succession occurred in a transaction or series of transactions not involving a public offering as defined by the Securities Act.

This definition of an Interested Person is subject to certain exceptions as contained within our Articles of Incorporation.

The 80% vote will not be required and, in accordance with the Rhode Island Business Corporation Act, only a majority vote of shareholders will generally be required if this type of a transaction is approved by a majority of the entire Board of Directors, including the affirmative vote of at least two-thirds of the Continuing Directors.

#### SHAREHOLDERS RIGHTS PLAN

On June 16, 1999, we entered into a rights agreement with BankBoston, N.A., the predecessor to EquiServe Trust Company, N.A., as Rights Agent. This agreement, as amended on December 4, 2000, replaced a previous rights agreement, dated June 4, 1989, which expired on June 30, 1999. As with most shareholder rights agreements, the terms of our rights agreement are complex and not easily summarized, particularly as they relate to the acquisition of our common stock and to exercisability of the Rights. This summary may not contain all of the information that is important to you. Accordingly, you should carefully read our rights agreement, which is incorporated by reference into this prospectus in its entirety. Capitalized terms used in this summary and not otherwise defined shall have the meanings given to them in the rights agreement.

The Rights attach to all certificates representing shares of common stock outstanding at the close of business on June 30, 1999 and will attach to any shares of common stock issued by us, including upon the exercise of any warrants and options or upon conversion of any convertible debt securities, after this date and prior to the Distribution Date, as defined below. The Rights will become exercisable and will separate from the common stock and be represented by separate certificates on the Distribution Date, the date which is approximately 10 days after anyone acquires or commences a tender offer to acquire 15% of more of our outstanding common stock (an "Acquiring Person"). The Rights will not be exercisable until such date, if any, and will expire on June 30, 2009, unless this date is extended or unless the Rights are earlier exchanged or redeemed by us. Upon the Distribution Date, the Rights will initially be exercisable, at a price of \$140, for one ten-thousandth of a share of our Junior Participating Preference Stock, although the terms of the exercise are subject to adjustment under the rights agreement. Under the rights agreement, the following are not Acquiring Persons:

- Hasbro;
- any of our subsidiaries;

- employee benefit plans of ours or any of our subsidiaries;
- individuals and entities connected with the Hassenfeld family, as described in the rights agreement;
- any person who becomes the owner of 15% or more of the common stock by virtue of a repurchase of our common stock, unless after becoming aware of this fact, such person acquires an additional 1%; and
- any person who reports the ownership of 15% or more of the common stock in a filing under the Exchange Act, who does not state any intention to control our management and who, upon request, certifies to us that the 15% threshold was crossed inadvertently and with no knowledge of the terms of the Rights.

Upon any person becoming an Acquiring Person, subject to the exception noted below in this paragraph, each Right will entitle the holder to purchase a number of shares of our common stock having a then current market value of twice the exercise price of the Right. For example, at the initial exercise price of \$140, upon exercise, each Right would entitle its holder to receive \$280 worth of common stock or other consideration, as described below. A holder of a Right will not be entitled to purchase shares if any person becomes an Acquiring Person in a tender offer or exchange offer for all outstanding shares that has been determined by our Board of Directors, after receiving advice from one or more investment banking firms, to be at a price which is fair to and otherwise in the best interests of the shareholders.

In addition, each Right will entitle the holder to purchase a number of shares of common stock of the acquiring company having a current market value of twice the exercise price of the Right, if, after the date upon which someone has become an Acquiring Person:

- we are party to a merger or another business combination transaction in which we are not the surviving corporation;
- we are the surviving corporation in a merger or other business combination, but all or part of our common stock is changed into or exchanged for stock or other securities of another person, cash, or any other property; or
- we sell 50% or more of our consolidated assets, cash flow or earning power.

If any of the above events occurs, the acquiring company shall assume all of our obligations under the rights agreement.

From and after the occurrence of the event which triggers the exercise of the Rights, any Rights that are or were acquired or beneficially owned by any Acquiring Person, any Associate or any Affiliate shall be void and any holder of these Rights shall thereafter have no right to exercise these Rights.

At any time prior to the earlier of ten business days following the date upon which someone has become an Acquiring Person and the expiration date of the Rights, our Board of Directors may redeem all, but not less than all, of the outstanding Rights at a price of \$.01 per Right, subject to adjustment, payable in cash, shares of common stock or other consideration. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate, and the only right of the holders of Rights will be to receive the redemption price. The exercisability of the Rights triggered by someone becoming an Acquiring Person, as described above, will not occur until after the expiration of this redemption right. If, however, a majority of our Board of Directors was elected by shareholder action by written consent or is not comprised of members who were nominated by the predecessor Board of Directors, the Rights shall not be redeemed if this type of a redemption is likely to have the effect of allowing anyone to become an Acquiring Person or to otherwise trigger the exercisability of the Rights, as described above, for a period of 180 days following the election.

At any time after a person becomes an Acquiring Person and prior to the acquisition by a person or group of 50% or more of our outstanding common stock, our Board of Directors may exchange the Rights, other than those Rights owned by the person or group which have become void. This exchange may be in whole or in part, at a ratio of one share of common stock per Right, subject to adjustment.

In the event that, after the Rights become exercisable for shares of our common stock, there is an insufficient number of shares of our common stock available to permit the full exercise of Rights, our Board of Directors has the ability to substitute an equivalent value in:

- cash;
- a reduction in the exercise price of the Rights;
- shares of preference stock with an equivalent value to our common stock;
- debt securities;
- other assets; or
- any combination of the foregoing.

Prior to the Distribution Date, the rights agreement may be amended by our Board of Directors without the consent of the holders of the Rights. After the Distribution Date, the rights agreement may only be amended by our Board of Directors, without the consent of the holders of the Rights, as follows:

- to cure any ambiguity;
- to correct any provisions which are defective or inconsistent;
- to shorten or lengthen any time period, though any lengthening must be for the purpose of protecting the interests of the holders of the Rights; or
- to make changes which do not adversely affect the interests of the holders of the Rights.

The rights agreement may not be amended, however, at any time when the Rights are not redeemable.

Until a holder of a Right exercises the Right, the holder will have no rights as our shareholder, including, without limitation, the right to vote or to receive dividends.

While the distribution of the Rights will not be taxable to shareholders or to us, shareholders may, depending on the circumstances, recognize taxable income in the event that the Rights become exercisable for our common stock, or other consideration, or in the event the Rights are redeemed by us.

The Rights may have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire us in a manner which causes the Rights to become exercisable. We do not believe, however, that the Rights would affect any prospective offeror willing to make an offer at a price that is fair and otherwise in the best interests of the shareholders, since the Board of Directors would be required by its fiduciary duties under applicable law to consider the offer. If the offer were fair and otherwise in the best interests of the shareholders, the Board could, at its option, exercise its right to redeem the Rights as described above. In considering the merits of a proposed offer and pursuant to Rhode Island law and our Articles of Incorporation, however, our directors are authorized to take into account our interests in addition to the interests of our shareholders. In considering our interests, our directors may evaluate the effect of the proposed offer on our employees, suppliers, creditors and customers. Our directors may also consider the effect of the proposed offer on the communities in which we operate as well as our long and short term interests, including the possibility that these interests may be best served by our continued independence. If in considering any of these factors, the Board of Directors determines the proposed offer is not in our best interests, the Board may reject the offer and has no obligation to facilitate or refrain from impeding the proposed offer. Because of the redemption right, the Rights should also not interfere with any merger or business combination approved by our Board of Directors.

#### JUNIOR PARTICIPATING PREFERENCE STOCK

In connection with the rights agreement, 60,000 shares of Junior Participating Preference Stock have been reserved and authorized for issuance by our Board of Directors. No shares of Junior Participating Preference Stock were outstanding as of February 21, 2002. The following statements with respect to the

Junior Participating Preference Stock are subject to, and are qualified in their entirety by reference to, the detailed provisions of our Articles of Incorporation, including the Certificate of Designation relating to the Junior Participating Preference Stock (the "Certificate of Designation"), which is incorporated herein by reference.

Shares of Junior Participating Preference Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Junior Participating Preference Stock will be entitled to a minimum preferential quarterly dividend payment of \$10 per share but will be entitled to an aggregate dividend of 10,000 times the dividend declared per share of common stock. In the event of liquidation, the holders of the Junior Participating Preference Stock will be entitled to a minimum preferential liquidation payment of \$10,000 per share, plus accrued and unpaid dividends, and will also be entitled to preferential treatment on the distribution of any remaining assets. Each share of Junior Participating Preference Stock will have 10,000 votes, voting together with the common stock. In the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, each share of Junior Participating Preference Stock will be entitled to receive 10,000 times the amount received per share of common stock. These Rights are subject to proportionate adjustment in the event of certain stock splits, recombinations and other events.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax considerations relevant to the ownership and disposition of the debentures and the shares of common stock into which the debentures may be converted. This summary deals only with the debentures and the shares of common stock held as capital assets for United States federal income tax purposes. As used in this prospectus, "U.S. Holders" are any beneficial owners of the debentures or the shares of common stock that are, for United States federal income tax purposes: (1) citizens or residents of the United States, (2) corporations (or entities treated as corporations for federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (3) estates, the income of which is subject to United States federal income taxation regardless of its source, and (4) trusts, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. As used in this prospectus, "Non-U.S. Holders" are holders of the debentures or the shares of common stock that are, for United States federal income tax purposes, (1) nonresident alien individuals, (2) foreign corporations and (3) foreign estates or trusts that are not subject to United States federal income taxation on their worldwide income. If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the debentures or the shares of common stock, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A holder of the debentures or the shares of common stock that is a partnership and partners in such partnership should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the debentures or the shares of common stock, as the case may be. Unless otherwise stated, this summary does not deal with special classes of holders such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, holders that hold the debentures as part of a hedge, straddle, "synthetic security" or other integrated transaction for United States federal income tax purposes and holders whose functional currency is not the U.S. dollar. Further, this summary does not include any description of any alternative minimum tax consequences, United States federal estate or gift tax laws or the tax laws of any state, local or foreign government that may be applicable to the debentures or the shares of common stock.

This summary is based on the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change and differing interpretations, possibly on a retroactive basis. No statutory, administrative or judicial authority directly addresses the treatment of the debentures or instruments similar to the debentures for United States federal income tax purposes. Therefore, there can be no assurance that the Internal Revenue Service (the "IRS") will not successfully challenge one or more of the conclusions described in this prospectus.

We urge prospective investors to consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the debentures and the shares of common stock in light of their own particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal and other tax laws.

### CLASSIFICATION OF THE DEBENTURES

Pursuant to the terms of the indenture, each holder of the debentures agreed, for United States federal income tax purposes, to treat the debentures as indebtedness for United States federal income tax purposes subject to the regulations governing contingent payment debt instruments and to be bound by our application of those regulations to the debentures, including our determination of the rate at which interest is deemed to accrue on the debentures for United States federal income tax purposes. The remainder of this discussion assumes that the debentures are treated in accordance with that agreement and our determinations. However, the proper application of the regulations governing contingent payment debt instruments to a holder of a debenture is uncertain in a number of respects, and no assurance can be given that the IRS will not assert that the debentures should be treated differently or that such an assertion



would not prevail. Such treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the debentures. In particular, it might be determined that a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, and should have recognized capital gain upon a taxable disposition of its debentures.

#### TREATMENT OF U.S. HOLDERS

Under the rules governing contingent payment debt instruments, a U.S. Holder will generally be required to accrue interest income on the debentures, in the amounts described below, regardless of whether the U.S. Holder uses the cash or accrual method of tax accounting. Accordingly, U.S. Holders will likely be required to include interest in taxable income in each year in excess of the accruals on the debentures for non-tax purposes and in excess of any interest payments actually received in that year. A U.S. Holder must accrue on its debentures an amount of original issue discount as ordinary interest income for United States federal income tax purposes for each accrual period prior to and including the maturity date of the debentures that equals:

- the product of (i) the adjusted issue price (as defined below) of the debentures as of the beginning of the accrual period; and (ii) the comparable yield to maturity (as defined below) of the debentures, adjusted for the length of the accrual period;
- divided by the number of days in the accrual period; and
- multiplied by the number of days during the accrual period that the U.S. Holder held the debentures.

The "issue price" of a debenture is the first price at which a substantial amount of the debentures is sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The "adjusted issue price" of a debenture is its issue price increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amounts of any payments with respect to the debentures.

Under the rules governing contingent payment debt instruments, we are required to establish the "comparable yield" for the debentures. We have determined that the comparable yield for the debentures is the annual yield we would incur, as of the initial issue date, on a fixed rate nonconvertible debt security with no contingent payments, but with terms and conditions otherwise comparable to those of the debentures including the absence of subordination, term, timing of payments and general market conditions, but excluding any adjustments for liquidity or the riskiness of the contingencies with respect to the debentures. Accordingly, we have determined the comparable yield to be 8.24% compounded semiannually.

We are required to provide to U.S. Holders, solely for United States federal income tax purposes, a schedule of the projected amounts of payments on the debentures. This schedule must produce the comparable yield. Our determination of the projected payment schedule for the debentures includes estimates for payments of contingent interest and an estimate for a payment at maturity taking into account the conversion feature. U.S. Holders may obtain the projected payment schedule by submitting a written request for it to us at the address set forth in "Where You Can Find More Information."

THE COMPARABLE YIELD AND THE SCHEDULE OF PROJECTED PAYMENTS ARE NOT DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF A U.S. HOLDER'S INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF THE DEBENTURES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND DO NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO U.S. HOLDERS OF THE DEBENTURES.

#### ADJUSTMENTS TO INTEREST ACCRUALS ON THE DEBENTURES

If a U.S. Holder receives actual payments with respect to the debentures in a taxable year that in the aggregate exceed the total amount of projected payments for that taxable year, the U.S. Holder will incur a "net positive adjustment" equal to the amount of such excess. The U.S. Holder will treat the "net positive adjustment" as additional interest income for the taxable year. For this purpose, the payments in a taxable year include the fair market value of property (including common stock) received in that year.

If a U.S. Holder receives actual payments with respect to the debentures in a taxable year that in the aggregate are less than the amount of the projected payments for that taxable year, the U.S. Holder will incur a "net negative adjustment" equal to the amount of such deficit. This adjustment will (a) reduce the U.S. Holder's interest income on the debentures for that taxable year, and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of the U.S. Holder's interest income on the debentures during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments.

#### SALE, EXCHANGE, CONVERSION OR REDEMPTION

Generally, the sale or exchange of a debenture, or the redemption of a debenture for cash, will result in taxable gain or loss to a U.S. Holder. In addition, as described above, our calculation of the comparable yield and the schedule of projected payments for the debentures includes the receipt of common stock upon conversion of a debenture into shares of our common stock as a contingent payment with respect to the debentures. Accordingly, we intend to treat the receipt of our common stock by a U.S. Holder upon the conversion of a debenture, or upon the redemption of a debenture where we elect to pay the redemption price in shares of our common stock, as a contingent payment. As described above, holders are generally bound by our determination of the comparable yield and the schedule of projected payments. Under this treatment, such a conversion or redemption also will result in taxable gain or loss to the U.S. Holder. The amount of gain or loss on a taxable sale, exchange, conversion or redemption will equal the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. Holder, including the fair market value of any common stock received, and (b) the U.S. Holder's adjusted tax basis in the debentures. A U.S. Holder's adjusted tax basis in a debenture on any date generally will equal the U.S. Holder's original purchase price for the debentures, increased by any original issue discount previously accrued by the U.S. Holder (determined without regard to any positive or negative adjustments to interest accruals described above), and decreased by the amount of any projected payments on the debentures projected to have been made through that date. Gain recognized upon a sale, exchange, conversion or redemption of a debenture generally will be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income, and thereafter, capital loss (which will be long-term if the debenture is held for more than one year). The deductibility of net capital losses is subject to limitations.

A U.S. Holder's tax basis in shares of our common stock received upon a conversion of a debenture or upon a holder's exercise of a put right that we elect to pay in shares of our common stock will equal the then current fair market value of such common stock. The U.S. Holder's holding period for the shares of our common stock received will commence on the date of conversion or redemption.

#### PURCHASERS OF DEBENTURES AT A PRICE OTHER THAN THE ADJUSTED ISSUE PRICE

A U.S. Holder that purchases debentures in the secondary market for an amount that differs from the adjusted issue price of the debentures at the time of purchase will be required to accrue interest income on the debentures in the same manner as a U.S. Holder that purchased debentures in the initial offering. A U.S. Holder must also reasonably allocate any difference between the adjusted issue price and the U.S. Holder's basis in the debentures to daily portions of interest or projected payments over the remaining term of the debentures. If the purchase price of the debentures is greater than the adjusted issue price, the amount of the difference allocated to a daily portion of interest or to a projected payment is treated as a "negative adjustment" on the day the daily portion accrues or the payment is made, respectively. If the

purchase price of the debentures is less than the adjusted issue price, the amount of the difference allocated to a daily portion of interest or to a projected payment is treated as a "positive adjustment" on the day the daily portion accrues or the payment is made, respectively. Any such negative or positive adjustment will decrease or increase, respectively, the U.S. Holder's adjusted tax basis in the debentures.

Certain U.S. Holders will receive Forms 1099-OID reporting interest accruals on their debentures. Those forms will not reflect the effect of any positive or negative adjustments resulting from the U.S. Holder's purchase of debentures in the secondary market at a price different from adjusted issue price of the debentures on the date of purchase. U.S. Holders are urged to consult their tax advisors as to whether, and how, such adjustments should be taken into account in determining their interest accruals with regard to the debentures.

#### DISTRIBUTIONS ON COMMON STOCK

If a U.S. Holder converts the debentures into shares of our common stock, in general, distributions on the shares of our common stock that are paid out of our current or accumulated earnings and profits, as defined for United States federal income tax purposes, will constitute dividends and will be includible in income by a holder and taxable as ordinary income when received or accrued, in accordance with that holder's method of accounting for United States federal income tax purposes. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated first as a tax-free return of the U.S. Holder's investment, up to the U.S. Holder's basis in the shares of our common stock. Any remaining excess will be treated as capital gain.

#### CONSTRUCTIVE DIVIDENDS

An adjustment in the conversion rate of the debentures, or a failure to adjust the conversion rate, may in certain circumstances be treated as a taxable dividend to holders of the debentures or of our common stock. For example, if at any time we make a distribution of property to our stockholders that would be taxable to the stockholders as a dividend for United States federal income tax purposes and, in accordance with the anti-dilution provisions of the debentures, the conversion rate of the debentures is increased, such increase may be deemed to be the payment of a taxable dividend to holders of the debentures. An increase in the conversion rate in the event of distribution of our evidences of indebtedness or our assets or an increase in the event of an extraordinary cash dividend will generally result in deemed dividend treatment to holders of the debentures, but an increase in the event of stock dividends or the distribution of rights to subscribe for our common stock generally will not. If an event occurs that dilutes the interests of the holders of the debentures and the conversion price is not adjusted, the resulting increase in the proportionate interest of our holders of common stock could be treated as a taxable dividend to such stockholders.

#### TREATMENT OF NON-U.S. HOLDERS

The rules governing United States federal income taxation of Non-U.S. Holders are complex and no attempt will be made in this prospectus to provide more than a brief description of such rules. Non-U.S. Holders should consult with their tax advisors to determine the effect of United States federal, state, local and foreign income tax laws, as well as treaties, with regard to an investment in the debentures and shares of our common stock, including any reporting requirements.

#### PAYMENTS MADE WITH RESPECT TO THE DEBENTURES

The 30% United States federal withholding tax will not apply to any payment to a Non-U.S. Holder of principal or interest (including amounts taken into income as interest under the accrual rules described above under "Treatment of U.S. Holders" and amounts attributable to the shares of our common stock received upon a conversion of the debentures) on debentures, provided that: (i) the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of our common stock, (ii) the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us

through stock ownership; (iii) the Non-U.S. Holder is not a bank which acquired the debentures in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business; (iv) our common stock is actively traded within the meaning of Section 871(h)(4)(C)(v)(I) of the Internal Revenue Code; and (v) either (a) the beneficial owner of debentures certifies to us or our paying agent on IRS Form W-8BEN or an appropriate substitute form, under penalties of perjury, that it is not a United States person and provides its name, address and certain other information or (B) the beneficial owner holds its debentures through certain foreign intermediaries or certain foreign partnerships and such holder satisfies certain certification requirements.

If the Non-U.S. Holder cannot satisfy the requirements described above, payments of interest (including amounts taken into income under the accrual rules described above under "Treatment of U.S. Holders" and amounts attributable to our common stock received upon a conversion of the debentures) will be subject to the 30% United States federal withholding tax unless the Non-U.S. Holder provides us with a properly executed (1) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the debentures is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

If a Non-U.S. Holder of the debentures is engaged in a trade or business in the United States, and if interest on the debentures is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraphs if it provides a properly executed IRS Form W-8 ECI, will generally be subject to United States federal income tax on interest and on any gain realized on the sale, exchange or conversion of the debentures on a net basis in the same manner as if it were a U.S. Holder.

In addition, if such Non-U.S. Holder is a foreign corporation, such Non-U.S. Holder may be subject to a branch profits tax equal to 30% (or such lower tax rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

#### SALE OR EXCHANGE OF DEBENTURES OR COMMON STOCK

A Non-U.S. Holder will not generally be subject to United States federal income or withholding tax with respect to gain upon the sale, exchange or other disposition (other than a conversion or a redemption) of the debentures or shares of our common stock, unless: (1) the income or gain is "U.S. trade or business income," which means income or gain that is effectively connected with the conduct by the Non-U.S. Holder of a trade or business, or, in the case of a treaty resident, attributable to a permanent establishment or a fixed base, in the United States; (2) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; (3) such Non-U.S. Holder is subject to tax pursuant to the provisions of the Internal Revenue Code applicable to certain United States expatriates; or (4) in the case of an amount which is attributable to original issue discount, the Non-U.S. Holder does not meet the conditions for exemption from United States federal withholding tax described above.

U.S. trade or business income of a Non-U.S. Holder will generally be subject to United States federal income tax on a net basis in the same manner as if it were realized by a U.S. Holder. A Non-U.S. Holder that realizes U.S. trade or business income with respect to the debentures or common stock should consult its tax advisors as to the treatment of such income or gain. In addition, U.S. trade or business income of a Non-U.S. Holder that is a corporation may be subject to a branch profits tax at a rate of 30%, or such lower rate provided by an applicable income tax treaty.

#### DISTRIBUTIONS ON COMMON STOCK

A Non-U.S. Holder of shares of our common stock will generally be subject to United States federal income or withholding tax at a 30% rate (or lower rate provided under any applicable income tax treaty) on distributions by us with respect to our common stock that are treated as dividends. Except to the extent that an applicable tax treaty otherwise provides, a Non-U.S. Holder generally will be taxed in the same

manner as a U.S. Holder on dividends that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States, and a Non-U.S. Holder that is a corporation may also be subject to a United States branch profits tax at a 30% rate or such lower rate as may be specified in an applicable income tax treaty.

#### BACK-UP WITHHOLDING AND INFORMATION REPORTING

##### U.S. HOLDERS

Payments of interest or dividends made by us on, or the proceeds of the sale or other disposition of, the debentures or shares of our common stock may be subject to information reporting and United States federal backup withholding tax if the recipient of such payment fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to an U.S. Holder under the backup withholding rules is allowable as a credit against the holder's United States federal income tax, provided that the required information is furnished to the IRS.

##### NON-U.S. HOLDERS

A Non-U.S. Holder may be required to comply with certification procedures to establish that the holder is not a U.S. person in order to avoid backup withholding tax requirements with respect to our payments of principal and interest, including cash payments in respect of original issue discount on the debentures, or the proceeds of the sale or other disposition of the debentures. In addition, we must report annually to the IRS and to each Non-U.S. Holder the amount of any dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

##### TAX EVENT

The modification of the terms of the debentures by us upon a Tax Event could possibly alter the amount and timing of income recognition by the holders with respect to the payments of interest due after the option exercise date.

THE PROPER TAX TREATMENT OF A HOLDER OF THE DEBENTURES IS UNCERTAIN IN A NUMBER OF RESPECTS. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE DEBENTURES AND WHETHER AN INVESTMENT IN THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE HOLDER'S PARTICULAR TAX SITUATION.

SELLING SECURITYHOLDERS

We originally issued the debentures in a private placement in November 2001. The debentures were resold by the initial purchasers to qualified institutional buyers under Rule 144A under the Securities Act. Selling securityholders may offer and sell the debentures and the underlying common stock pursuant to this prospectus.

The following table sets forth information as of February 21, 2002 about the principal amount of debentures and the underlying common stock, beneficially owned by each selling securityholder who has provided us with a completed questionnaire, that may be offered using this prospectus.

Unless otherwise described below, to our knowledge, no selling securityholder nor any of its affiliates has held any position or office with, been employed by or otherwise has had any material relationship with us or our affiliates during the three years prior to the date of this prospectus.

A selling securityholder may offer all or some portion of the debentures and shares of the common stock issuable upon conversion of the debentures. Accordingly, no estimate can be given as to the amount or percentage of debentures or our common stock that will be held by the selling securityholders upon termination of sales pursuant to this prospectus. In addition, the selling securityholders identified below may have sold, transferred or disposed of all or a portion of their debentures since the date on which they provided the information regarding their holdings in transactions exempt from the registration requirements of the Securities Act.

PRINCIPAL AMOUNT OF DEBENTURES OWNED BEFORE PERCENTAGE OF NUMBER OF SHARES OF PERCENTAGE OF THE OFFERING AND DEBENTURES COMMON STOCK THAT COMMON STOCK NAME THAT MAY BE SOLD OUTSTANDING MAY BE SOLD(1) OUTSTANDING(2) - ---- ----

-----		
Akela Capital Master Fund, Ltd.	....	\$ 1,000,000 * 46,296 *
American Fidelity Assurance Company.....		\$ 250,000 * 11,574 * Aventis Pension Master Trust..... \$ 505,000 * 23,379 * BankAmerica Pension Plan(3)..... \$ 2,000,000 * 92,592 * Barclays Global Investors Limited(3)..... \$ 1,000,000 * 46,296 * BNP Paribas Equity Strategies, SNC(3)..... \$ 3,585,000 1.43% 165,972 * Boilermaker -- Blacksmith Pension Trust..... \$ 2,100,000 * 97,222 * CALAMOS(R) Convertible Fund -- CALAMOS(R) Investment Trust..... \$ 7,000,000 2.80% 324,074 * CALAMOS(R) Convertible Growth and Income Fund -- CALAMOS(R) Investment Trust..... \$ 6,100,000 2.44% 282,407 * CALAMOS(R) Convertible Portfolio -- CALAMOS(R) Advisors Trust..... \$ 210,000 * 9,722 * CALAMOS(R) Global Convertible Fund -- CALAMOS Investment Trust.. \$ 220,000 * 10,185 * CALAMOS(R) Market Neutral Fund -- CALAMOS(R) Investment Trust..... \$10,000,000 4.00% 462,963 * Canyon Capital Arbitrage Master Hedge Fund, Ltd. .... \$ 7,000,000 2.80% 324,074 * Canyon MAC 18 Ltd. (RMF)..... \$ 2,000,000 * 92,592 * Canyon Value Realization Fund (Cayman), Ltd. .... \$10,000,000 4.00% 462,963 * CFFX, LLC..... \$ 4,000,000 1.60% 185,185 * Citi SAM Fund Ltd. .... \$ 4,800,000 1.92% 222,222 * City of Albany Pension Plan..... \$ 180,000 * 8,333 *

PRINCIPAL AMOUNT OF DEBENTURES  
 OWNED BEFORE PERCENTAGE OF NUMBER  
 OF SHARES OF PERCENTAGE OF THE  
 OFFERING AND DEBENTURES COMMON  
 STOCK THAT COMMON STOCK NAME THAT  
 MAY BE SOLD OUTSTANDING MAY BE  
 SOLD(1) OUTSTANDING(2) - ----

-----  
 City of Knoxville Pension  
 System... \$ 675,000 \* 31,250 \*  
 Clarica Life Insurance Co. --  
 U.S. .... \$  
 515,000 \* 23,842 \* Consulting  
 Group Capital Markets  
 Funds.....  
 \$ 500,000 \* 23,148 \* Cooper Neff  
 Convertible Strategies Fund,  
 LP(3)..... \$  
 950,000 \* 43,981 \* Delta Airlines  
 Master Trust..... \$ 3,400,000  
 1.36% 157,407 \* Delta Pilots  
 Disability and Survivorship  
 Trust..... \$ 675,000 \*  
 31,250 \* Deutsche Banc Alex Brown  
 Inc. .... \$15,800,000 6.32%  
 731,481 \* Dorinco Reinsurance  
 Company..... \$ 1,200,000 \*  
 55,555 \* Drury  
 University..... \$  
 85,000 \* 3,935 \* First Union  
 International Capital Markets  
 Inc. .... \$  
 6,000,000 2.40% 277,777 \* First  
 Union Securities Inc. ....  
 \$27,780,000 11.11% 1,286,111 \*  
 Gaia Offshore Master Fund Ltd.  
 .... \$ 4,550,000 1.82% 210,648 \*  
 Genesee County Employees'  
 Retirement  
 System..... \$ 975,000  
 \* 45,138 \* Grace Brothers  
 Management, LLC..... \$ 1,500,000  
 \* 69,444 \* Grace Brothers,  
 Ltd..... \$ 1,000,000  
 \* 46,296 \* Granville Capital  
 Corporation..... \$ 5,000,000  
 2.00% 231,481 \* Greek Catholic  
 Union of the USA.... \$ 95,000 \*  
 4,398 \* H. K. Porter Company,  
 Inc. .... \$ 50,000 \* 2,314 \*  
 HFR Master Fund, LTD.  
 .... \$ 60,000 \* 2,777 \*  
 IMF Convertible  
 Fund..... \$ 800,000 \*  
 37,037 \* Investcorp -- SAM Fund  
 Ltd. .... \$ 4,200,000 1.68%  
 194,444 \* Jackson County  
 Employees' Retirement  
 System.....  
 \$ 175,000 \* 8,101 \* JMG  
 Convertible Investments, LP. ...  
 \$ 5,500,000 2.20% 254,629 \*  
 Kettering Medical Center Funded  
 Depreciation  
 Account..... \$ 125,000 \*  
 5,787 \* Knoxville Utilities Board  
 Retirement  
 System.....  
 \$ 300,000 \* 13,888 \* Lipper  
 Convertibles, L.P. .... \$  
 4,000,000 1.60% 185,185 \* Lipper  
 Offshore Convertibles, L.P.  
 .... \$  
 3,320,000 1.33% 153,703 \*  
 Louisiana Workers' Compensation  
 Corporation.....  
 \$ 515,000 \* 23,842 \* Lyxor Master  
 Fund..... \$ 450,000  
 \* 20,833 \* Macomb County  
 Employees' Retirement  
 System.....  
 \$ 500,000 \* 23,148 \* NMS Services  
 (Cayman) Inc..... \$  
 2,000,000 \* 92,592 \* NORCAL  
 Mutual Insurance Company.... \$  
 400,000 \* 18,518 \* Peoples  
 Benefit Life Insurance Company  
 Teamsters..... \$  
 5,000,000 2.00% 231,481 \*

PRINCIPAL AMOUNT OF DEBENTURES  
 OWNED BEFORE PERCENTAGE OF NUMBER  
 OF SHARES OF PERCENTAGE OF THE  
 OFFERING AND DEBENTURES COMMON  
 STOCK THAT COMMON STOCK NAME THAT  
 MAY BE SOLD OUTSTANDING MAY BE  
 SOLD(1) OUTSTANDING(2) - -----

----- Port  
 Authority of Allegheny County  
 Retirement and Disability Allowance  
 Plan for the Employees Represented  
 by Local 85 of the Amalgamated  
 Transit Union..... \$ 2,150,000  
 \* 99,537 \* Prisma  
 Foundation..... \$  
 80,000 \* 3,703 \* Quattro Fund, Ltd.  
 ..... \$ 7,000,000 2.80%  
 324,074 \* Rhapsody Fund, LP.  
 ..... \$ 7,000,000 2.80%  
 324,074 \* Robertson  
 Stephens(4)..... \$  
 5,000,000 2.00% 231,481 \* SCI  
 Endowment Care Common Trust Fund --  
 First Union..... \$ 65,000  
 \* 3,009 \* SCI Endowment Care Common  
 Trust Fund -- National Fiduciary  
 Services.....  
 \$ 225,000 \* 10,416 \* SCI Endowment  
 Care Common Trust Fund --  
 Suntrust..... \$  
 125,000 \* 5,787 \* SG Cowen  
 Securities Corporation.... \$  
 440,000 \* 20,370 \* Southdown  
 Pension Plan..... \$  
 210,000 \* 9,722 \* Southern Farm  
 Bureau Life Insurance  
 Company.....  
 \$ 1,100,000 \* 50,925 \*  
 SPT.....  
 \$ 2,500,000 1.00% 115,740 \* St.  
 Albans Partners Ltd. .... \$  
 4,000,000 1.60% 185,185 \* Sturgeon  
 Limited..... \$  
 465,000 \* 21,527 \* The Cockrell  
 Foundation..... \$ 125,000 \*  
 5,787 \* The Dow Chemical Company  
 Employees' Retirement  
 Plan..... \$ 4,000,000  
 1.60% 185,185 \* The Fondren  
 Foundation..... \$ 125,000  
 \* 5,787 \* Thomas Weisel  
 Partners..... \$ 3,000,000  
 1.20% 138,888 \* TQA Master Fund,  
 Ltd. .... \$ 3,000,000  
 1.20% 138,888 \* TQA Master Plus  
 Fund, Ltd. .... \$ 2,000,000 \*  
 92,592 \* Tribeca Investments,  
 L.L.C. .... \$ 2,000,000 \*  
 92,592 \* Union Carbide Retirement  
 Account.... \$ 2,100,000 \* 97,222 \*  
 United Food and Commercial Workers  
 Local 1262 and Employers Pension  
 Fund.....  
 \$ 950,000 \* 43,981 \* Value  
 Realization Fund, L.P. .... \$  
 6,000,000 2.40% 277,777 \* Vopak USA  
 Inc., Retirement Plan (f.k.a. Van  
 Waters & Rogers Inc. Retirement  
 Plan)..... \$ 500,000 \*  
 23,148 \* Yield Strategies Fund I,  
 LP..... \$ 2,500,000 1.00%  
 115,740 \* Yield Strategies Fund II,  
 LP..... \$ 2,500,000 1.00%  
 115,740 \* Zurich Institutional  
 Benchmarks  
 Management.....  
 \$ 2,200,000 \* 101,851 \*  
 Unknown(5).....  
 \$29,595,000 11.84% 1,370,138 \*



-----  
\* Less than 1%

- (1) Assumes conversion of all of the holder's debentures at an initial conversion rate of 46.2963 shares of common stock per \$1,000 principal amount of the debentures. However, this conversion rate will be subject to adjustment as described under "Description of Debentures -- Conversion Rights." As a result, the amount of common stock issuable upon conversion of the debentures may increase or decrease in the future.
- (2) Calculated based on 172,575,079 shares of common stock outstanding as of February 18, 2002. In calculating this amount, we treated as outstanding that number of shares of common stock issuable upon conversion of all of that particular holder's debentures. However, we did not assume the conversion of any other holder's debentures.
- (3) The selling securityholder is an affiliate of, or an investment fund or plan managed by an affiliate of, an initial purchaser of the debentures in November 2001.
- (4) Robertson Stephens, Inc. served as an initial purchaser of the debentures in November 2001.
- (5) The name "Unknown" represents the remaining selling securityholders for whom we have not received a completed questionnaire. We are unable to provide the names of these securityholders because the debentures held by these securityholders are currently evidenced by a global note which has been deposited with DTC and registered in the name of Cede & Co. as DTC's nominee.

If, after the date of this prospectus, a securityholder notifies us pursuant to the registration agreement of its intent to dispose of debentures pursuant to the registration statement, we will file either a prospectus supplement or a post-effective amendment to the registration statement to include this information.

## PLAN OF DISTRIBUTION

We will not receive any of the proceeds of the sale of the debentures and the underlying common stock offered by this prospectus. The debentures and the underlying common stock may be sold from time to time to purchasers:

- directly by the selling securityholders; or
- through underwriters, broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling securityholders or the purchasers of the debentures and the underlying common stock (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved).

The selling securityholders and any such broker-dealers or agents who participate in the distribution of the debentures and the underlying common stock may be deemed to be "underwriters." As a result, any profits on the sale of the underlying common stock by selling securityholders and any discounts, commissions or concessions received by any such broker-dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act. If the selling securityholders were deemed to be underwriters, the selling securityholders may be subject to certain statutory liabilities as underwriters under the Securities Act.

If the debentures and the underlying common stock are sold through underwriters or broker-dealers, the selling securityholders will be responsible for underwriting discounts or commissions or agent's commissions.

The debentures and the underlying common stock may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- varying prices determined at the time of sale; or
- negotiated prices.

These sales may be effected in transactions:

- on any national securities exchange or quotation service on which the debentures and underlying common stock may be listed or quoted at the time of the sale, including the New York Stock Exchange in the case of the common stock;
- in the over-the-counter market;
- in transactions otherwise than on such exchanges or services or in the over-the-counter market;
- through the writing of options, whether or not the options are listed on an options exchange;
- through the distribution of the securities by any selling securityholder to its partners, members or stockholders; or
- through any combination of the above.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with the sales of the debentures and the underlying common stock or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers. These broker-dealers may in turn engage in short sales of the debentures and the underlying common stock in the course of hedging their positions. The selling securityholders may also sell the debentures and the underlying common stock short and deliver debentures and the underlying common stock to close out short positions, or loan or

pledge debentures and the underlying common stock to broker-dealers that in turn may sell the debentures and the underlying common stock.

The selling securityholders may pledge or grant a security interest in some or all of the debentures and the underlying common stock owned by them and, if any selling securityholders default in the performance of such secured obligations, the pledgees or secured parties may offer and sell the relevant debentures and underlying common stock pursuant to this prospectus.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the debentures and the underlying common stock by the selling securityholders. There can be no assurance that any selling securityholders will sell any or all of the debentures and the underlying common stock pursuant to this prospectus. In addition, the selling securityholders may transfer or donate the debentures and the underlying common stock by other means not described in this prospectus.

Our common stock trades on the New York Stock Exchange under the symbol "HAS." We do not intend to apply for listing of the debentures on any securities exchange or for quotation through NASDAQ. Accordingly, no assurance can be given as to the development of liquidity or any trading market for the debentures.

Any debentures or underlying common stock covered by this prospectus that qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

The selling securityholders and any other person participating in such distribution will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the debentures and the underlying common stock by the selling securityholders and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the debentures and the underlying common stock to engage in market-making activities with respect to the particular debentures and underlying common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the debentures and the underlying common stock and the ability of any person or entity to engage in market-making activities with respect to the debentures and the underlying common stock.

Pursuant to the registration agreement that has been filed as an exhibit to this registration statement, we and the selling securityholders will each indemnify the other against certain liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection with these liabilities.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the debentures and the underlying common stock to the public other than commissions, fees and discounts of underwriters, brokers, dealers and agents.

#### VALIDITY OF SECURITIES

The validity of the debentures and the common stock issuable upon conversion will be passed on for us by Ropes & Gray, Boston, Massachusetts.

#### EXPERTS

The consolidated financial statements of Hasbro as of December 31, 2000 and December 26, 1999 and for each of the fiscal years in the three-year period ended December 31, 2000 incorporated by reference in this prospectus have been audited by KPMG LLP, independent certified public accountants, as stated in their reports thereon.

-----  
-----  
\$250,000,000

HASBRO, INC.

2.75% CONVERTIBLE SENIOR DEBENTURES DUE 2021  
AND  
11,574,075 SHARES OF COMMON STOCK  
ISSUABLE UPON CONVERSION OF THE DEBENTURES

[HASBRO INC. LOGO]

-----  
PROSPECTUS  
-----

, 2002  
-----  
-----

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the distribution of the securities being registered. All of the amounts shown are estimates, except the Securities and Exchange Commission registration fee.

Securities and Exchange Commission registration fee.....	\$ 21,390
Printing and engraving fees.....	20,000
Accountant's fees and expenses.....	30,000
Legal fees and expenses.....	25,000
Trustee and Transfer Agent fees and expenses.....	4,000
Miscellaneous expenses.....	20,000
	-----
Total.....	\$120,390

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant is incorporated in Rhode Island. Under Section 7-1.1-4.1 of the Rhode Island Business Corporation Act, a Rhode Island corporation has the power, under specified circumstances, to indemnify its officers, directors, employees and agents against judgments, penalties, fines, settlements and reasonable expenses, including attorneys' fees, actually incurred by them in connection with any proceeding to which these persons were made parties by reason of the fact that these persons are or were directors, officers, employees or agents, if:

- these persons shall have acted in good faith,
- they reasonably believed that their actions were in the best interests of the corporation, if the proceeding involves conduct in an official capacity with the corporation, or not opposed to the best interests of the corporation, if the proceeding involves conduct other than in an official capacity with the corporation, and
- in criminal proceedings, they had no reasonable cause to believe that their conduct was unlawful.

The foregoing statement is subject to the detailed provisions of 7-1.1-4.1 of the Rhode Island Business Corporation Act.

Article X of the By-Laws of the Registrant provides that the Registrant shall indemnify its directors and officers to the full extent permitted by Section 7-1.1-4.1 of the Rhode Island Business Corporation Act.

Section 7-1.1-48 of the Rhode Island Business Corporation Act provides that articles of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director provided that the provision shall not eliminate or limit the liability of a director:

- for any breach of the director's duty of loyalty to the corporation or its shareholders,
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- under Section 7-1.1-43 of the Rhode Island Business Corporation Act, which relates to liability for unauthorized acquisitions or redemptions of, or dividends or distribution on, capital stock, or

- for any transaction from which the director derived an improper personal benefit, unless said transaction is permitted by Section 7-1.1-37.1 of the Rhode Island Business Corporation Act, which relates to director conflicts of interest.

Article Thirteenth of the Registrant's Articles of Incorporation contains such a provision.

Section 7-1.1-4.1(j) of the Rhode Island Business Corporation Act empowers a Rhode Island corporation to purchase and maintain insurance on behalf of its current and prior directors, officers, employees and agents against any liability incurred or asserted against them as a result of their official capacities, whether or not the corporation would have the power to indemnify such person against the insured liability under the provisions of such Section. The Registrant has a directors and officers liability insurance policy.

The Registrant has entered into an indemnification agreement with each of its directors, whereby the Registrant has agreed to indemnify each such director for amounts which the director is legally obligated to pay, including judgments, settlements of fines, including certain related expenses to be advanced by the Registrant, due to any actual or alleged breach of duty, neglect, error, misstatement, misleading statement or other act or omission by a director in his capacity as a director. This indemnification excludes claims:

- covered by the Registrant's directors and officers liability insurance policy,
- for which the director is otherwise indemnified or reimbursed,
- relating to certain judgments or adjudications under which the director is liable for breaches of duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or involving knowing violations of law, actions or certain transactions from which the director derives an improper personal benefit,
- relating to the director's liability for accounting for profits under Section 16 of the Securities Exchange Act of 1934, as amended,
- in respect of remuneration, if found unlawful, and
- as to which a final and non-appealable judgment has determined that payment to the director thereunder is unlawful.

#### ITEM 16. EXHIBITS

- 4.1 Indenture dated as of November 30, 2001 between Hasbro, Inc. and The Bank of Nova Scotia Trust Company of New York.
- 4.2 Form of 2.75% Convertible Senior Debenture due 2021 (included in Exhibit 4.1).
- 4.3 Registration Agreement dated as of November 30, 2001 between Hasbro, Inc. and Salomon Smith Barney Inc., as representative of the Initial Purchasers.
- 5.1 Opinion of Ropes & Gray.
- 12.1 Statement Regarding Computation of Ratios of Earnings to Fixed Charges.
- 23.1 Consent of KPMG LLP.
- 23.2 Consent of Ropes & Gray (see Exhibit 5.1).
- 24.1 Powers of Attorney (included on the signature page).
- 25.1 Statement of Eligibility and Qualification of Trustee on Form T-1.

ITEM 17. UNDERTAKINGS

a. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase and decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

b. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

c. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the financial adjudication of such issue.



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Pawtucket, State of Rhode Island.

HASBRO, INC.

By: /s/ ALAN G. HASSENFELD

-----  
Alan G. Hassenfeld  
Chairman of the Board and  
Chief Executive Officer

Dated: February 22, 2002

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints David D. R. Hargreaves, Barry Nagler and Tarrant L. Sibley, and each of them singly, his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement on Form S-3 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ ALAN G. HASSENFELD

-----  
Alan G. Hassenfeld  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

/s/ DAVID D. R. HARGREAVES

-----  
David D. R. Hargreaves  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

/s/ ALFRED J. VERRECCHIA

-----  
Alfred J. Verrecchia  
President, Chief Operating Officer and  
Director

/s/ ALAN R. BATKIN

-----  
Alan R. Batkin  
Director

/s/ FRANK J. BIONDI, JR.

-----  
Frank J. Biondi, Jr.  
Director

-----  
E. Gordon Gee  
Director

/s/ HAROLD P. GORDON

-----  
Harold P. Gordon  
Director

/s/ SYLVIA K. HASSENFELD

-----  
Sylvia K. Hassenfeld  
Director

/s/ CLAUDINE B. MALONE

-----  
Claudine B. Malone  
Director

/s/ NORMA T. PACE

-----  
Norma T. Pace  
Director

/s/ E. JOHN ROSENWALD, JR.

-----  
E. John Rosenwald, Jr.  
Director

/s/ ELI J. SEGAL

-----  
Eli J. Segal  
Director

/s/ CARL SPIELVOGEL

-----  
Carl Spielvogel  
Director

/s/ PAULA STERN

-----  
Paula Stern  
Director

/s/ PRESTON ROBERT TISCH

-----  
Preston Robert Tisch  
Director

Dated: February 22, 2002

EXHIBIT INDEX

EXHIBIT NO.  
DESCRIPTION -  
-----  
----- 4.1  
Indenture  
dated as of  
November 30,  
2001 between  
Hasbro, Inc.  
and The Bank  
of Nova  
Scotia Trust  
Company of  
New York. 4.2  
Form of 2.75%  
Convertible  
Senior  
Debenture due  
2021  
(included in  
Exhibit 4.1).  
4.3  
Registration  
Agreement  
dated as of  
November 30,  
2001 between  
Hasbro, Inc.  
and Salomon  
Smith Barney  
Inc., as  
representative  
of the  
Initial  
Purchasers.  
5.1 Opinion  
of Ropes &  
Gray. 12.1  
Statement  
Regarding  
Computation  
of Ratios of  
Earnings to  
Fixed  
Charges. 23.1  
Consent of  
KPMG LLP.  
23.2 Consent  
of Ropes &  
Gray (see  
Exhibit 5.1).  
24 Power of  
Attorney (see  
page II-4).  
25.1  
Statement of  
Eligibility  
and  
Qualification  
of Trustee on  
Form T-1.

HASBRO, INC.

2.75% Convertible Senior Debentures due 2021

Indenture

Dated as of  
November 30, 2001

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK,

Trustee

TABLE OF CONTENTS

	PAGE
ARTICLE I	
DEFINITIONS AND INCORPORATION BY REFERENCE	
Section 1.1	Definitions..... 1
Section 1.2	Other Definitions..... 5
Section 1.3	Incorporation by Reference of Trust Indenture Act..... 6
Section 1.4	Rules of Construction..... 6
Section 1.5	Acts of Holders..... 7
ARTICLE II	
THE SECURITIES	
Section 2.1	Form and Dating..... 8
Section 2.2	Execution and Authentication..... 9
Section 2.3	Registrar, Paying Agent and Conversion Agent..... 10
Section 2.4	Paying Agent to Hold Money and Securities in Trust..... 10
Section 2.5	Securityholder Lists..... 11
Section 2.6	Transfer and Exchange..... 11
Section 2.7	Replacement Securities..... 12
Section 2.8	Outstanding Securities; Determinations of Holders' Action Securities..... 13
Section 2.9	Temporary Securities..... 14
Section 2.10	Cancellation..... 14
Section 2.11	Persons Deemed Owners..... 14
Section 2.12	Global Securities..... 14
Section 2.13	CUSIP Numbers..... 19
Section 2.14	Ranking..... 19
Section 2.15	Regulation S..... 19
ARTICLE III	
REDEMPTION AND PURCHASES	
Section 3.1	Company's Right to Redeem; Notices to Trustee..... 20
Section 3.2	Selection of Securities to Be Redeemed..... 20
Section 3.3	Notice of Redemption..... 20
Section 3.4	Effect of Notice of Redemption..... 21
Section 3.5	Deposit of Redemption Price..... 21
Section 3.6	Securities Redeemed in Part..... 21
Section 3.7	Purchase of Securities by the Company at Option of the Holder..... 21
Section 3.8	Purchase of Securities at Option of the Holder upon a Fundamental Change..... 28

TABLE OF CONTENTS  
(continued)

	PAGE
Section 3.9	Effect of Purchase Notice or Fundamental Change Purchase Notice..... 30
Section 3.10	Deposit of Purchase Price or Fundamental Change Purchase Price..... 32
Section 3.11	Securities Purchased in Part..... 32
Section 3.12	Covenant to Comply With Securities Laws Upon Purchase of Securities..... 32
Section 3.13	Repayment to the Company..... 32
ARTICLE IV	
COVENANTS	
Section 4.1	Payment of Securities..... 33
Section 4.2	SEC and Other Reports..... 33
Section 4.3	Compliance Certificate..... 33
Section 4.4	Further Instruments and Acts..... 33
Section 4.5	Maintenance of Office or Agency..... 34
Section 4.6	Delivery of Certain Information..... 34
Section 4.7	Calculation of Original Issue Discount..... 34
ARTICLE V	
SUCCESSOR CORPORATION	
Section 5.1	When Company May Merge or Transfer Assets..... 35
ARTICLE VI	
DEFAULTS AND REMEDIES	
Section 6.1	Events of Default..... 36
Section 6.2	Acceleration..... 37
Section 6.3	Other Remedies..... 38
Section 6.4	Waiver of Past Defaults..... 38
Section 6.5	Control by Majority..... 38
Section 6.6	Limitation on Suits..... 38
Section 6.7	Rights of Holders to Receive Payment..... 39
Section 6.8	Collection Suit by Trustee..... 39
Section 6.9	Trustee May File Proofs of Claim..... 39
Section 6.10	Priorities..... 40
Section 6.11	Undertaking for Costs..... 40
Section 6.12	Waiver of Stay, Extension or Usury Laws..... 40

TABLE OF CONTENTS  
(continued)

Page  
====

ARTICLE VII

TRUSTEE

Section 7.1	Duties of Trustee.....	41
Section 7.2	Rights of Trustee.....	42
Section 7.3	Individual Rights of Trustee.....	43
Section 7.4	Trustee's Disclaimer.....	43
Section 7.5	Notice of Defaults.....	43
Section 7.6	Reports by Trustee to Holders.....	44
Section 7.7	Compensation and Indemnity.....	44
Section 7.8	Replacement of Trustee.....	45
Section 7.9	Successor Trustee by Merger.....	45
Section 7.10	Eligibility; Disqualification.....	45
Section 7.11	Preferential Collection of Claims Against Company.....	46

ARTICLE VIII

DISCHARGE OF INDENTURE

Section 8.1	Discharge of Liability on Securities.....	46
Section 8.2	Repayment to the Company.....	46

ARTICLE IX

AMENDMENTS

Section 9.1	Without Consent of Holders.....	46
Section 9.2	With Consent of Holders.....	47
Section 9.3	Compliance with Trust Indenture Act.....	48
Section 9.4	Revocation and Effect of Consents, Waivers and Actions.....	48
Section 9.5	Notation on or Exchange of Securities.....	48
Section 9.6	Trustee to Sign Supplemental Indentures.....	48
Section 9.7	Effect of Supplemental Indentures.....	48

ARTICLE X

CONVERSIONS

Section 10.1	Conversion Privilege.....	49
Section 10.2	Conversion Procedure.....	49
Section 10.3	Fractional Shares.....	50
Section 10.4	Taxes on Conversion.....	50
Section 10.5	Company to Provide Stock.....	51

TABLE OF CONTENTS  
(continued)

	Page
	====
Section 10.6	Adjustment for Change in Capital Stock..... 51
Section 10.7	Adjustment for Rights Issue..... 52
Section 10.8	Adjustment for Other Distributions..... 53
Section 10.9	Adjustment for Self Tender Offer..... 55
Section 10.10	When Adjustment May Be Deferred..... 56
Section 10.11	When No Adjustment Required..... 56
Section 10.12	Notice of Adjustment..... 56
Section 10.13	Voluntary Increase..... 57
Section 10.14	Notice of Certain transactions..... 57
Section 10.15	Reorganization of Company; Special Distributions..... 57
Section 10.16	Company Determination Final..... 58
Section 10.17	Trustee's Adjustment Disclaimer..... 58
Section 10.18	Simultaneous Adjustments..... 58
Section 10.19	Successive Adjustments..... 58
Section 10.20	Restriction on Common Stock Issuable Upon Conversion..... 58

ARTICLE XI  
MISCELLANEOUS

Section 11.1	Trust Indenture Act Controls..... 59
Section 11.2	Notices..... 59
Section 11.3	Communication by Holders with Other Holders..... 60
Section 11.4	Certificate and Opinion as to Conditions Precedent..... 60
Section 11.5	Statements Required in Certificate or Opinion..... 61
Section 11.6	Separability Clause..... 61
Section 11.7	Rules by Trustee, Paying Agent, Conversion Agent and Registrar..... 61
Section 11.8	Legal Holidays..... 61
Section 11.9	Governing Law..... 61
Section 11.10	No Recourse Against Others..... 61
Section 11.11	Successors..... 61
Section 11.12	Multiple Originals..... 62



CROSS-REFERENCE TABLE\*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	7.8, 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	11.3
(c)	11.3
313(a)	7.6
(b)(1)	7.6
(b)(2)	7.6
(c)	7.6
(d)	7.6
314(a)	4.2, 4.3
(b)	N.A.
(c)(1)	11.4
(c)(2)	11.4
(c)(3)	N.A.
(d)	N.A.
(e)	11.5
(f)	N.A.
315(a)	7.1(b)
(b)	7.5
(c)	7.1(a)
(d)	7.1(c)
(e)	6.11
316(a)(1)(A)	6.5
(a)(1)(B)	6.4
(a)(2)	N.A.
(b)	6.7
(c)	1.5(e)
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
318(a)	N.A.

N.A. means not applicable.

\*This Cross-Reference Table is not part of the Indenture.

INDENTURE dated as of November 30, 2001 between HASBRO, INC., a corporation duly organized and existing under the laws of the State of Rhode Island ("Company") and THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK, a New York banking corporation ("Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 2.75% Convertible Senior Debentures due 2021:

## ARTICLE I

### DEFINITIONS AND INCORPORATION BY REFERENCE

#### Section 1.1 DEFINITIONS.

"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 or cause the direction of 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.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Global Security, in each case to the extent applicable to such transaction and as in effect from time to time.

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

"Business Day" means, with respect to any Security, a day that in the City of New York, is not a day on which banking institutions are authorized by law or regulation to close.

"Capital Stock" for any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that corporation.

"Certificated Securities" means Securities that are in the form of the Securities attached hereto as Exhibit A-2.

"Common Stock" shall mean the shares of common stock, par value \$0.50 per share, of the Company existing on the date of this Indenture or any other shares of Capital Stock of the Company into which such common stock shall be reclassified or changed.

"Company" means the party named as the "Company" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"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 Operating Officer, 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.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date of this Indenture or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Corporate Trust Office" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at One Liberty Plaza, New York, New York 10006, Attention: Corporate Trust Administration, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means, with respect to any Global Security, a clearing agency that is registered as such under the Exchange Act and is designated by the Company to act as Depository for such Global Security (or any successor securities clearing agency so registered), which shall initially be DTC.

"Global Securities" means Securities that are in the form of the Securities attached hereto as Exhibit A-1, and that are issued to a Depository.

"Holder" or "Securityholder" means a person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, without duplication, the principal or face amount of (i) all obligations for borrowed money, (ii) all obligations evidenced by debentures, notes or other similar instruments, (iii) all obligations in respect of letters of credit or bankers acceptances or similar instruments (or reimbursement obligations with respect thereto), (iv) all obligations to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (v) all obligations as lessee which are capitalized in accordance with generally accepted accounting principles, and (vi) all Indebtedness of others guaranteed by the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries is legally responsible or liable (whether by agreement to purchase indebtedness of, or to supply funds or to invest in, others).

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

"Issue Date" of any Security means the date on which the Security was originally issued or deemed issued as set forth on the face of the Security.

"Liquidated Damages" has the meaning specified in the Registration Agreement dated as of November 30, 2001, between the Company and Salomon Smith Barney Inc.

"Material Subsidiary" means any subsidiary of the Company which at the date of determination is a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act and the Exchange Act.

"NYSE" means The New York Stock Exchange.

"Officer" means the Chairman of the Board, the Vice Chairman, the President, the Chief Operating Officer, the Chief Financial Officer, any Executive Vice President, any Senior Vice President, any Vice President, the Controller, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary

"Officers' Certificate" means a written certificate containing the information specified in Sections 11.4 and 11.5, signed in the name of the Company by the Chairman of the Board, the Vice Chairman, the President, the Chief Operating Officer or an Executive Vice President, and by the Chief Financial Officer, Controller, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. An Officers' Certificate given pursuant to Section 4.3 shall be signed by an authorized financial or accounting officer of the Company but need not contain the information specified in Sections 11.4 and 11.5.

"Opinion of Counsel" means a written opinion containing the information specified in Sections 11.4 and 11.5, from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Company or the Trustee.

"person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Redemption Date" or "redemption date" shall mean the date specified in a notice of redemption on which the Securities may be redeemed in accordance with the terms of the Securities and this Indenture.

"Redemption Price" or "redemption price" shall have the meaning set forth in Paragraph 5 of the Securities.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within 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.

"Restricted Common Stock Legend" means the legend labeled as such and that is set forth in Exhibit C hereto.

"Restricted Security" means a Security required to bear the restrictive legend set forth in the form of Security set forth in Exhibits A-1 and A-2 of this Indenture.

"Rule 144A" means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"Securities" means any of the Company's 2.75% Convertible Senior Debentures due 2021, as amended or supplemented from time to time, issued under this Indenture.

"Securityholder" or "Holder" means a person in whose name a Security is registered on the Registrar's books.

"Shelf Registration Statement" shall have the meaning set forth in the Registration Agreement.

"Stated Maturity", when used with respect to any Security, means December 1, 2021.

"Subsidiary" means any person of which at least a majority of the outstanding Voting Stock shall at the time directly or indirectly be owned or controlled by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, provided, however, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"trading day" means a day during which trading in securities generally occurs on the NYSE or, if the Common Stock is not listed on the NYSE, on the principal other national or regional securities exchange on which the Common Stock then is listed or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"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."

"Voting Stock" of a person means Capital Stock of such person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

Section 1.2 OTHER DEFINITIONS.

Term Section:	Defined in:
"Accreted Conversion Price".....	Exhibit A-1
"Accreted Value".....	Exhibit A-1
"Act".....	1.5
"Administrative Action".....	Exhibit A-1
"Agent Members".....	2.12(e)
"Average Sale Price".....	10.7
"beneficial owner".....	3.8(a)
"cash".....	3.7(b)
"Clearstream".....	2.1(a)
"Company Notice".....	3.7(e)
"Company Notice Date".....	3.7(c)
"Conversion Agent".....	2.3
"Conversion Date".....	10.2
"Conversion Rate".....	10.1
"Euroclear".....	2.1(a)
"Event of Default".....	6.1
"Exchange Act".....	3.7(d)
"Ex-Dividend Time".....	10.1
"Extraordinary Cash Dividend".....	10.8
"Fundamental Change".....	3.8(a)
"Fundamental Change Purchase Date".....	3.8(a)
"Fundamental Change Purchase Notice".....	3.8(b)
"Fundamental Change Purchase Price".....	3.8(a)
"Interest Payment Date".....	Exhibit A-1
"Legal Holiday".....	11.8
"Legend".....	2.6(f)
"Market Price".....	3.7(d)
"Notice of Default".....	6.1
"Option Exercise Date".....	Exhibit A-1
"Paying Agent".....	2.3
"Payment Default".....	6.1(6)
"Purchase Date".....	3.7(a)
"Purchase Notice".....	3.7(a)
"Purchase Price".....	3.7(a)
"QIB".....	2.1(a)
"Reference Fixed Rate".....	Exhibit A-1
"Registrar".....	2.3

"Regular Record Date".....	Exhibit A-1
"Regulation S".....	2.1(a)
"Reset Rate".....	Exhibit A-1
"Reset Rate Agent".....	Exhibit A-1
"Rule 144A".....	2.1(a)
"Rule 144A Information".....	4.6
"Sale Price".....	3.7(d)
"Securities Act".....	3.7(d)
"Tax Event".....	Exhibit A-1
"Time of Determination".....	10.1
"Upward Interest Adjustment".....	Exhibit A-1

Section 1.3 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

- "Commission" means the SEC.
- "indenture securities" means the Securities.
- "indenture security holder" means a Securityholder.
- "indenture to be qualified" means this Indenture.
- "indenture trustee" or "institutional trustee" means the Trustee.
- "obligor" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

Section 1.4 RULES OF CONSTRUCTION. Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as in effect in the United States from time to time;
- (3) "or" is not exclusive;
- (4) "including" means including, without limitation; and
- (5) words in the singular include the plural, and words in the plural include the singular.

Section 1.5 ACTS OF HOLDERS. (a) 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 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 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 conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to such officer the execution thereof. Where such execution is by a signer acting in a capacity other than such signer's individual capacity, such certificate or affidavit shall also constitute sufficient proof of such signer's authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the register for the Securities.

(d) 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.

(e) 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, demand, authorization, direction, notice, consent, 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.



## ARTICLE II

### THE SECURITIES

Section 2.1 FORM AND DATING. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibits A-1 and A-2, which are a part of this Indenture. To the extent any provisions of the Securities and this Indenture are in conflict, the provisions of this Indenture shall control. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage (provided that any such notation, legend or endorsement required by usage is in a form acceptable to the Company). The Company shall provide any such notations, legends or endorsements to the Trustee in writing. Each Security shall be dated the date of its authentication.

(a) 144A/REGULATION S GLOBAL SECURITIES. The Securities are being offered and sold (i) in reliance on Regulation S under the Securities Act ("Regulation S") or (ii) to "qualified institutional buyers" as defined in Rule 144A ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A"), and shall be issued in the form of one or more permanent Global Securities substantially in the form of Exhibit A-1. Such Global Securities shall be deposited on behalf of the purchasers of the Securities represented thereby with the Trustee, as custodian for the Depository, and registered in the name of the Depository or a nominee of the Depository for the accounts of participants in the Depository (and, in the case of Securities held in accordance with Regulation S, registered with the Depository for the accounts of designated agents holding on behalf of the Euroclear System ("Euroclear") or Clearstream Banking, societe anonyme ("Clearstream")), duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of a Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

(b) GLOBAL SECURITIES IN GENERAL. Each Global Security shall represent such of the outstanding Securities as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions and conversions.

Any adjustment of the aggregate principal amount of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee in accordance with instructions given by the Holder thereof as required by Section 2.12 hereof and shall be made on the records of the Trustee and the Depository.

(c) BOOK-ENTRY PROVISIONS. This Section 2.1(c) shall apply only to Global Securities deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(c), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository, (b) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions and (c) shall bear legends substantially to the following effect:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY 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 IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE TWO OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."

(d) CERTIFICATED SECURITIES. In the event that the Securities are issued as Certificated Securities, including pursuant to Section 2.12(a)(ii), such Securities will be issued substantially in the form of Exhibit A-2 attached hereto.

Section 2.2 EXECUTION AND AUTHENTICATION. The Securities shall be executed on behalf of the Company by any Officer. The signature of the Officer on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of the execution of the Securities 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 or did not hold such offices at the date of authentication of such Securities.

No Security 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 an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

The Trustee shall authenticate and deliver the Securities for original issue in an aggregate principal amount of up to \$250,000,000 upon one or more Company Orders without any further action by the Company. The aggregate principal amount of the Securities due at the Stated Maturity thereof outstanding at any time may not exceed the amount set forth in the foregoing sentence, except as provided in Section 2.7 and upon the occurrence of an Upward Interest Adjustment and a Tax Event as contemplated in the form of Security attached hereto as Exhibit A-1.

The Securities shall be issued only in registered form without coupons and only in denominations of \$1,000 of principal amount (or the related Accreted Value if a Tax Event has occurred) and any integral multiple thereof.

Section 2.3 REGISTRAR, PAYING AGENT AND CONVERSION AGENT. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for purchase or payment ("Paying Agent") and an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term Paying Agent includes any additional paying agent, including any named pursuant to Section 4.5. The term Conversion Agent includes any additional conversion agent, including any named pursuant to Section 4.5.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar (that is not also the Trustee). The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar, Conversion Agent or co-registrar.

The Company initially appoints the Trustee as Registrar, Conversion Agent and Paying Agent in connection with the Securities.

Section 2.4 PAYING AGENT TO HOLD MONEY AND SECURITIES IN TRUST. Except as otherwise provided herein, on or prior to each due date of payments in respect of any Security, the Company shall deposit with the Paying Agent a sum of money (in immediately available funds if deposited on the due date) or shares of Common Stock sufficient to make such payments when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money and shares of Common Stock held by the Paying Agent for the making of payments in respect of the Securities and shall notify the Trustee of any default by the Company in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money and shares of Common Stock so held in trust. If the Company, a Subsidiary or an Affiliate of either of them acts as Paying Agent, it shall segregate the money and shares of

Common Stock held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money and shares of Common Stock held by it to the Trustee and to account for any funds and Common Stock disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money or shares of Common Stock.

Section 2.5 SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall cause the Registrar to furnish to the Trustee at least semiannually on June 1 and December 1 a listing of Securityholders dated within 15 days of the date on which the list is furnished and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

Section 2.6 TRANSFER AND EXCHANGE. (a) Subject to Section 2.12 hereof, upon surrender for registration of transfer of any Security, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.3, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate principal amount (or the related Accreted Value if a Tax Event has occurred). The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate principal amount (or the related Accreted Value if a Tax Event has occurred), upon surrender of the Securities to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at such office or agency. 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.

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed) or any Securities in respect of which a Purchase Notice or Fundamental Change Purchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture (except, in the case of Securities to be purchased in part, the portion thereof not to be purchased) or any Securities for a period of 15 days before the selection of Securities to be redeemed in part.

(b) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depositary, transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.12 and this Section 2.6(b). Transfers of a Global Security shall be limited to transfers of such Global Security in whole or in

part, to the Depositary, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(c) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the register for the Securities.

(d) Any Registrar appointed pursuant to Section 2.3 hereof shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Securities upon transfer or exchange of Securities.

(e) No Registrar shall be required to make registrations of transfer or exchange of Securities during any periods designated in the text of the Securities or in this Indenture as periods during which such registration of transfers and exchanges need not be made.

(f) If Securities are issued upon the transfer, exchange or replacement of Securities subject to restrictions on transfer and bearing the legends set forth on the forms of Security attached hereto as Exhibits A-1 and A-2 setting forth such restrictions (collectively, the "Legend"), or if a request is made to remove the Legend on a Security, the Securities so issued shall bear the Legend, or the Legend shall not be removed, as the case may be, unless there is delivered to the Company and the Registrar such satisfactory evidence (which in the case of a transfer pursuant to Rule 144 under the Securities Act may include an Opinion of Counsel), as may be reasonably required by the Company and the Registrar, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Regulation S or Rule 144 under the Securities Act or that such Securities are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon (i) provision of such satisfactory evidence, or (ii) notification by the Company to the Trustee and Registrar of the sale of such Security pursuant to a registration statement that is effective at the time of such sale, the Trustee, at the written direction of the Company, shall authenticate and deliver a Security that does not bear the Legend. If the Legend is removed from the face of a Security and the Security is subsequently held by the Company or an Affiliate of the Company, the Legend shall be reinstated.

Section 2.7 REPLACEMENT SECURITIES. If (a) any mutilated Security is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a protected purchaser, the Company shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount (or the related Accreted Value if a Tax Event has occurred), bearing a certificate number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Company pursuant to Article 3

hereof, the Company in its discretion may, instead of issuing a new Security, pay or purchase such Security, as the case may be.

Upon the issuance of any new Securities under this Section 2.7, 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 issued pursuant to this Section 2.7 in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.7 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.

**Section 2.8 OUTSTANDING SECURITIES; DETERMINATIONS OF HOLDERS' ACTION SECURITIES.** Securities outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those paid pursuant to Section 2.7, those delivered to it for cancellation and those described in this Section 2.8 as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate thereof holds the Security; provided, however, that in determining whether the Holders of the requisite principal amount of Securities have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or 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 actually knows to be so owned shall be so disregarded. Subject to the foregoing, only Securities outstanding at the time of such determination shall be considered in any such determination (including, without limitation, determinations pursuant to Articles 6 and 9).

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a protected purchaser.

If the Paying Agent holds, in accordance with this Indenture, on a Redemption Date, or on the Business Day following a Purchase Date or a Fundamental Change Purchase Date, or on Stated Maturity, money or securities, if permitted hereunder, sufficient to pay Securities payable on that date, then immediately after such Redemption Date, Purchase Date, Fundamental Change Purchase Date or Stated Maturity, as the case may be, such Securities shall cease to be outstanding and interest, if any, on such Securities shall cease to accrue; provided, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made.

If a Security is converted in accordance with Article X, then from and after the Conversion Date, such Security shall cease to be outstanding and interest, if any, shall cease to accrue on such Security.

Section 2.9 TEMPORARY SECURITIES. Pending the preparation of definitive Securities, 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 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.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 2.3, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount (or the related Accreted Value if a Tax Event has occurred) of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 2.10 CANCELLATION. All Securities surrendered for payment, purchase by the Company pursuant to Article 3, conversion, redemption or registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and shall be 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 so delivered shall be promptly cancelled by the Trustee. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article X. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with the Trustee's customary procedure.

Section 2.11 PERSONS DEEMED OWNERS. Prior to due presentment of a 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 Security is registered in the records of the Registrar as the owner of such Security for the purpose of receiving payment of principal of the Security or the payment of any Redemption Price, Purchase Price or Fundamental Change Purchase Price in respect thereof, and interest thereon, for the purpose of conversion and for all other purposes whatsoever, whether or not such 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.

Section 2.12 GLOBAL SECURITIES. (a) Notwithstanding any other provisions of this Indenture or the Securities, (A) transfers of a Global Security, in whole or in part, shall be made

only in accordance with Section 2.6(b) and Section 2.12(a)(i), (B) transfers of a beneficial interest in a Global Security for a Certificated Security shall comply with Section 2.6 and Section 2.12(a)(ii) below, and (C) transfers of a Certificated Security shall comply with Section 2.6 and Sections 2.12(a)(iii) and (iv) below.

(i) Transfer of Global Security. A Global Security may not be transferred, in whole or in part, to any person other than the Depository or one or more nominees or any successor thereof, and no such transfer to any such other person may be registered; provided that this clause (i) shall not prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such person. Nothing in this Section 2.12(a)(i) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 2.12(a).

(ii) Restrictions on Transfer of a Beneficial Interest in a Global Security for a Certificated Security. A beneficial interest in a Global Security may not be exchanged for a Certificated Security except upon the circumstances contemplated in Section 2.12(e)(1) below and additionally, upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a transfer of a beneficial interest in a Global Security in accordance with Applicable Procedures for a Certificated Security in the form satisfactory to the Trustee, together with:

- (A) so long as the Securities are Restricted Securities, certification in the form set forth in Exhibit B,
- (B) written instructions to the Trustee to make, or direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect a decrease in the aggregate principal amount of the Securities represented by the Global Security, such instructions to contain information regarding the Depository account to be credited with such decrease, and
- (C) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the Legend,

the Trustee shall cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depository and the Registrar, the aggregate principal amount of the Securities represented by the Global Security to be decreased by the aggregate principal amount of the Certificated Security to be issued, shall issue such Certificated Security and shall debit or cause to be debited to the account of the person specified in such instructions a beneficial interest in the Global Security equal to the principal amount or the related Accreted Value of the Certificated Security so issued.



(iii) Transfer and Exchange of Certificated Securities. When Certificated Securities are presented to the Registrar with a request:

(y) to register the transfer of such Certificated Securities; or

(z) to exchange such Certificated Securities for an equal principal amount of Certificated Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Certificated Securities surrendered for transfer or exchange:

- (1) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and
- (2) so long as such Securities are Restricted Securities, such Securities are being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:
  - (A) if such Certificated Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect; or
  - (B) if such Certificated Securities are being transferred to the Company, a certification to that effect; or
  - (C) if such Certificated Securities are being transferred pursuant to an exemption from registration, (i) a certification to that effect (in the form set forth in Exhibit B, if applicable) and (ii) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the Legend.

(iv) Restrictions on Transfer of a Certificated Security for a Beneficial Interest in a Global Security. A Certificated Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below.

Upon receipt by the Trustee of a Certificated Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(I) so long as the Securities are Restricted Securities, certification, in the form set forth in Exhibit B-1, that such Certificated Security is being transferred in accordance with Rule 144A, Regulation S or Rule 144; and

(II) written instructions directing the Trustee to make, or to direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to

reflect an increase in the aggregate principal amount of the Securities represented by the Global Security, such instructions to contain information regarding the Depositary account to be credited with such increase, then the Trustee shall cancel such Certificated Security and cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Registrar, the aggregate principal amount of Securities represented by the Global Security to be increased by the aggregate principal amount of the Certificated Security to be exchanged, and shall credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Global Security equal to the principal amount of the Certificated Security so cancelled. If no Global Securities are then outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Security in the appropriate principal amount.

(b) Subject to the succeeding paragraph (c), every Security shall be subject to the restrictions on transfer provided in the Legend. Whenever any Restricted Security is presented or surrendered for registration of transfer or for exchange for a Security registered in a name other than that of the Holder, such Security must be accompanied by a certificate in substantially the form set forth in Exhibit B, dated the date of such surrender and signed by the Holder of such Security, as to compliance with such restrictions on transfer. The Registrar shall not be required to accept for such registration of transfer or exchange any Security not so accompanied by a properly completed certificate.

(c) The restrictions imposed by the Legend upon the transferability of any Security shall cease and terminate when such Security has been sold pursuant to an effective registration statement under the Securities Act or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or, if earlier, upon the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision). Any Security as to which such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon a surrender of such Security for exchange to the Registrar in accordance with the provisions of this Section 2.12 (accompanied, in the event that such restrictions on transfer have terminated by reason of a transfer in compliance with Rule 144 or any successor provision, by an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and in form acceptable to the Company, to the effect that the transfer of such Security has been made in compliance with Rule 144 or such successor provision), be exchanged for a new Security, of like tenor and aggregate principal amount, which shall not bear the restrictive Legend. The Company shall inform the Trustee of the effective date of any registration statement registering the resale of the Securities under the Securities Act. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned opinion of counsel or registration statement.

(d) As used in the preceding two paragraphs of this Section 2.12, the term "transfer" encompasses any sale, pledge, transfer, loan, hypothecation, or other disposition of any Security.

(e) The provisions of clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

- (1) Notwithstanding any other provisions of this Indenture or the Securities, a Global Security shall not be exchanged in whole or in part for a Security registered in the name of any person other than the Depositary or one or more nominees or any successor thereof, provided that a Global Security may be exchanged for Securities registered in the names of any person designated by the Depositary in the event that (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or such Depositary has ceased to be a "clearing agency" registered under the Exchange Act, and a successor Depositary is not appointed by the Company within 90 days, (ii) an Event of Default has occurred and is continuing with respect to the Securities or (iii) the Company in its sole discretion elects not to have the Securities represented by a Global Security and to cause the issuance of Certificated Securities. Any Global Security exchanged pursuant to clause (i) or (iii) above shall be so exchanged in whole and not in part, and any Global Security exchanged pursuant to clause (ii) above may be exchanged in whole or from time to time in part as directed by the Depositary. Any Security issued in exchange for a Global Security or any portion thereof shall be a Global Security; provided that any such Security so issued that is registered in the name of a person other than the Depositary or a nominee thereof shall not be a Global Security and shall be deemed a Certificated Security.
- (2) Securities issued in exchange for a Global Security or any portion thereof shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount (or the related Accreted Value if a Tax Event has occurred) equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear the applicable legends provided for herein. Any Global Security to be exchanged in whole shall be surrendered by the Depositary to the Trustee, as Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Security, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Security issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.
- (3) Subject to the provisions of clause (5) below, the registered Holder may grant proxies and otherwise authorize any person, including Agent Members (as defined below) and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Securities.
- (4) In the event of the occurrence of any of the events specified in clause (1) above, the Company will promptly make available to the Trustee a reasonable supply of

Certificated Securities in definitive, fully registered form, without interest coupons.

- (5) Neither any members of, or participants in, the Depositary (collectively, the "Agent Members") nor any other persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security registered in the name of the Depositary or any nominee thereof, or under any such Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Security.

Section 2.13 CUSIP NUMBERS. The Company may issue the Securities with one or more "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

Section 2.14 RANKING. The Indebtedness of the Company arising under or in connection with this Indenture and every outstanding Security issued under this Indenture from time to time constitutes and will constitute a senior unsecured obligation of the Company, ranking equally with other existing and future senior unsecured Indebtedness of the Company and ranking senior to any future subordinated Indebtedness of the Company.

Section 2.15 REGULATION S. The Company agrees that it will refuse to register any transfer of Securities or any shares of Common Stock issued upon conversion of Securities that is not made in accordance with the provisions of Regulation S under the Securities Act, pursuant to a registration statement which has been declared effective under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; provided that the provisions of this paragraph shall not be applicable to any Securities which do not bear a Legend or to any shares of Common Stock evidenced by certificates which do not bear a Restricted Common Stock Legend.

### ARTICLE III

#### REDEMPTION AND PURCHASES

Section 3.1 COMPANY'S RIGHT TO REDEEM; NOTICES TO TRUSTEE. The Company, at its option, may redeem the Securities in accordance with the provisions of Paragraph 5 of the Securities. If the Company elects to redeem Securities pursuant to Paragraph 5 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the principal amount of Securities to be redeemed and the Redemption Price. The Company shall give the notice to the Trustee provided for in Section 3.3 by a Company Order, at least 40 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

Section 3.2 SELECTION OF SECURITIES TO BE REDEEMED. If less than all the Securities are to be redeemed, unless the procedures of the Depositary provide otherwise, the Trustee shall select the Securities to be redeemed by lot, on a pro rata basis or by another method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Securities are then listed). The Trustee shall make the selection at least 35 days but not more than 60 days before the Redemption Date from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal amount of Securities that have denominations larger than \$1,000. Securities and portions of Securities that the Trustee selects shall be in principal amounts of \$1,000 or an integral multiple of \$1,000, if less than all of the Securities are being redeemed. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of the Securities to be redeemed. If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities, which have been converted during a selection of Securities to be redeemed, may be treated by the Trustee as outstanding for the purpose of such selection.

Section 3.3 NOTICE OF REDEMPTION. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Securities to be redeemed. The notice shall identify the Securities to be redeemed and shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) the Conversion Rate;
- (4) the name and address of the Paying Agent and Conversion Agent;

(5) that Securities called for redemption may be converted at any time before the close of business on the date that is two (2) Business Days prior to the Redemption Date;

(6) that Holders who want to convert their Securities must satisfy the requirements set forth in Paragraph 8 of the Securities;

(7) that Securities called for redemption must be surrendered to the Paying Agent at least two (2) Business Days prior to the Redemption Date to collect the Redemption Price;

(8) if fewer than all of the outstanding Securities are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Securities to be redeemed;

(9) that, unless the Company defaults in making payment of such Redemption Price, interest, if any, on Securities called for redemption will cease to accrue on and after the Redemption Date; and

(10) the CUSIP number(s) of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense, provided that the Company makes such request at least three Business Days prior to the date by which such notice of redemption must be given to Holders in accordance with this Section 3.3.

Section 3.4 EFFECT OF NOTICE OF REDEMPTION. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice except for Securities which are converted in accordance with the terms of this Indenture.

Section 3.5 DEPOSIT OF REDEMPTION PRICE. Prior to 10:00 a.m. (New York City time), on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for that purpose because of conversion of Securities pursuant to Article X. If such money is then held by the Company in trust and is not required for such purpose it shall be discharged from such trust.

Section 3.6 SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Security in an authorized denomination equal in principal amount to the unredeemed portion of the Security surrendered.

Section 3.7 PURCHASE OF SECURITIES BY THE COMPANY AT OPTION OF THE HOLDER. (a) General. Securities shall be purchased by the Company pursuant to Paragraph 6 of the Securities at the option of the Holder on December 1, 2005, December 1, 2011 and December 1, 2016 (each, a "Purchase Date"), at the Accreted Value plus accrued and unpaid current cash interest, if any, on such Purchase Date (the "Purchase Price"). Purchases of Securities hereunder shall be made, at the option of the Holder thereof, upon:

- (1) delivery to the Paying Agent by the Holder of a written notice of purchase (a "Purchase Notice") during the period beginning at any time from the opening of business on the date that is 20 Business Days prior to the relevant Purchase Date until the close of business two Business Days prior to such Purchase Date stating:
- (A) the certificate number of the Security which the Holder will deliver to be purchased or the appropriate Depository procedures if Certificated Securities have not been issued,
  - (B) the portion of the principal amount of the Security which the Holder will deliver to be purchased, which portion must be in principal amounts of \$1,000 or an integral multiple thereof, if less than all of the Securities are being redeemed,
  - (C) that such Security shall be purchased by the Company as of the Purchase Date pursuant to the terms and conditions specified in Paragraph 6 of the Securities and in this Indenture, and
  - (D) in the event the Company elects, pursuant to Section 3.7(b), to pay the Purchase Price, in whole or in part, in shares of Common Stock but such portion of the Purchase Price shall ultimately be paid to such Holder entirely in cash because any of the conditions to payment of the Purchase Price in shares of Common Stock is not satisfied prior to the close of business two Business Days prior to the relevant Purchase Date, as set forth in Section 3.7(d), whether such Holder elects (i) to withdraw such Purchase Notice as to some or all of the Securities to which such Purchase Notice relates (stating the principal amount and certificate numbers, if any, of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Purchase Price for all Securities (or portions thereof) to which such Purchase Notice relates; and
- (2) delivery of such Security to the Paying Agent prior to, on or after the Purchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Purchase Price therefor; provided, however, that such Purchase Price shall be so paid pursuant to this Section 3.7 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Purchase Notice, as determined by the Company.

If a Holder, in such Holder's Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 3.9, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 3.7(a)(1), such Holder shall be deemed to have elected to receive cash in respect of the entire Purchase Price for all Securities subject to such Purchase Notice in the circumstances set forth in such clause (D).

The Company shall purchase from the Holder thereof, pursuant to this Section 3.7, a portion of a Security, only if the principal amount of such portion is \$1,000 or an integral

multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 3.7 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Purchase Date and the time of delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Purchase Notice contemplated by this Section 3.7(a) shall have the right to withdraw such Purchase Notice at any time prior to the close of business two Business Days prior to the Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 3.9.

The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(b) COMPANY'S RIGHT TO ELECT MANNER OF PAYMENT OF PURCHASE PRICE FOR PAYMENT. The Securities to be purchased on any Purchase Date pursuant to Section 3.7(a) may be paid for, in whole or in part, at the election of the Company, in U.S. legal tender ("cash") or shares of Common Stock, or in any combination of cash and shares of Common Stock, subject to the conditions set forth in Sections 3.7(c) and (d). The Company shall designate, in the Company Notice delivered pursuant to Section 3.7(e), whether the Company will purchase the Securities for cash or shares of Common Stock, or, if a combination thereof, the percentages of the Purchase Price of Securities in respect of which it will pay in cash or shares of Common Stock; provided that the Company will pay cash for fractional interests in shares of Common Stock. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to this Section 3.7 shall receive the same percentage of cash or shares of Common Stock in payment of the Purchase Price for such Securities, except (i) as provided in Section 3.7(d) with regard to the payment of cash in lieu of fractional shares of Common Stock and (ii) in the event that the Company is unable to purchase the Securities of a Holder or Holders for shares of Common Stock because any necessary qualifications or registrations of the shares of Common Stock under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders except pursuant to this Section 3.7(b) or pursuant to Section 3.7(d) in the event of a failure to satisfy, prior to the close of business two Business Days prior to the Purchase Date, any condition to the payment of the Purchase Price, in whole or in part, in shares of Common Stock.

At least three Business Days before each Company Notice Date (as defined below), the Company shall deliver an Officers' Certificate to the Trustee specifying:

- (i) the manner of payment selected by the Company,
- (ii) the information required by Section 3.7(e) in the Company Notice,



- (iii) if the Company elects to pay the Purchase Price, or a specified percentage thereof, in shares of Common Stock, that the conditions to such manner of payment set forth in Section 3.7(d) have been or will be complied with,
- (iv) whether the Company desires the Trustee to give the Company Notice required by Section 3.7(e), and
- (v) the principal amount of the Securities plus accrued and unpaid interest.

(c) PURCHASE WITH CASH. At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 3.7(a) has been given, or a specified percentage thereof, may be paid by the Company with cash equal to the aggregate Purchase Price of such Securities, except that accrued and unpaid current cash interest must be paid in cash. The Company Notice, as provided in Section 3.7(e), shall be sent to Holders not less than 20 Business Days prior to such Purchase Date (the "Company Notice Date").

(d) PAYMENT BY ISSUANCE OF SHARES OF COMMON STOCK. At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 3.7(a) has been given, or a specified percentage thereof, may be paid by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing (i) the portion of the Purchase Price to be paid in shares of Common Stock by (ii) 97.5% of the Market Price of one share of Common Stock as determined by the Company in the Company Notice, subject to the next succeeding paragraph, except that accrued and unpaid current cash interest must be paid in cash.

The Company will not issue fractional shares of Common Stock in payment of the Purchase Price. Instead, the Company will pay cash based on the Market Price for all fractional shares. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented).

If the Company elects to purchase the Securities by the issuance of shares of Common Stock, the Company Notice, as provided in Section 3.7(e), shall be sent to the Holders not later than the Company Notice Date.

The Company's right to exercise its election to purchase Securities through the issuance of shares of Common Stock shall be conditioned upon:

(i) the Company's not having given its Company Notice of an election to pay entirely in cash and its giving of timely Company Notice of an election to purchase all or a specified percentage of the Securities with shares of Common Stock as provided herein;

(ii) the registration of such shares of Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in each case, if required by applicable law;

(iii) the listing of such shares of Common Stock on the principal national securities exchange (currently the NYSE) or other principal exchange or market on which the shares of Common Stock are listed or traded;

(iv) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(v) the receipt by the Trustee by the Purchase Date of an Officers' Certificate and an Opinion of Counsel each stating that

(A) the terms of the issuance of the shares of Common Stock are in conformity with this Indenture and

(B) the shares of Common Stock to be issued by the Company in payment of the Purchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Purchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, free from preemptive rights, and, in the case of such Officers' Certificate, stating that the conditions above and the condition set forth in the second succeeding sentence have been satisfied and, in the case of such Opinion of Counsel, stating that the conditions in clauses (ii) through (iv) above have been satisfied. Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each \$1,000 principal amount of Securities and the Sale Price of a share of Common Stock on each trading day during the period commencing on the first trading day of the period during which the Market Price is calculated and ending on the third trading day prior to the applicable Purchase Date. The Company may pay the Purchase Price (or any portion thereof) in shares of Common Stock only if the information necessary to calculate the Market Price is published in a daily newspaper of national circulation. If the foregoing conditions are not satisfied with respect to a Holder or Holders prior to the close of business on the last Business Day prior to the Purchase Date, and the Company has elected to purchase the Securities pursuant to this Section 3.7 through the issuance of shares of Common Stock, the Company shall pay the entire Purchase Price of the Securities of such Holder or Holders in cash.

The "Market Price" means the average of the Sale Prices of the shares of Common Stock for the 20 trading day period ending on the third Business Day prior to the applicable Purchase Date (if the third Business Day prior to the applicable Purchase Date is a trading day, or if not, then on the last trading day prior to the third Business Day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the five trading day period and ending on the Purchase Date, of any event described in Sections 10.6, 10.7, 10.8 or 10.9; subject, however, to the conditions set forth in Sections 10.10 and 10.11.

The "Sale Price" of the shares of Common Stock on any date means the closing per share sale price (or, if no closing 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 the average asked prices) on such date as reported on the NYSE or, if the shares of Common Stock are not listed on the NYSE, as reported by the Nasdaq system. In the absence of such quotations, the Company shall be entitled to determine the sales price on the basis of such quotations as it considers appropriate.

Upon determination of the actual number of shares of Common Stock to be issued upon redemption of Securities, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on the Company's Web site or through such other public medium as the Company may use at that time.

(e) NOTICE OF ELECTION. In connection with any purchase of Securities pursuant to Paragraph 6 of the Securities, the Company shall give notice to Holders setting forth information specified in this Section 3.7(e) (the "Company Notice").

In the event the Company has elected to pay the Purchase Price (or a specified percentage thereof) with shares of Common Stock, the Company Notice shall:

- (1) state that each Holder will receive shares of Common Stock, 97.5% of the Market Price (determined as of a specified date prior to the Purchase Date) of which shares will be equal to such specified percentage of the Purchase Price of the Securities held by such Holder (except any cash amount to be paid in lieu of fractional shares);
- (2) set forth the method of calculating the Market Price of the shares of Common Stock; and
- (3) state that because the Market Price of shares of Common Stock will be determined prior to the Purchase Date, Holders of the Securities will bear the market risk with respect to the value of the shares of Common Stock to be received from the date such Market Price is determined to the Purchase Date.

In any case, each Company Notice shall include a form of Purchase Notice to be completed by a Holder and shall state:

- (i) the Purchase Price and the Conversion Rate;
- (ii) the name and address of the Paying Agent and the Conversion Agent;
- (iii) that Securities as to which a Purchase Notice has been given may be converted if they are otherwise convertible only in accordance with Article X hereof and Paragraph 8 of the Securities if the applicable Purchase Notice has been withdrawn in accordance with the terms of this Indenture;
- (iv) that Securities must be surrendered to the Paying Agent to collect payment;

- (v) that the Purchase Price for any security as to which a Purchase Notice has been given and not withdrawn will be paid promptly following the later of the Purchase Date and the time of surrender of such Security as described in (iv);
- (vi) the procedures the Holder must follow to exercise its put rights under this Section 3.7 and a brief description of those rights;
- (vii) briefly, the conversion rights of the Securities;
- (viii) the procedures for withdrawing a Purchase Notice (including, without limitation, for a conditional withdrawal pursuant to the terms of Section 3.7(a)(1)(D) or Section 3.9);
- (ix) that, unless the Company defaults in making payment on Securities for which a Purchase Notice has been submitted, interest, if any, on such Securities will cease to accrue on the Purchase Date; and
- (x) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; provided, however, that, in all cases, the text of such Company Notice shall be prepared by the Company.

(f) COVENANTS OF THE COMPANY. All shares of Common Stock delivered upon purchase of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim.

(g) PROCEDURE UPON PURCHASE. The Company shall deposit cash (in respect of a cash purchases under this Section 3.7 or for fractional interests, as applicable) or shares of Common Stock, or a combination thereof, as applicable, at the time and in the manner as provided in Section 3.10, sufficient to pay the aggregate Purchase Price of all Securities to be purchased pursuant to this Section 3.7. As soon as practicable after the later of the Purchase Date and the time of surrender of the Security, the Company shall deliver to each Holder entitled to receive shares of Common Stock through the Paying Agent, a certificate for the number of full shares of Common Stock issuable in payment of the Purchase Price and cash in lieu of any fractional interests. The person in whose name the certificate for the shares of Common Stock is registered shall be treated as a holder of record of Common Stock on the Business Day following the date of delivery of such certificate as described in the previous sentence. Subject to Section 3.7(d), no payment or adjustment will be made for dividends on the shares of Common Stock the record date for which occurred on or prior to the Purchase Date.

(h) TAXES. If a Holder of a purchased Security is paid in shares of Common Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of Common Stock. However, the Holder shall pay any such tax which is due because the Holder requests the Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient

to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 3.8 PURCHASE OF SECURITIES AT OPTION OF THE HOLDER UPON A FUNDAMENTAL CHANGE. (a) If a Fundamental Change occurs, the Securities not previously purchased by the Company shall be purchased by the Company, at the option of the Holder thereof, at a purchase price specified in Paragraph 6 of the Securities (the "Fundamental Change Purchase Price"), as of the date that is 45 days after the date of the notice of Fundamental Change delivered by the Company (the "Fundamental Change Purchase Date"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 3.8(c).

A "Fundamental Change" shall be deemed to have occurred at such time after the Securities are originally issued as any of the following events shall occur:

(i) any person acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of the Company's Capital Stock entitling the person to exercise 50% or more of the total voting power of all shares of the Company's Capital Stock that are entitled to vote generally in elections of directors, other than an acquisition by the Company, any of its Subsidiaries or any of its employee benefit plans; or

(ii) the Company merges or consolidates with or into any other person, any merger of another person into the Company, or the Company conveys, sells, transfers or leases all or substantially all of its assets to another person, other than any transaction:

- (A) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of the Company's Capital Stock, or
- (B) pursuant to which the holders of Common Stock immediately prior to the transaction have the entitlement to exercise, directly or indirectly, 50% or more of the total voting power of all shares of Capital Stock entitled to vote generally in the election of directors of the continuing or surviving corporation immediately after the transaction, or
- (C) which is effected solely to change the Company's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of the Common Stock solely into shares of common stock of the surviving entity; or

(iii) any time the Company's Continuing Directors do not constitute a majority of the Board of Directors of the Company (or, if applicable, a successor corporation to the Company).

Notwithstanding the foregoing provisions of this Section 3.8, a Fundamental Change shall not be deemed to have occurred if (A) the Sale Price per share of Common Stock for any five trading days within the period of 10 consecutive NYSE trading days ending immediately after the later of a Fundamental Change or the public announcement of a Fundamental Change, in the case of a

Fundamental Change relating to an acquisition of Capital Stock, or the period of 10 consecutive trading days ending immediately before a Fundamental Change, in the case of a Fundamental Change relating to a merger, consolidation or asset sale, equals or exceeds 105% of the Accreted Conversion Price of the Securities in effect on each of those trading days or (B) all of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights) in a merger or consolidation otherwise constituting a Fundamental Change under clause (i) and/or clause (ii) above consists of shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (or will be so traded or quoted immediately following the merger or consolidation) and as a result of the merger or consolidation the Securities become convertible into such common stock. For purposes of this Section 3.8, (x) whether a person is a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the Exchange Act and (y) "person" includes any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

(b) No later than 30 days after the occurrence of a Fundamental Change, the Company shall mail a written notice of the Fundamental Change by first-class mail to the Trustee and to each Holder. The notice shall include a form of written notice of purchase (the "Fundamental Change Purchase Notice") to be completed by the Holder and shall state:

- (1) briefly, the events causing a Fundamental Change and the date of such Fundamental Change;
- (2) the date by which the Fundamental Change Purchase Notice pursuant to this Section 3.8 must be given;
- (3) the Fundamental Change Purchase Date;
- (4) the Fundamental Change Purchase Price;
- (5) the name and address of the Paying Agent and the Conversion Agent;
- (6) the Conversion Rate and any adjustments thereto;
- (7) that the Securities as to which a Fundamental Change Purchase Notice has been given may be converted if they are otherwise convertible pursuant to Article X hereof only if the Fundamental Change Purchase Notice has been withdrawn in accordance with the terms of this Indenture;
- (8) that the Securities must be surrendered to the Paying Agent to collect payment;
- (9) that the Fundamental Change Purchase Price for any Security as to which a Fundamental Change Purchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Fundamental Change Purchase Date and the time of surrender of such Security as described in (8);
- (10) briefly, the procedures the Holder must follow to exercise rights under this Section 3.10;

- (11) briefly, the conversion rights, if any, of the Securities;
- (12) the procedures for withdrawing a Fundamental Change Purchase Notice;
- (13) that, unless the Company defaults in making payment of such Fundamental Change Purchase Price, interest, if any, on Securities surrendered for purchase by the Company will cease to accrue on and after the Fundamental Change Purchase Date; and
- (14) the CUSIP number(s) of the Securities.

(c) A Holder may exercise its rights specified in Section 3.8(a) upon delivery of an irrevocable Fundamental Change Purchase Notice to the Paying Agent at any time on or prior to the 30th day after the date the Company delivers its written Fundamental Change notice, stating:

- (1) the certificate number of the Security which the Holder will deliver to be purchased;
- (2) the portion of the principal amount of the Security which the Holder will deliver to be purchased, which portion, if not the entire amount of the Security, must be \$1,000 or an integral multiple thereof; and
- (3) that such Security shall be purchased pursuant to the terms and conditions specified in Paragraph 6 of the Securities.

The delivery of such Security to the Paying Agent with the Fundamental Change Purchase Notice (together with all necessary endorsements) at the offices of the Paying Agent shall be a condition to the receipt by the Holder of the Fundamental Change Purchase Price therefor; provided, however, that such Fundamental Change Purchase Price shall be so paid pursuant to this Section 3.8 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof set forth in the related Fundamental Change Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 3.8, a portion of a Security only if the principal amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 3.8 shall be consummated by the delivery of the consideration to be received by the Holder on the Fundamental Change Purchase Date.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Purchase Notice.

Section 3.9 EFFECT OF PURCHASE NOTICE OR FUNDAMENTAL CHANGE PURCHASE NOTICE. Upon receipt by the Paying Agent of the Purchase Notice or the Fundamental Change Purchase Notice specified in Section 3.7(a) or Section 3.8(c), as applicable, the Holder of the Security in respect

of which such Purchase Notice or Fundamental Change Purchase Notice, as the case may be, was given shall (unless such Purchase Notice or Fundamental Change Purchase Notice, as the case may be, is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Purchase Price or the Fundamental Change Purchase Price, as the case may be, with respect to such Security. Such Purchase Price or Fundamental Change Purchase Price shall be paid to such Holder, subject to receipts of funds and/or securities by the Paying Agent, as soon as practicable following the later of (x) the Purchase Date or the Fundamental Change Purchase Date, as the case may be, with respect to such Security (provided the conditions in Section 3.7(a) or Section 3.8(c), as applicable, have been satisfied) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 3.7(a) or Section 3.8(c), as applicable. Securities in respect of which a Purchase Notice or Fundamental Change Purchase Notice has been given by the Holder thereof may not be converted pursuant to Article X hereof on or after the date of the delivery of such Purchase Notice or Fundamental Change Purchase Notice unless such Purchase Notice or Fundamental Change Purchase Notice has first been validly withdrawn as specified in the following two paragraphs.

A Purchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Purchase Notice at any time prior to the close of business on the last Business Day prior to the Purchase Date specifying:

- (1) the certificate number, if any, of the Security in respect of which such notice of withdrawal is being submitted,
- (2) the principal amount of the Security with respect to which such notice of withdrawal is being submitted, and
- (3) the principal amount, if any, of such Security which remains subject to the original Purchase Notice or Fundamental Change Purchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Purchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in a Purchase Notice pursuant to the terms of Section 3.7(a)(1)(D) or (ii) a conditional withdrawal containing the information set forth in Section 3.7(a)(1)(D) and the preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the preceding paragraph.

There shall be no purchase of any Securities pursuant to Section 3.7 or 3.8 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Purchase Notice or Fundamental Change Purchase Notice, as the case may be) and is continuing an Event of Default (other than a default in the payment of the Purchase Price or Fundamental Change Purchase Price, as the case may be, with respect to such Securities). The Paying Agent will promptly return to the respective Holders thereof any Securities (x) with respect to which a Purchase Notice or Fundamental Change Purchase Notice, as the case may be, has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Purchase Price or Fundamental Change Purchase Price, as the case may be, with respect to such Securities) in which case, upon



such return, the Purchase Notice or Fundamental Change Purchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 3.10 DEPOSIT OF PURCHASE PRICE OR FUNDAMENTAL CHANGE PURCHASE PRICE. Prior to 10:00 a.m. (local time in the City of New York) on the Purchase Date or the Fundamental Change Purchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 2.4) an amount of cash (in immediately available funds if deposited on such Business Day) or Common Stock, if permitted hereunder, sufficient to pay the aggregate Purchase Price or Fundamental Change Purchase Price, as the case may be, of all the Securities or portions thereof which are to be purchased as of the Purchase Date or Fundamental Change Purchase Date, as the case may be.

Section 3.11 SECURITIES PURCHASED IN PART. Any Certificated Security which is to be purchased only in part shall be surrendered at the office of the Paying Agent (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 such Holder's 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, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security so surrendered which is not purchased.

Section 3.12 COVENANT TO COMPLY WITH SECURITIES LAWS UPON PURCHASE OF SECURITIES. When complying with the provisions of Section 3.7 or 3.8 hereof (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 (or any successor provision) under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all Federal and state securities laws so as to permit the rights and obligations under Sections 3.7 and 3.8 to be exercised in the time and in the manner specified in Sections 3.7 and 3.8.

Section 3.13 REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company any cash or shares of Common Stock that remain unclaimed as provided in Paragraph 12 of the Securities, together with interest or dividends, if any, thereon (subject to the provisions of Section 7.1(f)), held by them for the payment of the Purchase Price or Fundamental Change Purchase Price, as the case may be; provided, however, that to the extent that the aggregate amount of cash or shares of Common Stock deposited by the Company pursuant to Section 3.10 exceeds the aggregate Purchase Price or Fundamental Change Purchase Price, as the case may be, of the Securities or portions thereof which the Company is obligated to purchase as of the Purchase Date or Fundamental Change Purchase Date, as the case may be, then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Purchase Date or Fundamental Change Purchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon (subject to the provisions of Section 7.1(f)).

ARTICLE IV  
COVENANTS

Section 4.1 PAYMENT OF SECURITIES. The Company shall promptly make all payments in respect of the Securities on the dates and in the manner provided in the Securities or pursuant to this Indenture. Any amounts of cash or shares of Common Stock to be given to the Trustee or Paying Agent, shall be deposited with the Trustee or Paying Agent by 10:00 a.m. New York City time by the Company. Principal amount, Accreted Value plus accrued interest, if any, Redemption Price, Purchase Price, Fundamental Change Purchase Price and cash interest, if any, shall be considered paid on the applicable date due if on such date (or, in the case of a Purchase Price or Fundamental Change Purchase Price, on the Business Day following the applicable Purchase Date or Fundamental Change Purchase Date, as the case may be) the Trustee or the Paying Agent holds, in accordance with this Indenture, cash or securities, if permitted hereunder, sufficient to pay all such amounts then due.

Section 4.2 SEC AND OTHER REPORTS. The Company shall file with the Trustee, within 15 days after it files such annual and quarterly reports, information, documents and other reports with the SEC, copies of its annual report and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. In the event the Company is at any time no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, it shall continue to provide the Trustee with reports containing substantially the same information as would have been required to be filed with the SEC had the Company continued to have been subject to such reporting requirements. In such event, such reports shall be provided at the times the Company would have been required to provide reports had it continued to have been subject to such reporting requirements. The Company also shall comply with the other provisions of TIA Section 314(a). Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officers' Certificates).

Section 4.3 COMPLIANCE CERTIFICATE. The Company shall deliver to the Trustee within 105 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 30, 2001) an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof, the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Section 4.4 FURTHER INSTRUMENTS AND ACTS. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 4.5 MAINTENANCE OF OFFICE OR AGENCY. The Company will maintain in the Borough of Manhattan, the City of New York, an office or agency of the Trustee, Registrar, Paying Agent and Conversion Agent where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange, purchase, redemption or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The office of The Bank of Nova Scotia Trust Company of New York, One Liberty Plaza, New York, New York 10006 (Attention: Corporate Trust Administration), shall initially be such office or agency for all of the aforesaid purposes. The Company shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency (other than a change in the location of the office of the Trustee). 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 address of the Trustee set forth in Section 11.2.

The Company may also from time to time designate one or more other offices or agencies where the Securities 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 rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York, for such purposes.

Section 4.6 DELIVERY OF CERTAIN INFORMATION. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder or any beneficial owner of Securities or holder or beneficial owner of shares of Common Stock issued upon conversion thereof, or in accordance with Section 3.8(c), the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or any beneficial owner of Securities or holder or beneficial owner of shares of Common Stock, or to a prospective purchaser of any such security designated by any such holder, as the case may be, to the extent required to permit compliance by such Holder or holder with Rule 144A under the Securities Act in connection with the resale of any such security. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act. Whether a person is a beneficial owner shall be determined by the Company to the Company's reasonable satisfaction.

Section 4.7 CALCULATION OF ORIGINAL ISSUE DISCOUNT. The Company and each Holder will be deemed to have agreed (i) that for United States federal income tax purposes the Securities will be treated as indebtedness subject to the Treasury regulations governing contingent payment debt instruments, (ii) that the Holders will report original issue discount and interest on the Securities in accordance with the Company's determination of both the "comparable yield" and the "projected payment schedule" and (iii) to be bound by the Company's application of the Treasury regulations that govern contingent payment debt instruments. For this purpose, the "comparable yield" for the Securities is 8.24% compounded semi-annually and the "projected payment schedule" is attached as Schedule A hereto. The Company shall file with the Trustee no later than the end of each calendar year or at any other time as the Trustee may request (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on outstanding Securities as of the

end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

ARTICLE V  
SUCCESSOR CORPORATION

Section 5.1 WHEN COMPANY MAY MERGE OR TRANSFER ASSETS. The Company shall not, in a single transaction or a series of related transactions, consolidate with or merge with or into any other person or convey, transfer, sell or lease its properties and assets substantially as an entirety to any person, or permit any person to consolidate with or merge into the Company, unless:

(a) either (1) the Company shall be the continuing corporation or (2) the person (if other than the Company) formed by such consolidation or into which the Company is merged or the person which acquires by conveyance, transfer or lease the properties and assets of the Company substantially as an entirety (i) shall be a corporation, limited liability company, partnership or trust organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all of the obligations of the Company under the Securities and this Indenture;

(b) immediately after giving effect to such transaction, no Event of Default, and no event that, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article 5 and that all conditions precedent herein provided for relating to such transaction have been satisfied; provided, however, that no such Opinion of Counsel need to be delivered in connection with a transactions or transactions whereby a Subsidiary is consolidated with or merged into the Company.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise) of the properties and assets of one or more Subsidiaries (other than to the Company or another Subsidiary), which, if such assets were owned by the Company, would constitute all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The successor person formed by such consolidation or into which the Company is merged or the successor person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, except in the case of a lease and obligations the Company may have under a supplemental indenture pursuant to Section 10.14, the Company shall be discharged from all obligations and covenants under this Indenture and the Securities. Subject to Section 9.6, the

Company, the Trustee and the successor person shall enter into a supplemental indenture to evidence the succession and substitution of such successor person and such discharge and release of the Company.

ARTICLE VI  
DEFAULTS AND REMEDIES

Section 6.1 EVENTS OF DEFAULT. An "Event of Default" occurs if:

(1) the Company defaults in the payment of the Accreted Value plus accrued and unpaid current cash interest on any Security when the same becomes due and payable at its Stated Maturity, upon redemption, upon declaration, when due for purchase by the Company or otherwise;

(2) the Company defaults in the payment of any cash interest (including interest which becomes payable after an Upward Interest Adjustment or any election by the Company to pay cash interest on the Securities following a Tax Event) or Liquidated Damages when due and payable, and continuance of such default for a period of 30 days;

(3) the Company fails to deliver the shares of Common Stock upon an appropriate election by Holders to convert the Securities into shares of Common Stock, and continuance of such default for a period of 10 days;

(4) the Company fails to comply in any material respect with any of its agreements or covenants in the Securities or this Indenture (other than those referred to in clause (1), (2) or (3) above) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(5) the Company fails to provide timely notice of any Fundamental Change in accordance with Section 3.8(b);

(6) a default under any credit agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Material Subsidiary of the Company (or the payment of which is guaranteed by the Company or any of its Material Subsidiaries), whether such Indebtedness or guarantee exists on the date of this Indenture or is created thereafter, which default (i) is caused by a failure to pay when due any principal of such Indebtedness within the grace period provided for in such Indebtedness (which failure continues beyond any applicable grace period) (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity (without such acceleration being rescinded or annulled) and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness under which there is a Payment Default or the maturity of which has been so accelerated, aggregates \$25,000,000 or more and such Payment Default is not cured or such acceleration is not annulled within 30 days after receipt by the Company of a Notice of Default; or

(7) a final, non-appealable judgment or final, non-appealable judgments (other than any judgment as to which a reputable insurance company has accepted full liability) for the payment

of money are entered by a court or courts of competent jurisdiction against the Company or any Material Subsidiaries of the Company and remain unstayed, unbonded or undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate amount of all such judgments exceeds \$25,000,000; or

(8) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company 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 as bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for 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

(9) the commencement by the Company or any Material Subsidiary of the Company of a 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 any Material Subsidiary of the Company in a 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 any Material Subsidiary of the Company 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 by any Material Subsidiary of the Company in furtherance of any such action.

A Default under clause (4) and (6) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default (and such Default is not waived) within the time specified in clause (4) above after actual receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 30 days after it becomes aware of the occurrence thereof, written notice of any Event of Default under clause (5), (7) or (8) above or any event described in clause (4) or (6) which would become an Event of Default upon the passage of time specified in such clause (4) or (6) following a Notice of Default, its status and what action the Company is taking or proposes to take with respect thereto.

Section 6.2 ACCELERATION. If an Event of Default (other than an Event of Default specified in Section 6.1(8) or (9)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the

time outstanding by notice to the Company and the Trustee, may declare the Accreted Value plus accrued and unpaid current cash interest, if any, on all the Securities to be immediately due and payable. Upon such a declaration, such accelerated amount shall be due and payable immediately. If an Event of Default specified in Section 6.1(8) or (9) occurs and is continuing, the Accreted Value plus accrued and unpaid current cash interest, if any, on all the Securities shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder) may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of the Accreted Value plus accrued and unpaid current cash interest, if any, that have become due solely as a result of acceleration and if all amounts due to the Trustee under Section 7.7 have been paid. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 6.3 OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the Accreted Value plus accrued and unpaid current cash interest, if any, on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.4 WAIVER OF PAST DEFAULTS. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder), may waive an existing Default and its consequences except (a) an Event of Default described in Section 6.1(1), (2), or (3) or (b) a Default in respect of a provision that under Section 9.2 cannot be amended without the consent of each Securityholder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right. This Section 6.4 shall be in lieu of Section 316(a)(1)(B) of the TIA and such Section 316(a)(1)(B) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.5 CONTROL BY MAJORITY. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability unless the Trustee is offered indemnity satisfactory to it. This Section 6.5 shall be in lieu of Section 316(a)(1)(A) of the TIA and such Section 316(a)(1)(A) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.6 LIMITATION ON SUITS. A Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the Securities at the time outstanding do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

Section 6.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the principal amount of the Securities plus accrued and unpaid interest in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date, and to convert the Securities in accordance with Article X, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder.

Section 6.8 COLLECTION SUIT BY TRUSTEE. If an Event of Default described in Section 6.1(1) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount owing with respect to the Securities and the amounts provided for in Section 7.7.

Section 6.9 TRUSTEE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal amount of the Securities plus accrued and unpaid interest in respect of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any such amount) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of the principal amount of the Securities plus accrued and unpaid interest and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the



reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel or any other amounts due the Trustee under Section 7.7) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

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 6.10 PRIORITIES. If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.7;

SECOND: to Securityholders for amounts due and unpaid on the Securities for the principal amount of the Securities plus accrued and unpaid interest, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 6.10. At least 15 days before such record date, the Trustee shall mail to each Securityholder and the Company a notice that states the record date, the payment date and the amount to be paid.

Section 6.11 UNDERTAKING FOR COSTS. 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, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in aggregate principal amount of the Securities at the time outstanding. This Section 6.11 shall be in lieu of Section 315(e) of the TIA and such Section 315(e) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.12 WAIVER OF STAY, EXTENSION OR USURY 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 or any usury or other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company from paying all or any portion of the principal amount of the Securities plus accrued and unpaid interest or any interest on such amounts, as contemplated herein, or 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.

## ARTICLE VII

### TRUSTEE

Section 7.1 DUTIES OF TRUSTEE. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

- (1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no duties shall be inferred or implied; and
- (2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein. This Section 7.1(b) shall be in lieu of Section 315(a) of the TIA and such Section 315(a) is hereby expressly excluded from this Indenture, as permitted by the TIA.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

- (1) this paragraph (c) does not limit the effect of paragraph (b) of this Section 7.1;
- (2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and
- (3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

Subparagraphs (c)(1), (2) and (3) shall be in lieu of Sections 315(d)(1), 315(d)(2) and 315(d)(3) of the TIA and such Sections 315(d)(1), 315(d)(2) and 315(d)(3) are hereby expressly excluded from this Indenture, as permitted by the TIA.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense.

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

Section 7.2 RIGHTS OF TRUSTEE. Subject to its duties and responsibilities under the TIA (as modified by Section 7.1),

(a) the Trustee may conclusively rely 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 believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) 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, conclusively rely upon an Officers' Certificate;

(c) 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;

(d) The Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith which it believes to be authorized or within its rights or powers conferred under this Indenture;

(e) The Trustee may consult with counsel selected by it and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(f) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or

indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby;

(g) 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;

(h) 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 at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other person employed to act hereunder; and

(k) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 7.3 INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, Conversion Agent or co-registrar may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

Section 7.4 TRUSTEE'S DISCLAIMER. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use or application of the proceeds from the Securities, it shall not be responsible for any statement in the registration statement for the Securities under the Securities Act or in any offering document for the Securities, the Indenture or the Securities (other than its certificate of authentication), or the determination as to which beneficial owners are entitled to receive any notices hereunder.

Section 7.5 NOTICE OF DEFAULTS. If a Default occurs and if it is known to the Trustee, the Trustee shall give to each Securityholder notice of the Default within 60 days after it occurs

or, if later, within 15 days after it is known to the Trustee, unless such Default shall have been cured or waived before the giving of such notice. Notwithstanding the preceding sentence, except in the case of a Default described in Section 6.1(1) or (2), the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Securityholders. The second sentence of this Section 7.5 shall be in lieu of the proviso to Section 315(b) of the TIA and such proviso is hereby expressly excluded from this Indenture, as permitted by the TIA. The Trustee shall not be deemed to have knowledge of a Default unless a Responsible Officer of the Trustee has received written notice of such Default.

Section 7.6 REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each November 15 beginning with the November 15 following the date of this Indenture, the Trustee shall mail to each Securityholder a brief report dated as of such November 15 that complies with TIA Section 313(a), if required by such Section 313(a). The Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company agrees to notify the Trustee promptly whenever the Securities become listed on any securities exchange and of any delisting thereof.

Section 7.7 COMPENSATION AND INDEMNITY. The Company agrees:

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

(b) 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, advances and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be caused by its negligence or bad faith; and

(c) to indemnify the Trustee or any predecessor Trustee and their agents for, and to hold them harmless against, any loss, damage, claim, liability, cost or expense (including attorney's fees and expenses, and taxes (other than taxes based upon, measured by or determined by the income of the Trustee)) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay the principal amount, plus accrued and unpaid interest on particular Securities.

The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.1(5) or (6), the expenses including the reasonable charges and expenses of its counsel, are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.8 REPLACEMENT OF TRUSTEE. The Trustee may resign by so notifying the Company; provided, however, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.8. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding may remove the Trustee by so notifying the Trustee and the Company. The Company shall remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10;
- (2) the Trustee is adjudged bankrupt or insolvent;
- (3) a receiver or public officer takes charge of the Trustee or its property; or
- (4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company satisfactory in form and substance to the retiring Trustee and the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate principal amount of the Securities at the time outstanding may petition any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Section 7.9 SUCCESSOR TRUSTEE BY MERGER. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

Section 7.10 ELIGIBILITY; DISQUALIFICATION. The Trustee shall at all times satisfy the requirements of TIA Sections 310(a)(1) and 310(b). The Trustee (or its parent holding company) shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition. Nothing herein contained shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of TIA Section 310(b).

Section 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

#### ARTICLE VIII

##### DISCHARGE OF INDENTURE

Section 8.1 DISCHARGE OF LIABILITY ON SECURITIES. When (i) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced or repaid pursuant to Section 2.7) for cancellation or (ii) all outstanding Securities have become due and payable and the Company deposits with the Trustee cash (and/or, as permitted by this Indenture, shares of Common Stock) sufficient to pay all amounts due and owing on all outstanding Securities (other than Securities replaced pursuant to Section 2.7), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 7.7, cease to be of further effect. The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and Opinion of Counsel and at the cost and expense of the Company.

Section 8.2 REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee and the Paying Agent shall have no further liability to the Securityholders with respect to such money or securities for that period commencing after the return thereof.

#### ARTICLE IX

##### AMENDMENTS

Section 9.1 WITHOUT CONSENT OF HOLDERS. The Company and the Trustee may amend this Indenture or the Securities without the consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency provided that such modification or amendment does not materially and adversely affect the interests of the holders of the Securities;

(2) to make any changes that the Company and the Trustee may deem necessary or desirable, provided such amendment or modification does not materially and adversely affect the interests of the holders of the Securities;

(3) to comply with Article 5 or Section 10.14;

(4) to secure the Company's obligations or add any guarantee under the Securities and this Indenture;

(5) to add Events of Default with respect to the Securities; or

(6) to add to the Company's covenants for the benefit of the Securityholders or to surrender any right or power conferred upon the Company; or

(7) to make any change necessary for the registration of the Securities under the Securities Act or to comply with the TIA, or any amendment thereto, or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the TIA, provided that such modification or amendment does not materially and adversely affect the interests of the holders of the Securities.

(8) to provide for uncertificated Securities in addition to or in place of certificated Securities or to provide for bearer Securities.

Section 9.2 WITH CONSENT OF HOLDERS. With the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding, the Company and the Trustee may amend this Indenture or the Securities. However, without the consent of each Securityholder affected, an amendment to this Indenture or the Securities may not:

(1) reduce the interest rate or the rate of accrual upon an upward interest adjustment referred to in paragraph 1 of the Securities or change the time for payment of interest thereon;

(2) reduce the principal amount of or extend the Stated Maturity of any Security;

(3) reduce the calculation of the value of the Common Stock to which reference is made in determining whether an Upward Interest Adjustment will be made on the Securities, or change the method by which this value is calculated;

(4) reduce the Redemption Price, Purchase Price or Fundamental Change Purchase Price of any Security or change the time at which the Securities may be redeemed or repurchased;

(5) make any payments on the Securities payable in currency or securities other than as stated in the Security;

(6) make any change in the percentage of the principal amount of Securities necessary to waive compliance with the provisions of Section 6.4, Section 6.7 or this Section 9.2, except to increase any percentage set forth therein;



(7) make any change that adversely affects the right to convert any Security in accordance with the terms thereof and this Indenture;

(8) make any change that adversely affects the right to require the Company to purchase the Securities in accordance with the terms thereof and this Indenture;

(9) impair a Holder's right to institute suit for the enforcement of any payment on the Securities;

(10) waive a continuing default or Event of Default regarding any payment on the Securities; or

(11) make any change that adversely effects the Holders' rights under Section 3.7, Section 3.8 and Article X.

It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section 9.2 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment.

Section 9.3 COMPLIANCE WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall comply with the TIA.

Section 9.4 REVOCATION AND EFFECT OF CONSENTS, WAIVERS AND ACTIONS. Until an amendment, waiver or other action by Holders becomes effective, a consent thereto by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Securityholder.

Section 9.5 NOTATION ON OR EXCHANGE OF SECURITIES. Securities 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 so modified as to conform, in the opinion of the Trustee and the Board of Directors, 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.

Section 9.6 TRUSTEE TO SIGN SUPPLEMENTAL INDENTURES. The Trustee shall sign any supplemental indenture authorized pursuant to this Article 9 if the amendment contained therein does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign such supplemental indenture. In signing such supplemental indenture the Trustee shall receive, and (subject to the provisions of Section 7.1) shall be fully

protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

Section 9.7 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.

#### ARTICLE X

##### CONVERSIONS

Section 10.1 CONVERSION PRIVILEGE. A Holder of a Security may convert such Security into shares of Common Stock at any time during the period stated in Paragraph 8 of the Securities. The number of shares of Common Stock issuable upon conversion of a Security per \$1,000 of principal amount thereof (the "Conversion Rate") shall be that set forth in Paragraph 8 of the Securities, subject to adjustment as herein set forth. The Company shall notify the Trustee (which shall in turn notify the Holders promptly upon receipt of such notification from the Company) of the date on which the Securities first become convertible (and, if the Securities cease to be convertible at any time or from time to time, of the first date thereafter on which the Securities again become convertible), which notification shall set forth the calculations on which such determination was made.

A Holder may convert a portion of the principal amount of a Security if the portion converted is in a \$1,000 principal amount or an integral multiple of \$1,000. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of a Security.

In the event that the Ex-Dividend Time (as defined below) (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, combination or reclassification to which Section 10.6(1), (2), (3) or (4) applies occurs during the period applicable for calculating "Average Sale Price" pursuant to the definition in the preceding sentence, "Average Sale Price" shall be calculated for such period in a manner determined by the Board of Directors to reflect the impact of such dividend, subdivision, combination or reclassification on the Sale Price of the shares of Common Stock during such period.

"Time of Determination" means the time and date of the earlier of (i) the determination of stockholders entitled to receive rights, warrants or options or a distribution, in each case, to which Section 10.7 or 10.8 applies and (ii) the time ("Ex-Dividend Time") immediately prior to the commencement of "ex-dividend" trading for such rights, warrants or options or distribution on the NYSE or such other U.S. national or regional exchange or market on which the shares of Common Stock are then listed or quoted.

Section 10.2 CONVERSION PROCEDURE. To convert a Security a Holder must satisfy the requirements in Paragraph 8 of the Securities. The first Business Day on which the Holder

satisfies all those requirements and submits such Holder's Securities for conversion is the conversion date (the "Conversion Date").

As soon as practicable after the Conversion Date, the Company shall deliver to the Holder, through the Conversion Agent, a certificate for the number of full shares of Common Stock issuable upon the conversion or exchange and cash in lieu of any fractional share determined pursuant to Section 10.3. The person in whose name the certificate is registered shall be treated as a shareholder of record as of the close of business on the Conversion Date. Upon conversion of a Security in its entirety, such person shall no longer be a Holder of such Security.

No payment or adjustment will be made for dividends on, or other distributions with respect to, any shares of Common Stock except as provided in this Article X. On conversion of a Security, except as provided below with respect to cash interest payable on Securities or portions thereof converted after a Regular Record Date, (x) that portion of accrued and unpaid current cash interest on the converted Securities attributable to the period from the most recent Interest Payment Date through the Conversion Date and (y) that portion of accrued and unpaid interest adjustment, including interest adjustment payable in cash, shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the shares of Common Stock (together with the cash payment, if any, in lieu of fractional shares) for the Security being converted pursuant to the provisions hereof. The Company will not adjust the conversion rate to account for accrued interest, if any. If the Holder converts more than one Security at the same time, the number of shares of Common Stock issuable upon the conversion shall be based on the total principal amount of the Securities converted.

The Securities or portions thereof surrendered for conversion during the period from the close of business on any Regular Record Date to the opening of business on the date on which such cash interest is payable shall (unless such Securities or portions thereof have been called for redemption on a Redemption Date within such period) be accompanied by payment to the Company or its order, in New York Clearing House funds or other funds acceptable to the Company, of an amount equal to the cash interest payable on such cash interest payment date on the principal amount of the Securities or portions thereof being surrendered for conversion.

If the last day on which a Security may be converted is a Legal Holiday, the Security may be surrendered on the next succeeding day that is not a Legal Holiday.

Upon surrender of a Security that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security in an authorized denomination equal in principal amount to the unconverted portion of the Security surrendered.

Section 10.3 FRACTIONAL SHARES. The Company will not issue fractional shares of Common Stock upon conversion of a Security. Instead, the Company will pay cash based on the current Market Price for all fractional shares. The current market value of a fractional share shall be determined, to the nearest 1/1,000th of a share, by multiplying the Sale Price on the last trading day immediately prior to the Conversion Date, of a full share by the fractional amount and rounding the product to the nearest whole cent. It is understood that if a Holder elects to have more than one Security converted, the number of shares of Common Stock shall be based on the aggregate principal amount of Securities to be converted.

Section 10.4 TAXES ON CONVERSION. If a Holder submits a Security for conversion, the Company shall pay all stamp and all other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of shares of Common Stock upon the conversion. However, 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. The Conversion Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

Section 10.5 COMPANY TO PROVIDE STOCK. The Company shall, prior to issuance of any Securities under this Article X, and from time to time as may be necessary, reserve out of its authorized but unissued shares of Common Stock a sufficient number of shares of Common Stock to permit the conversion of the Securities.

All shares of Common Stock delivered upon conversion of the Securities shall be newly issued shares or treasury shares, shall be duly and validly issued and fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim. The Company will endeavor promptly to comply with all federal and state securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities, if any, and will list or cause to have quoted such shares of Common Stock on each national securities exchange or in the over-the-counter market or such other market on which the shares of Common Stock are then listed or quoted.

Section 10.6 ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If, after the Issue Date of the Securities, the Company:

(1) pays a dividend or makes another distribution to all holders of its Common Stock payable exclusively in shares of its Common Stock;

(2) subdivides the outstanding shares of its Common Stock into a greater number of shares of Common Stock;

(3) combines the outstanding shares of its Common Stock into a smaller number of shares of Common Stock; or

(4) issues by reclassification of its Common Stock any shares of Capital Stock,

then the conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that the Holder of a Security thereafter converted may receive the number of shares of Capital Stock of the Company which such Holder would have owned immediately following such action if such Holder had converted the Security immediately prior to the record date for such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment a Holder of a Security upon conversion of such Security may receive shares of two or more classes of Capital Stock of the Company, the Conversion Rate shall thereafter be subject to adjustment upon the occurrence of an action taken with respect to any such class of Capital Stock as is contemplated by this Article X with respect to the shares of Common Stock, on terms comparable to those applicable to shares of Common Stock in this Article X.

Section 10.7 ADJUSTMENT FOR RIGHTS ISSUE. Except as provided in Section 10.11, if after the Issue Date of the Securities, the Company distributes any rights or warrants to all or substantially all holders of shares of its Common Stock entitling them to purchase shares of Common Stock at a price per share less than the Average Sale Price as of the Time of Determination, unless the Holders of Securities may participate in the distribution without conversion on a basis and with the notice that the Company's Board of Directors determines to be fair and appropriate, the Conversion Rate shall be adjusted in accordance with the formula:

$$R' = R \times \frac{(O + N)}{(O + (N \times P)/M)}$$

where:

- R' = the adjusted Conversion Rate.
- R = the current Conversion Rate.
- O = the number of shares of Common Stock outstanding on the record date for the distribution to which this Section 10.7 is being applied.
- N = the number of additional shares of Common Stock offered pursuant to the distribution.
- P = the offering price per share of the additional shares.
- M = the Average Sale Price, minus, in the case of (i) a distribution to which Section 10.6(4) applies or (ii) a distribution to which Section 10.8 applies, for which, in each case, (x) the record date shall occur on or before the record date for the distribution to which this Section 10.7 applies and (y) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 10.7 applies, the fair market value (on the record date for the distribution to which this Section 10.7 applies) of the:

(1) Capital Stock of the Company distributed in respect of each share of Common Stock in such Section 10.6(4) distribution; and

(2) the Company's debt, securities or assets or certain rights, warrants or options to purchase securities of the Company distributed in respect of each share of Common Stock in such Section 10.8 distribution.

The Board of Directors of the Company shall determine fair market values for the purposes of this Section 10.7, except as Section 10.8 otherwise provides in the case of a Spin-off.

"Average Sale Price" means the average of the Sales Prices of the shares of Common Stock for the shorter of:

(i) 30 consecutive trading days ending on the last full trading day prior to the Time of Determination with respect to the rights, warrants or options or distribution in respect of which the Average Sale Price is being calculated;

(ii) the period (x) commencing on the date next succeeding the first public announcement of (a) the issuance of rights, warrants or options or (b) the distribution, in each case, in respect of which the Average Sale Price is being calculated and (y) proceeding through the last full trading day prior to the Time of Determination with respect to the rights, warrants or options or distribution in respect of which the Average Sale Price is being calculated (excluding days within such period, if any, which are not trading days); or

(iii) the period, if any, (x) commencing on the date next succeeding the Ex-Dividend Time with respect to the next preceding (a) issuance of rights, warrants or options or (b) distribution, in each case, for which an adjustment is required by the provisions of Section 10.7, 10.8 or 10.9 and (y) proceeding through the last full trading day prior to the Time of Determination with respect to the rights, warrants or options or distribution in respect of which the Average Sale Price is being calculated (excluding days within such period, if any, which are not trading days).

In the event that the Ex-Dividend Time (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, or combination or reclassification to which Section 10.6(1), (2), (3) or (4) applies occurs during the period applicable for calculating "Average Sale Price" pursuant to the definition in the preceding sentence, "Average Sale Price" shall be calculated for such period in a manner determined by the Board of Directors of the Company to reflect the impact of such dividend, subdivision, combination or reclassification on the Sales Price of the shares of Common Stock during such period.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this Section 10.7 applies. If all of the shares of Common Stock subject to such rights, warrants or options have not been issued when such rights, warrants or options expire, then the Conversion Rate shall promptly be readjusted to the Conversion Rate which would then be in effect had the adjustment upon the issuance of such rights, warrants or options been made on the basis of the actual number of shares of Common Stock issued upon the exercise of such rights, warrants or options.

No adjustment shall be made under this Section 10.7 if the application of the formula stated above in this Section 10.7 would result in a value of R' that is equal to or less than the value of R.

Section 10.8 ADJUSTMENT FOR OTHER DISTRIBUTIONS. Except as provided in Section 10.11, if, after the Issue Date of the Securities, the Company distributes to all holders of its shares of Common Stock any of its debt, securities or assets or any rights, warrants or options to purchase securities of the Company (including securities or cash, but excluding (x) distributions of Capital Stock referred to in Section 10.6 and distributions of rights, warrants or options referred to in Section 10.7 and (y) payments made to redeem rights issued under any present or future rights agreement of the Company and (z) cash dividends or other cash distributions that do not exceed the per share amount of the immediately preceding regular cash dividend on the Common Stock and other cash dividends or distributions unless such other cash dividends or cash distributions are Extraordinary Cash Dividends) and unless the Holders of Securities may participate in the distribution without conversion, the Conversion Rate shall be adjusted, subject to the provisions of the last paragraph of this Section 10.8, in accordance with the formula:

$$R' = \frac{R \times M}{(M - F)}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

M = the Average Sale Price.

F = the fair market value (on the record date for the distribution to which this Section 10.8 applies) of the assets, securities, rights, warrants or options to be distributed in respect of each share of Common Stock in the distribution to which this Section 10.8 is being applied (including, in the case of cash dividends or other cash distributions giving rise to an adjustment, all such cash distributed concurrently).

In the event the Company distributes shares of Capital Stock of a Subsidiary, the Conversion Rate will be adjusted, if at all, based on the market value of the Subsidiary stock so distributed relative to the market value of the Common Stock, as discussed below. The Board of Directors of the Company shall determine fair market values for the purposes of this Section 10.8, except that in respect of a dividend or other distribution of shares of Capital Stock of any class or series, or similar equity interests, of or relating to a Subsidiary or other business unit of the Company (a "Spin-off"), the fair market value of the securities to be distributed shall equal the average of the daily Sales Prices of those securities for the five consecutive trading days commencing on and including the sixth day of trading of those securities after the effectiveness of the Spin-off and the average of the Sales Prices shall mean the average Sales Prices for the Company's Common Stock for the same five trading days. In the event, however, that an underwritten initial public offering of the securities in the Spin-off occurs simultaneously with the Spin-off, fair market value of the securities distributed in the Spin-off shall mean the initial public offering price of such securities and the Average Sale Price, for purposes of this sentence, shall mean the Sales Price for the Company's Common Stock on the same trading day.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the distribution to which this Section 10.8 applies, except that an adjustment related to a Spin-off shall become effective at the earlier to occur of (i) 10 trading days after the effective date of the Spin-off and (ii) the initial public offering of the securities distributed in the Spin-off.

For purposes of this Section 10.8, the term "Extraordinary Cash Dividend" shall mean all all-cash distributions to all or substantially all holders of the Company's Common Stock made within the 365 days preceding the Time of Determination (or the period from the Issue Date to the Time of Determination if such period is shorter than 365 days) not triggering a Conversion Rate adjustment (other than payments made to redeem rights issued under any present or future rights agreement of the Company and cash dividends or other cash distributions that do not exceed the per share amount of the immediately preceding regular cash dividend on the Common Stock), to the extent such aggregate amount exceeds an amount equal to 15% of the Sale Price of the Company's Common Stock on the Business Day immediately preceding the day on which the Company declares the distribution times the number of shares of Common Stock outstanding on such day.

If, upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the shares of Common Stock, the aggregate amount of such cash dividend together with the amounts of all cash dividends and distributions referred to in the definition of Extraordinary Cash Dividend gives rise to an adjustment of the Conversion Rate, then such cash dividend together with all such other cash dividends and distributions shall, for purposes of applying the formula set forth above in this Section 10.8, cause the value of "F" to equal (y) the aggregate amount of such cash dividend and other cash dividends and distributions, minus (z) the aggregate amount of all cash dividends or other cash distributions during the preceding 365 days for which an adjustment in the Conversion Rate was previously made.

In the event that, with respect to any distribution to which this Section 10.8 would otherwise apply, the difference "M-F" as defined in the above formula is less than \$1.00 or "F" is equal to or greater than "M", then the adjustment provided by this Section 10.8 shall not be made and in lieu thereof the provisions of Section 10.15 shall apply to such distribution.

Section 10.9 ADJUSTMENT FOR SELF TENDER OFFER. If, after the Issue Date of the Securities, the Company or any Subsidiary of the Company pays holders of the Company's Common Stock in respect of a tender or exchange offer, other than an odd-lot offer by the Company or any of its Subsidiaries, for the Company's Common Stock (excluding stock options) consideration per share of Common Stock having a fair market value, as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive, in excess of 110% of the Sale Price of the Common Stock as of the first Business Day (the "Measurement Date") next succeeding the last Business Day tenders or exchanges may be made pursuant to the offer (the "Expiration Time"), the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the effectiveness of the Conversion Rate adjustment contemplated by this Section 10.9 by a fraction, the numerator of which shall be the sum of (x) the fair market value of the aggregate consideration payable to stockholders based on the acceptance of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time up to the maximum



specified in the tender or exchange offer (the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of a share of Common Stock on the Measurement Date, and the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time (including the Purchased Shares) multiplied by the Sale Price of one share of Common Stock on the Measurement Date. Such reduction shall become effective immediately prior to the opening of business on the day following the Measurement Date.

Section 10.10 WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the Conversion Rate need be made unless the adjustment would require an increase or decrease of at least 1% in the Conversion Rate. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Article X shall be made to the nearest cent or to the nearest 1/1,000th of a share, as the case may be.

Section 10.11 WHEN NO ADJUSTMENT REQUIRED. No adjustment to the Conversion Rate need be made as a result of:

(1) (i) the issuance of the rights; (ii) the distribution of separate certificates representing the rights; (iii) the exercise or redemption of the rights in accordance with any rights agreement; or (iv) the termination or invalidation of the rights, in each case, pursuant to the Company's existing stockholders rights plan, as amended, modified, or supplemented from time to time or any newly adopted stockholders rights plans;

(2) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any plan;

(3) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries; or

(4) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the Securities were first issued.

To the extent the Securities become convertible pursuant to this Article X in whole or in part into cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

Section 10.12 NOTICE OF ADJUSTMENT. Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Holders a notice of the adjustment. The Company shall file with the Trustee and the Conversion Agent such notice briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Conversion Agent shall be under any duty or

responsibility with respect to any such certificate except to exhibit the same to any Holder desiring inspection thereof.

Section 10.13 VOLUNTARY INCREASE. The Company from time to time may increase the Conversion Rate by any amount at any time for at least 20 days, so long as the increase is irrevocable during such period. Whenever the Conversion Rate is increased, the Company shall mail to Securityholders and file with the Trustee and the Conversion Agent a notice of the increase. The Company shall mail the notice at least 15 days before the date the increased Conversion Rate takes effect. The notice shall state the increased Conversion Rate and the period it will be in effect. A voluntary increase of the Conversion Rate does not change or adjust the Conversion Rate otherwise in effect for purposes of Section 10.6, 10.7 or 10.8.

Section 10.14 NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the Conversion Rate pursuant to Section 10.6, 10.7, 10.8 or 10.9 (unless no adjustment is to occur pursuant to Section 10.11); or

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 10.16; or

(3) there is a liquidation or dissolution of the Company;

then the Company shall mail to Holders and file with the Trustee and the Conversion Agent a notice stating the proposed record date for a dividend, distribution or subdivision or the proposed effective date of a combination, reclassification, consolidation, merger, binding share exchange, transfer, liquidation or dissolution. The Company shall file and mail the notice at least 15 days before such date. Failure to file or mail the notice or any defect in it shall not affect the validity of the transaction.

Section 10.15 REORGANIZATION OF COMPANY; SPECIAL DISTRIBUTIONS. If the Company is a party to a transaction subject to Section 5.1 (other than a sale of all or substantially all of the assets of the Company in a transaction in which the holders of shares 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 shares of Common Stock, the person obligated to deliver securities, cash or other assets upon conversion of Securities shall enter into a supplemental indenture. If the issuer of securities deliverable upon conversion of 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 Security may convert it into the kind and amount of securities, cash 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 Security immediately before the effective date of the transaction, assuming (to the extent applicable) that such Holder (i) was not a constituent person or an Affiliate of a constituent person to such transaction; (ii) made no election with respect thereto; and (iii) was treated alike with the plurality of non-electing Holders. The supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to

the adjustments provided for in this Article X. The successor Company shall mail to Securityholders a notice briefly describing the supplemental indenture.

If this Section applies, neither Section 10.6 nor 10.7 applies.

If the Company makes a distribution to all holders of its shares of 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 paragraph of Section 10.8, would otherwise result in an adjustment in the Conversion Rate pursuant to the provisions of Section 10.8, then, from and after the record date for determining the holders of shares of Common Stock entitled to receive the distribution, a Holder of a Security that converts such Security in accordance with the provisions of this Indenture shall upon such conversion be entitled to receive, in addition to the shares of shares of Common Stock into which the 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 Security immediately prior to the record date for determining the holders of shares of Common Stock entitled to receive the distribution.

Section 10.16 COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Section 10.3, 10.6, 10.7, 10.8, 10.9, 10.10, 10.11, 10.15 or 10.17 is conclusive, absent manifest error.

Section 10.17 TRUSTEE'S ADJUSTMENT DISCLAIMER. The Trustee has no duty to determine when an adjustment under this Article X should be made, how it should be made or what it should be. The Trustee has no duty to determine whether a supplemental indenture under Section 10.15 need be entered into or whether any provisions of any supplemental indenture are correct. The Trustee shall not be accountable for and makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article X. Each Conversion Agent shall have the same protection under this Section 10.17 as the Trustee. All calculations required under Article X shall be performed by the Company, with notice thereof to the Trustee.

Section 10.18 SIMULTANEOUS ADJUSTMENTS. In the event that this Article X requires adjustments to the Conversion Rate under more than one of Sections 10.6(4), 10.7 or 10.8, and the record dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 10.6, second, the provisions of Section 10.8 and, third, the provisions of Section 10.7.

Section 10.19 SUCCESSIVE ADJUSTMENTS. After an adjustment to the Conversion Rate under this Article X, any subsequent event requiring an adjustment under this Article X shall cause an adjustment to the Conversion Rate as so adjusted.

Section 10.20 RESTRICTION ON COMMON STOCK ISSUABLE UPON CONVERSION.

(1) Shares of Common Stock to be issued upon conversion of the Securities prior to the effectiveness of a Shelf Registration Statement shall be physically delivered in certificated form to the holders converting such Securities, and the certificate representing such shares of Common Stock shall bear the Restricted Common Stock Legend unless removed in accordance with Section 10.20(3).

(2) If (i) shares of Common Stock to be issued upon conversion of a Security prior to the effectiveness of a Shelf Registration Statement are to be registered in a name other than that of the holder of such Security or (ii) shares of Common Stock represented by a certificate bearing the Restricted Common Stock Legend are transferred subsequently by such holder, then, unless the Shelf Registration Statement has become effective and such shares are being transferred pursuant to the Shelf Registration Statement, the holder must deliver to the transfer agent for the Common Stock a certificate in substantially the form of Exhibit D as to compliance with the restrictions on transfer applicable to such shares of Common Stock, and neither the transfer agent nor the registrar for the Common Stock shall be required to register any transfer of such Common Stock not so accompanied by a properly completed certificate.

(3) Except for transfers in connection with a Shelf Registration Statement, if certificates representing shares of Common Stock are issued upon the registration of transfer, exchange or replacement of any other certificate representing shares of Common Stock bearing the Restricted Common Stock Legend, or if a request is made to remove such Restricted Common Stock Legend from certificates representing shares of Common Stock, the certificates so issued shall bear the Restricted Common Stock Legend, or the Restricted Common Stock Legend shall not be removed, as the case may be, unless there is delivered to the Company such satisfactory evidence, which, in the case of a transfer made pursuant to Rule 144 under the Securities Act, may include an opinion of counsel as may be reasonably required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such shares of Common Stock are securities that are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision to the Company of such reasonably satisfactory evidence, the Company shall cause the transfer agent for the Common Stock to countersign and deliver certificates representing shares of Common Stock that do not bear the legend.

#### ARTICLE XI

##### MISCELLANEOUS

Section 11.1 TRUST INDENTURE ACT CONTROLS. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 11.2 NOTICES. Any request, demand, authorization, notice, waiver, consent or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows or transmitted by facsimile transmission (confirmed by guaranteed overnight courier) to the following facsimile numbers:

if to the Company:

Hasbro, Inc.  
200 Narragansett Park Drive  
Pawtucket, RI 02862-0200  
Attn: Treasurer

with a copy to:  
Hasbro, Inc.  
1027 Newport Avenue  
Pawtucket, RI 02862  
Attn: General Counsel

if to the Trustee:

The Bank of Nova Scotia Trust Company of New York  
One Liberty Plaza  
New York, NY 10006

Telephone No. (212) 635-4452  
Facsimile No. (212) 635-4165  
Attention: Corporate Trust Administration

The Company or the Trustee by notice given to the other in the manner provided above may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Securityholder shall be mailed to the Securityholder, by first-class mail, postage prepaid, at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar, Paying Agent, Conversion Agent or co-registrar.

**Section 11.3 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.**

Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent, the Conversion Agent and anyone else shall have the protection of TIA Section 312(c).

**Section 11.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.** Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 11.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that each person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

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

(4) a statement that, in the opinion of such person, such covenant or condition has been complied with.

Section 11.6 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 11.7 RULES BY TRUSTEE, PAYING AGENT, CONVERSION AGENT AND REGISTRAR. The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar, the Conversion Agent and the Paying Agent may make reasonable rules for their functions.

Section 11.8 LEGAL HOLIDAYS. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no interest, if any, shall accrue for the intervening period.

Section 11.9 GOVERNING LAW. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE SECURITIES, WITHOUT REGARD AS TO CONFLICT OF LAWS PRINCIPLES.

Section 11.10 NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

Section 11.11 SUCCESSORS. All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 11.12 MULTIPLE ORIGINALS. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

HASBRO, INC.

By: /s/ MARTIN R. TRUEB  
-----  
Name: Martin R. Trueb  
Title: Senior Vice President and  
Treasurer

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

By: /s/ WARREN A. GOSHINE  
-----  
Name: WARREN A. GOSHINE  
Title: SECRETARY



## [FORM OF FACE OF GLOBAL SECURITY]

THIS SECURITY WILL BE SUBJECT TO THE REGULATIONS GOVERNING CONTINGENT PAYMENT DEBT INSTRUMENTS FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. AS REQUIRED UNDER APPLICABLE TREASURY REGULATIONS, THE COMPANY HAS SET FORTH THE "COMPARABLE YIELD" IN SECTION 4.7 OF THE INDENTURE PURSUANT TO WHICH THIS SECURITY IS BEING ISSUED. THE HOLDER OF THIS SECURITY MAY OBTAIN THE PROJECTED PAYMENT SCHEDULE BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO HASBRO, INC., 200 NARRAGANSETT PARK DRIVE, PAWTUCKET, RI 02862-0200, ATTENTION: TREASURER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY 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 IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF THE DEPOSITORY TRUST COMPANY, OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE TWO OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE SECOND ANNIVERSARY OF THE ISSUE HEREOF (OR ANY PREDECESSOR SECURITY HEREOF) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN

RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT.

The foregoing legend may be removed from this Security on satisfaction of the conditions specified in the Indenture.

HASBRO, INC.

2.75% Convertible Senior Debentures due 2021

No. CUSIP: 418056 AM 9  
Issue Date: November 30, 2001  
Issue Price: 100% of principal amount

HASBRO, INC., a corporation duly organized and existing under the laws of the State of Rhode Island, promises to pay to Cede & Co. or registered assigns, the principal amount of [ ] (\$) on December 1, 2021.

This Security shall bear interest at a rate of 2.75% per year except as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security.

Additional provisions of this Security are set forth on the other side of this Security.

Dated: HASBRO, INC.  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK, as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

By \_\_\_\_\_  
Authorized Signatory

Dated:

2.75% Convertible Senior Debentures due 2021

1. Interest.

Except as provided below, this Security shall bear interest at a rate of 2.75% per year on the Accreted Value (as defined below) hereof, from November 30, 2001 or from the most recent Interest Payment Date (as defined below) to which payment has been paid or duly provided for, payable semiannually in arrears on June 1 and December 1 of each year (each an "Interest Payment Date") to the persons in whose names the Securities are registered at the close of business on May 15 and November 15 (each a "Regular Record Date") (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Interest on the Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Cash interest on Securities converted after a record date, but prior to the corresponding Interest Payment Date, will be paid to the Holder of the Securities on the Regular Record Date but, upon conversion, the Holder must pay the Company the cash interest which has accrued and will be paid on such Interest Payment Date. No such payment needs to be made with respect to Securities that will be redeemed after a Regular Record Date and prior to the corresponding Interest Payment Date.

If the principal amount of a Security, plus accrued and unpaid interest, or any portion thereof, is not paid when due (whether upon acceleration pursuant to Section 6.2 of the Indenture, upon the date set for payment of the Redemption Price pursuant to Paragraph 5 hereof, upon the date set for payment of the Purchase Price or the Fundamental Change Purchase Price pursuant to Paragraph 6 hereof, or upon the Stated Maturity of this Security), then, in each such case, the overdue amount shall, to the extent permitted by law, bear interest at a rate of 2.75% per year, compounded semi-annually, which interest shall accrue from the date such overdue amount was originally due to the date of payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable on demand and shall be based on a 360-day year comprised of twelve 30-day months.

(a) Upward Interest Adjustment. The interest rate on this Security will be 2.75% per year through December 1, 2005. If the average of the Sale Prices (as defined below) of the Company's Common Stock is less than or equal to 45% of the Accreted Conversion Price (as defined below) of this Security for any 20 out of the last 30 trading days ending on the fifth day preceding each June 1 and December 1, beginning on December 1, 2005, then the interest rate on this Security will be subject to an upward interest adjustment for the six-month period beginning on such June 1 or December 1 (an "Upward Interest Adjustment"). The Upward Interest Adjustment will result in the interest on this Security being equivalent to the applicable Reset Rate (as defined below).

If an Upward Interest Adjustment is then in effect for any six-month period and the average of the Sale Prices of the Company's Common Stock is not less than or equal to 45% of the Accreted Conversion Price of this Security for any 20 out of the last 30 trading days of the six-month period ending on the fifth day preceding any June 1 or December 1, as applicable, then

the interest rate on this Security for the six-month period beginning on such June 1 or December 1 will revert to 2.75% per year of the Accreted Value.

If an Upward Interest Adjustment is in effect for a particular six-month period, the Company will pay a portion of the Upward Interest Adjustment as cash interest at a rate of 0.25% per year (0.125% per six-month period) of the Accreted Value, and the remaining interest will be accrued and payable at the Stated Maturity or earlier upon the redemption or repurchase of the Securities.

The applicable "Reset Rate" for any six-month period in which there is an Upward Interest Adjustment in effect, as determined by the Reset Rate Agent (as defined below), will be set as of the Purchase Date on which such adjustment is required or, if the adjustment is required as of a date that is not a Purchase Date, the immediately preceding Purchase Date, and will be equal to the rate (the "Reference Fixed Rate") that would, in the sole and reasonable judgment of the Reset Rate Agent, result in a trading price of par for a hypothetical issue of senior, non-convertible, fixed-rate, callable debt securities of the Company with:

(i) a final maturity equal to the term from the most recent Purchase Date until the next Purchase Date;

(ii) an aggregate principal amount equal to the then Accreted Value of the Securities; and

(iii) provisions that are, insofar as would be practicable for an issue of senior, non-convertible, fixed-rate, callable debt securities with no restrictive covenants, substantially identical to those of the Securities.

In no case, however, will the applicable Reset Rate for any period exceed 11% per year. Also, if the Reset Rate Agent determines in its reasonable judgment that there is no suitable Reference Fixed Rate, the applicable interest rate on this Security for that period will be the interest rate then in effect and to remain in effect until the Reset Rate Agent determines that there is a suitable Reference Fixed Rate at which time the Reset Rate Agent shall determine a new applicable Reset Rate for the period ending on the next Purchase Date.

"Accreted Conversion Price" means, as of any date, the Accreted Value of this Security divided by the number of shares of Common Stock issuable upon conversion of this Security on that day.

"Accreted Value" for any Security means, as of any date, the sum of the principal amount of such Security and the accrued and unpaid non-current interest thereon as of such date.

The "Sale Price" of the Common Stock on any date means the closing per share sale price (or if no closing 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 the average asked prices) on that date as reported on The New York Stock Exchange or, if the Common Stock is not then listed on The New York Stock Exchange, then as reported on the National Association of Securities Dealers Automated Quotation System.

The Company and the Trustee agree that Salomon Smith Barney Inc. will act as the Reset Rate Agent (the "Reset Rate Agent") unless and until removed as provided below. For the determination of the applicable Reset Rate, the Reset Rate Agent will seek indicative reference rates from one other nationally recognized investment bank. The determination of any applicable Reset Rate shall be made by the Reset Rate Agent by averaging the indicative reference rates obtained by Salomon Smith Barney Inc. and such other investment bank. The determination of any applicable Reset Rate by the Reset Rate Agent will be conclusive and binding upon the Reset Rate Agent, the Company, the Trustee and the holders of the Securities, in the absence of manifest error. The Reset Rate Agent may be removed at any time with or without cause by the Company giving at least sixty (60) days' written notice to the Reset Rate Agent. The Reset Rate Agent may resign at any time upon giving at least thirty (30) days' written notice to the Company. A successor Reset Rate Agent, if any, will be appointed by the Company.

In the event of any Upward Interest Adjustment, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on the Company's web site or through such other public medium as the Company may use at that time.

(b) TAX EVENT.

From and after the date of the occurrence of a Tax Event, the Company will have the option to elect to pay interest at the applicable Reset Rate on this Security entirely in cash instead of accruing interest pursuant to an Upward Interest Adjustment. Following the Company's election to pay interest in cash following a Tax Event, the Company will execute new Securities to restate the principal amount of the Securities to reflect the Accreted Value of the Securities, and interest will be payable on the Accreted Value of the Securities as of the date of the Company's election (the "Option Exercise Date").

Such interest shall accrue from the Option Exercise Date and will be payable semiannually on the Interest Payment Dates to Holders of record as of the Regular Record Dates immediately preceding the Interest Payment Dates. The Company will give notice to the Holders, no later than 30 days prior to each Regular Record Date, of the amount of cash interest to be paid on the subsequent Interest Payment Date. Cash interest accrued and unpaid to the Option Exercise Date shall be paid to the Holders of the Securities together with the cash interest at the higher rate accrued from the Option Exercise Date.

A "Tax Event" means that the Company shall have received an opinion from a nationally recognized independent tax counsel experienced in such matters to the effect that as a result of:

- any amendment to or change (including any announced prospective change (which will not include a proposed change)) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority of the United States or any political subdivision, provided that a tax event will not occur more than 90 days before the effective date of any prospective change in such laws or regulations; or

- any judicial decision or official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action"); or
- any amendment to or change in the administrative position or interpretation of any Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental agency or regulatory body, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such Administrative Action or decision is announced, in each case, on or after the date of original issuance of the debentures;

there is more than an insubstantial risk that interest on the debentures, including interest pursuant to an upward interest adjustment, either:

- would not be deductible in its entirety on a current accrual basis; or
- would not be deductible under any other method, in whole or in part, by the Company for United States federal income tax purposes.

(c) GENERAL. Except as provided below, interest and Liquidated Damages, if any, will be paid (i) on the Global Securities to DTC in immediately available funds, (ii) on the definitive Securities having an aggregate principal amount of \$10,000,000 or less, by check mailed to the Holders of such Securities, and (iii) on the definitive Securities having an aggregate principal amount of more than \$10,000,000, by wire transfer in immediately available funds at the election of the Holders of these Securities.

## 2. METHOD OF PAYMENT.

Subject to the terms and conditions of the Indenture, the Company will make payments in cash in respect of Redemption Prices, Purchase Prices, Fundamental Change Purchase Prices and at Stated Maturity to Holders who surrender Securities to the Paying Agent to collect such payments in respect of the Securities, provided that the Company may make payments in shares of Common Stock or combination of cash and Common Stock in respect of the Purchase Price on a Purchase Date, as provided for in Section 3.7 of the Indenture. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check payable in such money.

## 3. PAYING AGENT, CONVERSION AGENT AND REGISTRAR.

Initially, The Bank of Nova Scotia Trust Company of New York (the "Trustee") will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent or Registrar without notice, other than notice to the Trustee; provided that the Company will maintain at least one Paying Agent in the State of New York, City of New York, Borough of Manhattan, which shall initially be an office or agency of the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent or Registrar.

4. INDENTURE.

The Company issued the Securities under an Indenture dated as of November 30, 2001 (the "Indenture"), between the Company and the Trustee. 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 in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms. To the extent any provisions of this Security and the Indenture conflict, the provisions of the Indenture shall control.

The Securities are senior unsecured obligations of the Company limited to \$250,000,000 aggregate principal amount (subject to Section 2.7 of the Indenture, Upward Interest Adjustments and the Company's election to pay interest in cash following a Tax Event). The Indenture does not limit other indebtedness of the Company, secured or unsecured.

5. REDEMPTION AT THE OPTION OF THE COMPANY.

No sinking fund is provided for the Securities. The Securities are redeemable at the option of the Company in whole or in part, on or after December 6, 2005 upon not less than 30 nor more than 60 days' notice by mail for a cash price equal to the Accreted Value plus accrued and unpaid current cash interest, if any, to the Redemption Date (the "Redemption Price"), if the Sale Price of the Common Stock for at least 20 trading days in any period of 30 consecutive trading days ending on the fifth Business Day preceding the date of such notice is more than 125% of the Accreted Conversion Price as of the last day of such 30 trading day period.

6. PURCHASE BY THE COMPANY AT THE OPTION OF THE HOLDER.

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Securities held by such Holder on any Purchase Date in integral multiples of \$1,000, if less than all of the Securities are being redeemed, at a Purchase Price equal to the Accreted Value plus accrued and unpaid current cash interest, if any, to the Purchase Date. To exercise such right, a Holder shall deliver to the Company a Purchase Notice containing the information set forth in the Indenture at any time from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business two Business Days prior to such Purchase Date, and shall deliver the Securities to the Paying Agent as set forth in the Indenture.

The Purchase Price may be paid, at the option of the Company, in cash or by the issuance and delivery of shares of Common Stock, or in any combination thereof, provided that accrued and unpaid current cash interest shall be paid in cash.

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to offer to purchase the Securities held by such Holder within 30 days (which purchase shall occur 45 days after the date of such offer) after the occurrence of a Fundamental Change for a Fundamental Change Purchase Price equal to the Accreted Value plus accrued and unpaid current cash interest, if any, to the Fundamental Change Purchase Date, which Fundamental Change Purchase Price shall be paid in cash.



Holders have the right to withdraw any Purchase Notice or Fundamental Change Purchase Notice, as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash (and/or shares of Common Stock if permitted under the Indenture) sufficient to pay the Purchase Price or Fundamental Change Purchase Price, as the case may be, of all Securities or portions thereof to be purchased on the Purchase Date or the Fundamental Change Purchase Date, as the case may be, is deposited with the Paying Agent on the Purchase Date or the Fundamental Change Purchase Date, interest ceases to accrue on such Securities or portions thereof immediately after such Purchase Date or Fundamental Change Purchase Date, and the Holder thereof shall have no other rights as such other than the right to receive the Purchase Price or Fundamental Change Purchase Price upon surrender of such Security.

7. NOTICE OF REDEMPTION.

Notice of redemption pursuant to Paragraph 5 of this Security will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities or portions thereof to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, interest ceases to accrue on such Securities or portions thereof immediately after such Redemption Date. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part but only in integral multiples of \$1,000 of principal amount, if less than all of the Securities are being redeemed.

8. CONVERSION.

Holders may surrender Securities for conversion into shares of Common Stock if during any calendar quarter the Sale Price of our Common Stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the previous quarter is more than 110% of the Accreted Conversion Price per share of the Common Stock on such last trading day. A Holder may also surrender for conversion a Security or portion of a Security which has been called for redemption pursuant to Paragraph 5 hereof, even if the foregoing provision has not been satisfied, and such Securities may be surrendered for conversion until the close of business on the day that is two Business Days prior to the Redemption Date.

In the event that the Conversion Rate must be adjusted because the Company declares a dividend or distribution described in Section 10.7 of the Indenture or a dividend or a distribution described in Section 10.8 of the Indenture where the fair market value of such dividend or distribution per share of Common Stock, as determined in the Indenture, exceeds 15% of the Sale Price of a share of Common Stock as of the Business Day prior to the date of declaration for such distribution, unless the Holder may participate in this distribution without conversion, the Securities may be surrendered for conversion beginning on the date the Company gives notice to the Holders of such right, which shall be not less than 20 days prior to the Ex-Dividend Time for such dividend or distribution, and the Securities may be surrendered for conversion at any time thereafter until the close of business on the Business Day prior to the Ex-Dividend Time or until the Company announces that such distribution will not take place.

In the event the Company is a party to a consolidation, merger or binding share exchange pursuant to which the shares of Common Stock would be converted into cash, securities or other property (other than if such property consists of shares of voting common stock of the surviving person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States, and such shares represent at least 95% of the aggregate fair market value (as determined by the Board of Directors) of such property), the Securities may be surrendered for conversion at any time from and after the date which is 15 days prior to the date the Company announces as the anticipated effective time until 15 days after the actual date of such transaction.

Finally, if the long-term credit rating assigned to the Securities by any two of Moody's Investors Service, Inc., Standard & Poor's Ratings Group or Fitch IBCA Duff & Phelps are reduced two notches below Ba3, BB and BB, respectively, or if the Securities are no longer rated by any two of these ratings services or if the ratings for the Securities have been suspended by two of these rating services, the Securities may be surrendered for conversion beginning on the date the Company gives notice to the Holders of such right, which shall not be later than 15 days after the date on which the Company is notified of any such event by the relevant ratings service.

A Security in respect of which a Holder has delivered a Purchase Notice or Fundamental Change Purchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture.

The initial Conversion Rate is 46.2963 shares of Common Stock per \$1,000 principal amount of Securities, subject to adjustment in certain events described in the Indenture. A Holder that surrenders Securities for conversion will receive cash or a check in lieu of any fractional shares of Common Stock.

To surrender a Security for conversion, a Holder must (1) complete and manually sign the irrevocable conversion notice below (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Security to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents and (4) pay any transfer or similar tax, if required.

A Holder may convert a portion of a Security if the principal amount of such portion is \$1,000 or an integral multiple of \$1,000. No payment or adjustment will be made for dividends on the shares of Common Stock except as provided in the Indenture. Except as provided in Paragraph 1 hereof, on conversion of a Security, the Holder will not receive any cash payment representing accrued interest with respect to the converted Securities. Instead, upon conversion the Company will deliver to the Holder a fixed number of shares of Common Stock and any cash payment to account for fractional shares. Accrued interest will be deemed paid in full rather than canceled, extinguished or forfeited. The Company will not adjust the Conversion Rate to account for accrued interest.

The Conversion Rate will be adjusted as provided in Article 10 of the Indenture. The Company may increase the Conversion Rate for at least 20 days, so long as the increase is irrevocable during such period.

If the Company is a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets, or upon certain distributions described in the Indenture, then at the effective time of the transaction the right to convert a Security into shares of Common Stock may be changed into a right to convert it into securities, cash or other assets of the Company or another person.

9. CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION.

Any Securities called for redemption, unless surrendered for conversion before the close of business on the day that is two Business Days prior to the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders, to convert them into shares of Common Stock and to make payment for such Securities to the Trustee in trust for such Holders.

10. DENOMINATIONS; TRANSFER; EXCHANGE.

The Securities are in fully registered form, without coupons, in minimum denominations of \$1,000 of principal amount and integral multiples of \$1,000 (except as necessary to reflect the related Accreted Value of any Security). A Holder may transfer or exchange the Securities in accordance with the Indenture. 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. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a Purchase Notice or Fundamental Change Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before the mailing of a notice of redemption of Securities to be redeemed.

11. PERSONS DEEMED OWNERS.

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

12. UNCLAIMED MONEY OR SECURITIES.

The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

13. AMENDMENT; WAIVER.

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate

principal amount of the Securities at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of a majority in aggregate principal amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Securities among other things, (i) to cure any ambiguity, omission, defect or inconsistency, provided that such modification or amendment does not materially and adversely affect the interests of the holders of the Securities, (ii) to comply with Article 5 or Section 10.14 of the Indenture, (iii) to secure the Company's obligations or to add any guarantee under the Securities and the Indenture; (iv) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company, (v) to make any change necessary for the registration of the Securities under the Securities Act or to comply with the TIA, or any amendment thereto, or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the TIA, provided that such modification or amendment does not materially and adversely affect the interests of the holders of the Securities, (vi) to provide for uncertificated Securities in addition to or in place of certificated Securities or to provide for bearer Securities or (vii) to make any modifications or amendments that that the Company and the Trustee may deem necessary or desirable, provided such amendment or modification does not materially and adversely affect the interests of the Holders of the Securities.

#### 14. DEFAULTS AND REMEDIES.

Under the Indenture, Events of Default include (i) default in payment of the principal amount of the Securities plus accrued and unpaid interest when the same becomes due and payable at Stated Maturity, upon redemption, upon declaration, when due for purchase by the Company or otherwise, (ii) default in the payment of any cash interest (including interest which becomes payable after an Upward Interest Adjustment or any election by the Company to pay interest entirely in cash on the Securities following a Tax Event), when due and payable, subject to lapse of time, (iii) failure by the Company to comply in any material respect with other agreements or covenants in the Indenture or the Securities, subject to notice and lapse of time; (iv) failure by the Company to deliver shares of Common Stock upon the election by the Holders to convert their Securities, subject to lapse of time; (v) failure to provide timely notice of a Fundamental Change; (vi) default under any credit agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Material Subsidiaries (or the payment of which is guaranteed by the Company or any of its Material Subsidiaries), whether such Indebtedness or guarantee exists on the date of the Indenture or is created thereafter, which default (A) is caused by a failure to pay when due any principal of such Indebtedness within the grace period provided for in such Indebtedness (which failure continues beyond any applicable grace period) (a "Payment Default") or (B) results in the acceleration of such Indebtedness prior to its express maturity (without such acceleration being rescinded or annulled) and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness under which there is a Payment Default or the maturity of which has been so accelerated, aggregates \$25,000,000 or more and such Payment Default is not cured or such acceleration is not annulled within 30 days after notice; or (vii) failure by the Company or any Material Subsidiary of the Company to pay final, non-appealable judgments (other than any judgment as to which a reputable insurance company has accepted full liability) aggregating in excess of \$25,000,000, which judgments are not stayed, bonded or discharged within 60 days

after their entry; and (vii) certain events of bankruptcy, insolvency and reorganization of the Company.

15. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from the Holders notice of any continuing Default (except a Default in payment of amounts specified in clause (ii) above) if it determines that withholding notice is in their interests.

15. TRUSTEE DEALINGS WITH THE COMPANY.

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

16. CALCULATIONS IN RESPECT OF SECURITIES.

The Company will be responsible for making all calculations called for under the Securities, except for such calculations made by the Reset Rate Agent. These calculations include, but are not limited to, determination of the market prices for the Common Stock, accrued interest payable on the Securities and the Accreted Conversion Price of the Securities. Any calculations made in good faith and without manifest error will be final and binding on Holders of the Securities. The Company will be required to deliver to each of the Trustee and the Conversion Agent a schedule of its calculations and each of the Trustee and the Conversion Agent will be entitled to rely upon the accuracy of such calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of the Securities upon the request of such Holder.

17. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations 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. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. AUTHENTICATION.

This Security shall not be valid until an authorized signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

19. 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 entirety), JT TEN (=joint tenants

with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. GOVERNING LAW.

THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THIS SECURITY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

Hasbro, Inc.  
200 Narragansett Park Drive  
Pawtucket, RI 02862-0200  
Attn: Treasurer

21. REGISTRATION RIGHTS.

The Holders of the Securities are entitled to the benefits of a Registration Agreement, dated as of November 30, 2001, between the Company and Salomon Smith Barney Inc., including the receipt of liquidated damages upon a registration default (as defined in such agreement).

FORM OF CONVERSION NOTICE

To: HASBRO, INC.

The undersigned beneficial owner of the Security hereby irrevocably exercises the option to convert this Security, or portion hereof (which is \$1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Hasbro, Inc. in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares and Securities representing any unconverted principal amount hereof, be issued and delivered to the beneficial owner hereof unless a different name has been indicated below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest, Liquidated Damages and taxes accompanies this Security.

Dated:

-----

Fill in for registration of shares if to be delivered, and Securities if to be issued, other than to and in the name of the beneficial owner (Please Print):

-----

Signature(s)  
Principal amount to be converted (if less than all):

-----  
(Name)

\$\_\_\_\_,000

-----  
(Street Address)

-----  
Social Security or other Taxpayer Identification Number

-----  
(City, State and Zip Code)

Signature Guarantee:

-----  
Signatures must be guaranteed by an eligible Guarantor Institution (banks, brokers, dealers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares are to be issued, or Securities are to be delivered, other than to and in the name of the registered holder(s).

ASSIGNMENT FORM

To assign this Security, fill in the form below:

(I) or (we) assign and transfer this Security to

-----  
(Insert assignee's social security or tax I.D. no.)  
-----

-----  
(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 him.

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the other side of this Security)

Date: \_\_\_\_\_

Medallion Signature Guarantee: \_\_\_\_\_

[FOR INCLUSION ONLY IF THIS SECURITY BEARS A RESTRICTED SECURITIES LEGEND] In connection with any transfer of any of the Securities evidenced by this certificate which are "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act), the undersigned confirms that such Securities are being transferred:

CHECK ONE BOX BELOW

- (1)  to the Company; or
- (2)  pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (3)  pursuant to and in compliance with Regulation S under the Securities Act of 1933; or
- (4)  pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

Unless one of the boxes is checked, the Registrar will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (3) or (4) is checked, the Trustee may



require, prior to registering any such transfer of the Securities, such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the Trustee of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933; provided that this paragraph shall not be applicable to any Securities which are not "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act).

Your Signature: -----

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

Date: -----

Medallion Signature Guarantee: -----

SCHEDULE OF INCREASES AND DECREASES OF GLOBAL SECURITY

Initial Principal Amount of Global Security: \_\_\_\_\_ (\$ \_\_\_\_\_ ).

Date	Amount of Increase in Principal Amount of Global Security	Amount of Decrease in Principal Amount of Global Security	Principal Amount of Global Security After Increase or Decrease	Notation by Registrar or Security Custodian
------	---	---	---	---

## [FORM OF FACE OF CERTIFICATED SECURITY]

THIS SECURITY WILL BE SUBJECT TO THE REGULATIONS GOVERNING CONTINGENT PAYMENT DEBT INSTRUMENTS FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. AS REQUIRED UNDER APPLICABLE TREASURY REGULATIONS, THE COMPANY HAS SET FORTH THE "COMPARABLE YIELD" IN SECTION 4.7 OF THE INDENTURE PURSUANT TO WHICH THIS SECURITY IS BEING ISSUED. THE HOLDER OF THIS SECURITY MAY OBTAIN THE PROJECTED PAYMENT SCHEDULE BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO HASBRO, INC., 200 NARRAGANSETT PARK DRIVE, PAWTUCKET, RI 02862-0200.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE SECOND ANNIVERSARY OF THE ISSUE HEREOF (OR ANY PREDECESSOR SECURITY HEREOF) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT.

The foregoing legend may be removed from this Security on satisfaction of the conditions specified in the Indenture.

HASBRO, INC.

2.75% Convertible Senior Debentures due 2021

No. \_\_\_\_\_ CUSIP: 418056 AM 9  
Issue Date: November 30, 2001  
Issue Price: 100% of principal amount

HASBRO, INC., a corporation duly organized and existing under the laws of the State of Rhode Island, promises to pay to \_\_\_\_\_, or registered assigns, the principal amount of [(\$\_\_\_\_\_) on December 1, 2021.

This Security shall bear interest at a rate of 2.75% per year except as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security.

Additional provisions of this Security are set forth on the other side of this Security.

Dated: \_\_\_\_\_  
HASBRO, INC.  
By: \_\_\_\_\_  
Name:  
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK,  
as Trustee, certifies that this is one  
of the Securities referred to in the  
within-mentioned Indenture.

By \_\_\_\_\_  
Authorized Signatory

Dated: \_\_\_\_\_  
A-2-2

[FORM OF REVERSE OF CERTIFICATED SECURITY  
IS IDENTICAL TO EXHIBIT A-1]

A-2-3

2.75% Convertible Senior Debentures due 2021

Transfer Certificate

In connection with any transfer of any of the Securities within the period prior to the expiration of the holding period applicable to the sales thereof under Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") (or any successor provision), the undersigned registered owner of this Security hereby certifies with respect to \$\_\_\_\_\_ principal amount of the above-captioned Securities presented or surrendered on the date hereof (the "Surrendered Securities") for registration of transfer, or for exchange or conversion where the securities issuable upon such exchange or conversion are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), the undersigned confirms that such Securities are being transferred:

CHECK ONE BOX BELOW

- (1)  to the Company; or
- (2)  pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (3)  pursuant to and in compliance with Regulation S under the Securities Act of 1933; or
- (4)  pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

Unless one of the boxes is checked, the Registrar will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (3) or (4) is checked, the Trustee may require, prior to registering any such transfer of the Securities, such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the Trustee of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933; provided that this paragraph shall not be applicable to any Securities which are not "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act).

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the other side of this Security)

Date: \_\_\_\_\_

Medallion Signature Guarantee: \_\_\_\_\_

EXHIBIT C

FORM OF RESTRICTED COMMON STOCK LEGEND

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE SECOND ANNIVERSARY OF THE ISSUANCE HEREOF (OR ANY PREDECESSOR SECURITY HERETO, INCLUDING THE RELATED DEBENTURE) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER) REGULATIONS UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT."

EXHIBIT D

FORM OF TRANSFER CERTIFICATE FOR TRANSFER  
OF RESTRICTED COMMON STOCK

(Transfers pursuant to Section 10.20 of the Indenture)

[NAME AND ADDRESS OF COMMON STOCK TRANSFER AGENT]

Re: Hasbro, Inc. 2.75% Convertible Senior Debentures due 2021 (the "Securities")

Reference is hereby made to the Indenture dated as of November 30, 2001 (the "Indenture") between Hasbro, Inc. and The Bank of Nova Scotia Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to \_\_\_\_\_ shares of Common Stock represented by the accompanying certificate(s) that were issued upon conversion of Securities and which are held in the name of [name of transferor] (the "Transferor") to effect the transfer of such Common Stock.

In connection with the transfer of such shares of Common Stock, the undersigned confirms that such shares of Common Stock are being transferred:

CHECK ONE BOX BELOW

- (1)  to the Company; or
- (2)  pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (3)  pursuant to and in compliance with Regulation S under the Securities Act of 1933; or
- (4)  pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.



Unless one of the boxes is checked, the transfer agent will refuse to register any of the Common Stock evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (3) or (4) is checked, the transfer agent may require, prior to registering any such transfer of the Common Stock such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the transfer agent of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

[Name of Transferor],

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated:

SCHEDULE A

Projected Payment Schedule\*

Period -----	Projected Payment per Debenture -----
November 30, 2001 - June 1, 2002	\$13.75
June 1, 2002 - December 1, 2002	\$13.75
December 1, 2002 - June 1, 2003	\$13.75
June 1, 2003 - December 1, 2003	\$13.75
December 1, 2003 - June 1, 2004	\$13.75
June 1, 2004 - December 1, 2004	\$13.75
December 1, 2004 - June 1, 2005	\$13.75
June 1, 2005 - December 1, 2005	\$13.75
December 1, 2005 - June 1, 2006	\$14.05
June 1, 2006 - December 1, 2006	\$14.07
December 1, 2006 - June 1, 2007	\$14.09
June 1, 2007 - December 1, 2007	\$14.10
December 1, 2007 - June 1, 2008	\$14.12
June 1, 2008 - December 1, 2008	\$14.13
December 1, 2008 - June 1, 2009	\$14.15
June 1, 2009 - December 1, 2009	\$14.16
December 1, 2009 - June 1, 2010	\$14.17
June 1, 2010 - December 1, 2010	\$14.18
December 1, 2010 - June 1, 2011	\$14.20
June 1, 2011 - December 1, 2011	\$14.21
December 1, 2011 - June 1, 2012	\$14.22
June 1, 2012 - December 1, 2012	\$14.23
December 1, 2012 - June 1, 2013	\$14.24
June 1, 2013 - December 1, 2013	\$14.25
December 1, 2013 - June 1, 2014	\$14.26
June 1, 2014 - December 1, 2014	\$14.27
December 1, 2014 - June 1, 2015	\$14.28
June 1, 2015 - December 1, 2015	\$14.29
December 1, 2015 - June 1, 2016	\$14.30
June 1, 2016 - December 1, 2016	\$14.32
December 1, 2016 - June 1, 2017	\$14.33
June 1, 2017 - December 1, 2017	\$14.34
December 1, 2017 - June 1, 2018	\$14.35
June 1, 2018 - December 1, 2018	\$14.36
December 1, 2018 - June 1, 2019	\$14.37
June 1, 2019 - December 1, 2019	\$14.38
December 1, 2019 - June 1, 2020	\$14.39
June 1, 2020 - December 1, 2020	\$14.40
December 1, 2020 - June 1, 2021	\$14.41
June 1, 2021 - December 1, 2021	\$3,668.19

- -----

\* The comparable yield and the schedule of projected payments are determined on the basis of certain assumptions and are not determined for any purpose other than for the determination of interest accruals and adjustments thereof in respect of the Securities for United States federal income tax purposes. The comparable yield and the schedule of projected payments do not constitute a projection or representation regarding the amounts payable on Securities.

HASBRO, INC.

\$225,000,000

2.75% Convertible Senior Debentures due 2021

REGISTRATION AGREEMENT

New York, New York  
November 30, 2001

Salomon Smith Barney Inc.  
As Representative of the Initial Purchasers Named in  
Schedule I to the Purchase Agreement (as defined below)  
388 Greenwich Street  
New York, New York 10013

Ladies and Gentlemen:

Hasbro, Inc., a Rhode Island corporation (the "COMPANY"), proposes to issue and sell (such issuance and sale, the "INITIAL PLACEMENT") to the several parties named in Schedule I to the Purchase Agreement (the "INITIAL PURCHASERS") for whom you (the "REPRESENTATIVE") are acting as representative, upon the terms set forth in a purchase agreement dated November 27, 2001 (the "PURCHASE AGREEMENT"), \$225,000,000 aggregate principal amount (plus up to an additional \$25,000,000 aggregate principal amount to cover over-allotments, if any) of its 2.75% Convertible Senior Debentures due 2021 (the "SECURITIES"). The Securities will be convertible into shares of Common Stock (as defined herein), at the conversion price set forth in the Offering Memorandum (as defined herein), as the same may be adjusted from time to time pursuant to the Indenture (as defined herein). As an inducement to you to enter into the Purchase Agreement and in satisfaction of a condition to your obligations thereunder, the Company agrees with you, (i) for your benefit and (ii) for the benefit of the holders from time to time of the Securities and the Common Stock issuable upon conversion of the Securities (including you), as follows:

1. DEFINITIONS. Capitalized terms used herein without definition shall have the respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized terms shall have the following meanings:

"ACT" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"BROKER-DEALER" means any broker or dealer registered as such under the Exchange Act.

"BUSINESS DAY" has the meaning set forth in the Indenture.

"CLOSING DATE" means November 30, 2001.

"COMMON STOCK" means the common stock, par value \$0.50 per share, of the Company, as it exists on the date of this Agreement and any other shares of capital stock or other securities of the Company into which such Common Stock may be reclassified or changed, together with any and all other securities which may from time to time be issuable upon conversion of Securities.

"DAMAGES PAYMENT DATE" means, with respect to the Securities or the Common Stock issuable upon conversion thereof, as applicable, each Interest Payment Date; and in the event that any Security, or portion thereof, is called for redemption or surrendered for purchase by the Company and not withdrawn pursuant to the Indenture, the relevant redemption date or purchase date, as the case may be, shall also be a Damages Payment Date with respect to such Security, or portion thereof, unless the Indenture provides that accrued and unpaid interest on the Security (or portion thereof) to be redeemed or repurchased, as the case may be, is to be paid to the person who was the record holder on the books and records of the registrar thereof on a record date prior to such redemption date or purchase date, as the case may be, in which case the relevant Damages Payment Date shall be the date on which interest is payable to such record holder.

"DEFAULT RATE" means the rate of interest payable with respect to overdue amounts on the Securities pursuant to Section 4.01 of the Indenture.

"DTC" means The Depository Trust Company.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"FINAL MATURITY DATE" means December 1, 2021.

"HOLDER" means a person who is a holder or beneficial owner (including the Initial Purchasers) of any Securities or shares of Common Stock issued upon conversion of Securities; PROVIDED that, unless otherwise expressly stated herein, only registered holders of Securities or Common Stock issued on conversion thereof shall be counted for purposes of calculating any proportion of holders entitled to take any action or give notice pursuant to this Agreement.

"INDENTURE" means the Indenture relating to the Securities dated as of November 30, 2001, between the Company and the Trustee, as the same may be amended from time to time in accordance with the terms thereof.

"INITIAL PLACEMENT" has the meaning set forth in the preamble hereto.

"INITIAL PURCHASERS" has the meaning set forth in the preamble hereto.

"INTEREST PAYMENT DATE" shall mean June 1 and December 1.

"LIQUIDATED DAMAGES" has the meaning set forth in Section 2(e) hereof.

"LOSSES" has the meaning set forth in Section 5(d) hereof.

"MAJORITY HOLDERS" means the Holders of a majority of the then outstanding aggregate principal amount of Securities registered under a Shelf Registration Statement; PROVIDED that Holders of Common Stock issued upon conversion of Securities shall be deemed to be Holders of the aggregate principal amount of Securities from which such Common Stock was converted; and PROVIDED, FURTHER, that Securities or Common Stock which have been sold or otherwise transferred pursuant to the Shelf Registration Statement shall not be included in the calculation of Majority Holders.

"MAJORITY UNDERWRITING HOLDERS" means, with respect to any Underwritten Offering, the Holders of a majority of the then outstanding aggregate principal amount of Securities registered under any Shelf Registration Statement whose Securities are or are to be included in such Underwritten Offering; PROVIDED that Holders of Common Stock issued upon conversion of Securities shall be deemed to be Holders of the aggregate principal amount of Securities from which such Common Stock was converted.

"MANAGING UNDERWRITERS" means the Underwriter or Underwriters that shall administer an Underwritten Offering.

"NASD" has the meaning set forth in Section 3(i) hereof.

"NOTICE AND QUESTIONNAIRE" means a Notice of Registration Statement and Selling Securityholder Questionnaire substantially in the form of Exhibit A hereto.

"NOTICE HOLDER" shall mean, on any date, any Holder of Transfer Restricted Securities that has delivered a completed and signed Notice and Questionnaire to the Company on or prior to such date.

"OFFERING MEMORANDUM" means the Final Memorandum as defined in the Purchase Agreement.

"PERSON" has the meaning set forth in the Indenture.

"PROSPECTUS" means the prospectus included in any Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities or Common Stock issuable upon conversion thereof covered by such Shelf Registration Statement, and all amendments and supplements to such

prospectus, including all documents incorporated or deemed to be incorporated by reference in such prospectus.

"PURCHASE AGREEMENT" has the meaning set forth in the preamble hereto.

"REGISTRATION DEFAULT" has the meaning set forth in Section 2(e) hereof.

"REPRESENTATIVE" has the meaning set forth in the preamble hereto.

"RULE 144" means Rule 144 (or any successor provision) under the Act.

"SEC" means the Securities and Exchange Commission.

"SECURITIES" has the meaning set forth in the preamble hereto.

"SHELF REGISTRATION" means a registration effected pursuant to Section 2 hereof.

"SHELF REGISTRATION PERIOD" has the meaning set forth in Section 2(c) hereof.

"SHELF REGISTRATION STATEMENT" means a "shelf" registration statement of the Company filed pursuant to the provisions of Section 2 hereof which covers some or all of the Securities and the Common Stock issuable upon conversion thereof, as applicable, on Form S-3 or on another appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all documents incorporated or deemed to be incorporated by reference therein.

"SUSPENSION PERIOD" has the meaning set forth in Section 2(d) hereof.

"TRANSFER RESTRICTED SECURITIES" means each Security and each share of Common Stock issuable or issued upon conversion thereof until the date on which such Security or share of Common Stock, as the case may be, (i) has been transferred pursuant to the Shelf Registration Statement or another registration statement covering such Security or share of Common Stock which has been filed with the SEC pursuant to the Act, in either case after such registration statement has become effective and while such registration statement is effective under the Act, (ii) has been transferred pursuant to Rule 144 under the Act (or any similar provision then in force) or (iii) may be sold or transferred pursuant to Rule 144(k) under the Act (or any successor provision then in force).

"TRUSTEE" means the trustee with respect to the Securities under the Indenture.

"UNDERWRITER" means any underwriter of the Securities or Common Stock issuable upon conversion thereof in connection with an offering thereof under a Shelf Registration Statement.

"UNDERWRITTEN OFFERING" means an offering in which the Securities or Common Stock issued upon conversion thereof are sold to an Underwriter or with the assistance of an Underwriter for reoffering to the public.

All references in this Agreement to financial statements and schedules and other information which is "contained", "included", or "stated" in the Shelf Registration Statement, any preliminary Prospectus or Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated or deemed to be incorporated by reference in such Shelf Registration Statement, preliminary Prospectus or Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Shelf Registration Statement, any preliminary Prospectus or Prospectus shall be deemed to mean and include any document filed with the SEC under the Exchange Act, after the date of such Shelf Registration Statement, preliminary Prospectus or Prospectus, as the case may be, which is incorporated or deemed to be incorporated by reference therein.

## 2. SHELF REGISTRATION STATEMENT.

(a) The Company shall prepare and file with the SEC within 90 days following the Closing Date a Shelf Registration Statement with respect to resales of the Transfer Restricted Securities by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement and thereafter shall use commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective under the Act within 180 days after the Closing Date; PROVIDED that if any Securities are issued upon exercise of the over-allotment option granted to the Initial Purchasers in the Purchase Agreement and the date on which such Securities are issued occurs after the Closing Date, the Company will take such steps, prior to the effective date of the Shelf Registration Statement, to ensure that such Securities and Common Stock issuable upon conversion thereof are included in the Shelf Registration Statement on the same terms as the Securities issued on the Closing Date. The Company shall supplement or amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company for the Shelf Registration Statement, or by the Act, the Exchange Act or the SEC.

(b) (1) Not less than 30 calendar days prior to the effectiveness of the Shelf Registration Statement, the Company shall mail the Notice and Questionnaire to the Holders of Transfer Restricted Securities. The Company shall take action to name each Holder that is a Notice Holder as of the date that is 10 calendar days prior to the effectiveness of the Shelf Registration Statement so that such Holder is named as a selling securityholder in the Shelf



Registration Statement at the time of its effectiveness and is permitted to deliver the Prospectus forming a part thereof as of such time to purchasers of such Holder's Transfer Restricted Securities in accordance with applicable law. The Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling securityholder in the Shelf Registration Statement.

(2) After the Shelf Registration Statement has become effective, the Company shall, upon the request of any Holder of Transfer Restricted Securities, promptly send a Notice and Questionnaire to such Holder. From and after the date on which the Shelf Registration Statement has become effective, the Company shall (i) (x) as promptly as is practicable after the date a completed and signed Notice and Questionnaire is delivered to the Company, and in any event within five Business Days after such date, prepare and file with the SEC a supplement to the Prospectus and any other document required by applicable law, or (y) if the company is required by applicable law to file a post-effective amendment to the Shelf Registration Statement, shall prepare and file such post-effective amendment and any other document required by applicable law no later than the first day of the next calendar quarter that begins on or after ten Business Days from the date a completed and signed Notice and Questionnaire is delivered to the Company, in each case so that the Holder delivering such Notice and Questionnaire is named as a selling securityholder in the Shelf Registration Statement and is permitted to deliver the Prospectus to purchasers of such Holder's Transfer Restricted Securities in accordance with applicable law, and (ii) if the Company shall file a post-effective amendment to the Shelf Registration Statement, use commercially reasonable efforts to cause such post-effective amendment to become effective under the Act as promptly as is practicable; PROVIDED, HOWEVER, that if a Notice and Questionnaire is delivered to the Company during a Suspension Period, the Company shall not be obligated to take the actions set forth in clauses (i) and (ii) until the termination of such Suspension Period.

(c) The Company shall use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective under the Act in order to permit the Prospectus forming a part thereof to be usable, subject to Section 2(d), by all Notice Holders until the earliest of (i) the second anniversary of the Closing Date or, if later, the second anniversary of the last date on which any Securities are issued upon exercise of the Initial Purchasers' over-allotment option, (ii) the date on which all the Securities and Common Stock issued or issuable upon conversion thereof may be sold by non-affiliates ("affiliates" for such purpose having the meaning set forth in Rule 144) of the Company pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by the SEC under the Act and (iii) such date as of which all the Securities and the Common Stock issued or issuable upon conversion thereof have been sold pursuant to the Shelf Registration Statement (in any such case, such period being called the "SHELF REGISTRATION PERIOD"). The Company will, (x) subject to Section 2(d), prepare and file with the SEC such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement continuously effective for the Shelf Registration Period, (y) subject to Section 2(d), cause the related Prospectus to be

supplemented by any required supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Act and (z) comply in all material respects with the provisions of the Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Shelf Registration Statement as so amended or such Prospectus as so supplemented.

(d) The Company may suspend the use of the Prospectus for a period not to exceed 45 days in any three-month period or for two periods not to exceed an aggregate of 90 days in any 12-month period (the "SUSPENSION PERIOD") for valid business reasons, to be determined by the Company in good faith (not including avoidance of the Company's obligations hereunder), including, without limitation, the acquisition or divestiture of assets, public filings with the SEC, pending corporate developments and similar events; PROVIDED that the Company promptly thereafter complies with the requirements of Section 3(j) hereof, if applicable; PROVIDED, FURTHER, that the existence of a Suspension Period will not prevent the occurrence of a Registration Default or otherwise limit the obligation of the Company to pay Liquidated Damages.

(e) If (i) the Shelf Registration Statement is not filed with the SEC on or prior to 90 days after the Closing Date, (ii) the Shelf Registration Statement has not been declared effective by the SEC within 180 days after the Closing Date, or (iii) the Shelf Registration Statement is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by a replacement shelf registration statement filed and declared effective) or usable (including as a result of a Suspension Period) for the offer and sale of Transfer Restricted Securities for a period of time (including any Suspension Period) which shall exceed 90 days in the aggregate in any 12-month period during the period beginning on the Closing Date and ending on the second anniversary of the Closing Date or, if later, the second anniversary of the last date on which any Securities are issued upon exercise of the Initial Purchasers' over-allotment option (each such event referred to in clauses (i) through (iii), a "REGISTRATION DEFAULT"), the Company will pay liquidated damages ("LIQUIDATED DAMAGES") to each Holder of Transfer Restricted Securities who has complied with such Holder's obligations under this Agreement. The amount of Liquidated Damages payable during any period in which a Registration Default has occurred and is continuing is the amount which is equal to one-quarter of one percent (25 basis points) per annum per \$1,000 principal amount of Securities and \$2.50 per annum per 46.2963 shares of Common Stock (subject to adjustment in the event of a stock split, stock recombination, stock dividend and the like) constituting Transfer Restricted Securities for the first 90 days during which a Registration Default has occurred and is continuing and one-half of one percent (50 basis points) per annum per \$1,000 principal amount of Securities and \$5.00 per annum per 46.2963 shares of Common Stock (subject to adjustment as set forth above) constituting Transfer Restricted Securities for any additional days during which a Registration Default has occurred and is continuing (in each case subject to further adjustment from time to time in the event of a stock split, stock recombination, stock dividend

and the like), it being understood that all calculations pursuant to this and the preceding sentence shall be carried out to five decimals. Following the cure of all Registration Defaults, Liquidated Damages will cease to accrue with respect to such Registration Default. Liquidated Damages shall cease to accrue in respect of any Transfer Restricted Security when it shall cease to be such. All accrued Liquidated Damages shall be paid on each Damages Payment Date in the manner provided for the payment of interest in the Indenture, and Liquidated Damages will be calculated on the basis of a 360-day year consisting of twelve 30-day months. In the event that any Liquidated Damages are not paid when due, then to the extent permitted by law, such overdue Liquidated Damages, if any, shall bear interest until paid at the Default Rate, compounded semi-annually. The parties hereto agree that the Liquidated Damages provided for in this Section 2(e) constitute a reasonable estimate of the damages that may be incurred by Holders by reason of a Registration Default.

(f) All of the Company's obligations (including, without limitation, the obligation to pay Liquidated Damages) set forth in the preceding paragraph which are outstanding or exist with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

(g) Immediately upon the occurrence or the termination of a Registration Default, the Company shall give the Trustee, in the case of notice with respect to the Securities, and the transfer and paying agent for the Common Stock, in the case of notice with respect to Common Stock issued or issuable upon conversion thereof, notice of such commencement or termination, of the obligation to pay Liquidated Damages with regard to the Securities and Common Stock and the amount thereof and of the event giving rise to such commencement or termination (such notice to be contained in an Officers' Certificate (as such term is defined in the Indenture)), and prior to receipt of such Officers' Certificate the Trustee and such transfer and paying agent shall be entitled to assume that no such commencement or termination has occurred, as the case may be.

(h) All Securities which are redeemed, purchased or otherwise acquired by the Company or any of its subsidiaries or affiliates (as defined in Rule 144 (or any successor provision) under the Act) prior to the Final Maturity Date shall be delivered to the Trustee for cancellation and the Company may not hold or resell such Securities or issue any new Securities to replace any such Securities or any Securities that any Holder has converted pursuant to the Indenture. All shares of Common Stock issued upon conversion of the Securities which are repurchased or otherwise acquired by the Company or any of its subsidiaries or affiliates (as defined in Rule 144 (or any successor provision) under the Act) at any time while such shares are "restricted securities" within the meaning of Rule 144 shall not be resold or otherwise transferred except pursuant to a registration statement which has been declared effective under the Act.

3. REGISTRATION PROCEDURES. In connection with any Shelf Registration Statement, the following provisions shall apply:

(a) The Company shall (i) furnish to the Representative, prior to the filing thereof with the SEC, a copy of any Shelf Registration Statement, and each amendment thereof, and a copy of any Prospectus, and each amendment or supplement thereto (excluding amendments caused by the filing of a report under the Exchange Act), and shall use commercially reasonable efforts to reflect in each such document, when so filed with the SEC, such comments as the Representative reasonably may promptly propose; and (ii) include information regarding the Notice Holders and the methods of distribution they have elected for their Transfer Restricted Securities provided to the Company in Notice and Questionnaires as necessary to permit such distribution by the methods specified therein.

(b) Subject to Section 2(d), the Company shall ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming a part thereof and any amendment or supplement thereto comply in all material respects with the Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming a part of any Shelf Registration Statement, and any amendment or supplement to such Prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; PROVIDED that the Company makes no representation with respect to information with respect to any Underwriter or any Holder required to be included in any Shelf Registration Statement or Prospectus pursuant to the Act or the rules and regulations thereunder and which information is included therein in reliance upon and in conformity with information furnished to the Company in writing by such Underwriter or Holder.

(c) The Company, as promptly as practicable, shall advise the Representative and each Notice Holder and, if requested by you or any such Holder, confirm such advice in writing:

(i) when a Shelf Registration Statement and any amendment thereto has been filed with the SEC and when the Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the SEC following effectiveness of the Shelf Registration Statement for amendments or supplements to the Shelf Registration Statement or the Prospectus or for additional information (other than any such request relating to a review of the Company's Exchange Act filings);

(iii) of the determination by the Company that a post-effective amendment to the Shelf Registration Statement would be appropriate;

(iv) of the commencement or termination of (but not the nature of or details concerning) any Suspension Period;

(v) of the issuance by the SEC of any stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of any proceedings for that purpose;

(vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Transfer Restricted Securities included in any Shelf Registration Statement for sale in any jurisdiction or the initiation or threat of any proceeding for such purpose;

(vii) of the happening of (but not the nature of or details concerning) any event that requires the making of any changes in the Shelf Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and the Shelf Registration Statement or the Prospectus, as the case may be, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading; and

(viii) of the Company's suspension of the use of the Prospectus as a result of any of the events or circumstances described in paragraphs (ii) through (vii) above, and of the termination of any such suspension.

(d) The Company shall use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of any Shelf Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Transfer Restricted Securities for offer or sale in any jurisdiction at the earliest possible time.

(e) The Company shall promptly furnish to each Notice Holder upon request, without charge, at least one copy of any Shelf Registration Statement and any post-effective amendment thereto, including all exhibits (including those incorporated by reference), financial statements and schedules.

(f) The Company shall, during the Shelf Registration Period, promptly deliver to each Initial Purchaser, each Notice Holder and any sales or placement agent or underwriters acting on their behalf, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in any Shelf Registration Statement (excluding documents incorporated by reference), and any amendment or supplement thereto, as such person may reasonably request; and, except as provided in Sections 2(d) and 3(s) hereof, the Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto.

(g) Prior to any offering of Transfer Restricted Securities pursuant to any Shelf Registration Statement, the Company shall register or qualify or cooperate with the Notice Holders and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Transfer Restricted Securities for offer and sale, under the securities or blue sky laws of such jurisdictions within the United States as any such Notice Holders reasonably request and shall maintain such qualification in effect so long as required and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Transfer Restricted Securities covered by such Shelf Registration Statement; PROVIDED, HOWEVER, that the Company will not be required to (A) qualify generally to do business as a foreign corporation or as a dealer in securities in any jurisdiction where it is not then so qualified or to (B) take any action which would subject it to service of process or taxation in any such jurisdiction where it is not then so subject.

(h) The Company shall cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities sold pursuant to any Shelf Registration Statement free of any restrictive legends and in such denominations permitted by the Indenture and registered in such names as Holders may request prior to settlement of sales of Transfer Restricted Securities pursuant to such Shelf Registration Statement.

(i) Subject to the exceptions contained in (A) and (B) of Section 3(g) hereof, the Company shall use commercially reasonable efforts to cause the Transfer Restricted Securities covered by the applicable Shelf Registration Statement to be registered with or approved by such other federal, state and local governmental agencies or authorities, and self-regulatory organizations in the United States as may be necessary to enable the Holders to consummate the disposition of such Transfer Restricted Securities as contemplated by the Shelf Registration Statement; without limitation to the foregoing, the Company shall provide all such information as may be required by the National Association of Securities Dealers, Inc. (the "NASD") in connection with the offering under the Shelf Registration Statement of the Transfer Restricted Securities (including, without limitation, such as may be required by NASD Rule 2710 or 2720), and shall cooperate with each Holder in connection with any filings required to be made with the NASD by such Holder in that regard.

(j) Upon the occurrence of any event described in Section 3(c)(vii) hereof, the Company shall promptly prepare and file with the SEC a post-effective amendment to any Shelf Registration Statement or an amendment or supplement to the related Prospectus or any document incorporated therein by reference or file a document which is incorporated or deemed to be incorporated by reference in such Shelf Registration Statement or Prospectus, as the case may be, so that, as thereafter delivered to purchasers of the Transfer Restricted Securities included therein, the Shelf Registration Statement and the Prospectus, in each case as then amended or supplemented, will not include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements

therein (in the case of the Prospectus in light of the circumstances under which they were made) not misleading and, in the case of a post-effective amendment, use its best efforts to cause it to become effective as promptly as practicable; PROVIDED that the Company's obligations under this paragraph (j) shall be suspended if the Company has suspended the use of the Prospectus in accordance with Section 2(d) hereof and given notice of such suspension to Notice Holders, it being understood that the Company's obligations under this Section 3(j) shall be automatically reinstated at the end of such Suspension Period.

(k) The Company shall use commercially reasonable efforts to provide, on or prior to the first Business Day following the effective date of any Shelf Registration Statement hereunder (i) a CUSIP number for the Transfer Restricted Securities registered under such Shelf Registration Statement and (ii) global certificates for such Transfer Restricted Securities to the Trustee, in a form eligible for deposit with DTC.

(l) The Company shall use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and shall make generally available to its security holders as soon as practicable but in any event not later than 50 days after the end of a 12-month period (or 105 days, if such period is a fiscal year) after (i) the effective date of the applicable Shelf Registration Statement, (ii) the effective date of each post-effective amendment to any Shelf Registration Statement, and (iii) the date of each filing by the Company with the SEC of an Annual Report on Form 10-K that is incorporated by reference or deemed to be incorporated by reference in the Shelf Registration Statement, an earnings statement satisfying the provisions of Section 11(a) of the Act and Rule 158 promulgated by the SEC thereunder.

(m) The Company shall use commercially reasonable efforts to cause the Indenture to be qualified under the TIA (as defined in the Indenture) in a timely manner.

(n) The Company shall cause all Common Stock issued or issuable upon conversion of the Securities to be listed on each securities exchange or quotation system on which the Common Stock is then listed no later than the date the applicable Shelf Registration Statement is declared effective and, in connection therewith, to make such filings as may be required under the Exchange Act and to have such filings declared effective as and when required thereunder.

(o) The Company may require each Holder of Transfer Restricted Securities to be sold pursuant to any Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of such Transfer Restricted Securities sought by the Notice and Questionnaire and such additional information as may, from time to time, be required by the Act and the rules and regulations promulgated thereunder, and the obligations of the Company to any Holder hereunder shall be expressly conditioned on the compliance of such Holder with such request.

(p) The Company shall, if reasonably requested, use commercially reasonable efforts to promptly incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement (i) such information as the Majority Holders provide or, if Transfer Restricted Securities are being sold in an Underwritten Offering, as the Managing Underwriters or the Majority Underwriting Holders reasonably agree should be included therein and provide to the Company in writing for inclusion in the Shelf Registration Statement or Prospectus, and (ii) such information as a Holder may provide from time to time to the Company in writing for inclusion in a Prospectus or any Shelf Registration Statement concerning such Holder and the distribution of such Holder's Transfer Restricted Securities and, in either case, shall make all required filings of such Prospectus supplement or post-effective amendment promptly after being notified in writing of the matters to be incorporated in such Prospectus supplement or post-effective amendment, PROVIDED that the Company shall not be required to take any action under this Section 3(p) that is not, in the reasonable opinion of counsel for the Company, in compliance with applicable law and shall not be required to file a post-effective amendment more than once per quarter.

(q) The Company shall enter into such customary agreements (including underwriting agreements) and take all other appropriate actions as may be reasonably requested in order to expedite or facilitate the registration or the disposition of the Transfer Restricted Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification and contribution provisions and procedures no less favorable than those set forth in Section 5. The plan of distribution in the Shelf Registration Statement and the Prospectus included therein shall permit resales of Transfer Restricted Securities to be made by selling securityholders through underwriters, brokers and dealers, and shall also include such other information as the Representative may reasonably request.

(r) The Company shall if reasonably requested in writing by Majority Holders, by Majority Underwriting Holders or by the Managing Underwriter:

(i) subject to confidentiality procedures and agreements in form and substance reasonably acceptable to the Company, make available for inspection during normal business hours by any Underwriter participating in any disposition pursuant to such Shelf Registration Statement, and any attorney, accountant or other agent retained by any such Underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries as is customary for due diligence examinations in connection with public offerings; PROVIDED that any such due diligence examination shall be coordinated on behalf of the Notice Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Notice Holders and other parties that is reasonably acceptable to the Company;

(ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information requested by any such Underwriter, attorney, accountant or agent in connection with any such Shelf Registration Statement as is



customary for similar due diligence examinations; PROVIDED, HOWEVER, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Holders or any such Underwriter, attorney, accountant or agent, unless disclosure thereof is made in connection with a court, administrative or regulatory proceeding or required by law, or such information has become available to the public generally through the Company or through a third party without an accompanying obligation of confidentiality;

(iii) deliver a letter, addressed to the selling Holders and the Underwriters, if any, in which the Company shall make such representations and warranties in form, substance and scope as are customarily made by issuers to Underwriters;

(iv) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions, in form, scope and substance, shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the Underwriters, if any, covering such matters as are customarily covered in opinions requested in public offerings;

(v) obtain "cold comfort" letters and updates thereof from the current and former independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each selling Holder (PROVIDED that such Holder furnishes the accountants, prior to the date such "cold comfort" letter is required to be delivered, with such representations as the accountants customarily require in similar situations) and the Underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and

(vi) deliver such documents and certificates as may be requested by the Majority Holders or, in the case of an Underwritten Offering, the Majority Underwriting Holders, and the Managing Underwriters, if any, including those to evidence compliance with Section 3(j) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

The foregoing actions set forth in clauses (iii), (iv), (v) and (vi) of this Section 3(r) shall be performed at (A) the effectiveness of such Shelf Registration Statement and each post-effective amendment thereto and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

(s) Each Notice Holder agrees that, upon receipt of notice of the happening of an event described in Sections 3(c)(ii) through and including 3(c)(viii), each Holder shall forthwith discontinue (and shall cause its agents and representatives to discontinue) disposition

of Transfer Restricted Securities and will not resume disposition of Transfer Restricted Securities until such Holder has received copies of an amended or supplemented Prospectus contemplated by Section 3(j) hereof, or until such Holder is advised in writing by the Company that the use of the Prospectus may be resumed or that the relevant Suspension Period has been terminated, as the case may be, PROVIDED that the foregoing shall not prevent the sale, transfer or other disposition of Transfer Restricted Securities by a Notice Holder in a transaction which is exempt from, or not subject to, the registration requirements of the Act, so long as such Notice Holder does not and is not required to deliver the applicable Prospectus or Shelf Registration Statement in connection with such sale, transfer or other disposition, as the case may be; and PROVIDED, FURTHER, that the provisions of this Section 3(s) shall not prevent the occurrence of a Registration Default or otherwise limit the obligation of the Company to pay Liquidated Damages.

(t) The Company shall in connection with an Underwritten Offering use commercially reasonable efforts (i) if the Securities have been rated prior to the initial sale of such Securities, to confirm that such ratings will apply to the Securities covered by the Shelf Registration Statement; or (ii) if the Securities were not previously rated, to cause the Securities covered by the Shelf Registration Statement to be rated with at least one nationally recognized statistical rating agency, if so requested by the Majority Holders or by any Managing Underwriters.

4. REGISTRATION EXPENSES. The Company shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and the reasonable fees and expenses of a single counsel to the Initial Purchasers in connection with the initial filing of the Shelf Registration Statement. In addition, in the event of an Underwritten Offering or if in any other event the Company requires that inspection and information gathering be coordinated by counsel for the selling Holders as provided in Section 3(r)(i) hereof, the Company shall pay the reasonable fees and expenses of a single counsel selected by the selling Holders of not less than 25% of the Transfer Restricted Securities to be included in such Underwritten Offering to represent them. The selling Holders participating in such offering (or, in any such other event, participating in such inspection and information gathering) shall be responsible on a pro rata basis based on the respective amount of their Transfer Restricted Securities included in such offering, for all fees and expenses of such counsel in excess of \$50,000. Notwithstanding the provisions of this Section 4, each Holder shall bear the expense of any broker's commission, agency fee or underwriter's discount or commission.

#### 5. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Holder of Transfer Restricted Securities covered by any Shelf Registration Statement (including each of the Initial Purchasers), the directors, officers, employees and agents of each such Holder and each person who controls any such Holder within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of

them may become subject under the Act, the Exchange Act or other federal or state law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (A) any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Holder or any Initial Purchaser specifically for inclusion therein, (B) use of a Shelf Registration Statement or the related Prospectus during a period when use of such Prospectus has been suspended pursuant to Section 2(d) or Section 3(s) hereof; PROVIDED, FURTHER, in each case, that Holders received prior notice of such suspension, or (C) if the Holder fails to deliver a Prospectus, as then amended or supplemented, PROVIDED that the Company shall have delivered to such Holder such Prospectus, as then amended or supplemented. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Holder of Transfer Restricted Securities covered by a Shelf Registration Statement (including the Initial Purchasers) severally and not jointly agrees to indemnify and hold harmless (i) the Company, (ii) each of its directors, (iii) each of its officers and employees and (iv) each person who controls the Company within the meaning of either the Act or the Exchange Act to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to written information furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement shall be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses. The indemnifying party shall be entitled to assume the defense of such action and appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be

responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); PROVIDED, HOWEVER, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party and that representation of the indemnified party by counsel chosen by the indemnifying party would be inappropriate due to actual or potential differing interests among the parties represented by such counsel; (iii) the indemnifying party shall not have assumed the defense of such action and employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. Neither an indemnifying party nor an indemnified party will, without the prior written consent of the other parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not such other parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of such other parties from all liability arising out of such claim, action, suit or proceeding. An indemnifying party shall not be liable for any losses, claims, damages or liabilities by reason of any settlement of any action or proceeding effected without such indemnifying party's prior written consent, which consent will not be unreasonably withheld.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 5 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party shall have an obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "LOSSES"), as incurred, to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and any sales of Transfer Restricted Securities under the Shelf Registration Statement; PROVIDED, HOWEVER, that in no case shall the Initial Purchasers be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to the Securities, as set forth in the Purchase Agreement. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand,

and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the total net proceeds from the Initial Placement (before deducting expenses). Benefits received by the Initial Purchasers shall be deemed to be equal to the total purchase discounts and commissions received in connection with the Initial Placement, and benefits received by any other Holders shall be deemed to be equal to the value of receiving Transfer Restricted Securities registered under the Act. Benefits received by any Underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Shelf Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to whether any untrue statement or omission or alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 5(d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 5, each person who controls a Holder within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who signed the Shelf Registration Statement and each director of the Company shall have the same rights to contribution as the Company, and each person who controls an Underwriter within the meaning of either the Act or the Exchange Act and each officer and director of each Underwriter shall have the same rights to contribution as such Underwriter, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 5 will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder, any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 5 hereof, and will survive the sale by a Holder of Transfer Restricted Securities covered by a Shelf Registration Statement.

#### 6. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company shall not, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(b) AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and

waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Majority Holders; provided that with respect to any matter that directly or indirectly affects the rights of the Initial Purchasers hereunder, the Company shall obtain the written consent of each of the Initial Purchasers against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being sold pursuant to a Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of the Transfer Restricted Securities being sold rather than registered under such Shelf Registration Statement.

(c) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telecopier, or overnight courier guaranteeing overnight delivery:

(1) if to the Representative, initially at its address set forth in the Purchase Agreement;

(2) if to any other Holder, at the most current address of such Holder maintained by the Registrar under the Indenture or the registrar of the Common Stock (PROVIDED that while the Securities or the Common Stock are in book-entry form, notice to the Trustee shall serve as notice to the Holders), or, in the case of the Notice Holder, the address set forth in its Notice and Questionnaire; and

(3) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given when received, if delivered by hand or overnight courier, and when sent, if sent by first-class mail or telecopier.

The Initial Purchasers or the Company by notice to the other may designate additional or different addresses for subsequent notices or communications.

(d) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders. The Company hereby agrees to extend the benefits of this Agreement to any Holder and Underwriter and any such Holder and Underwriter may specifically enforce the provisions of this Agreement as if an original party hereto. In the event that any other person shall succeed to the Company under the Indenture, then such successor shall enter into an agreement, in form and substance

reasonably satisfactory to the Representative, whereby such successor shall assume all of the Company's obligations under this Agreement.

(e) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE.

(h) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(i) SECURITIES HELD BY THE COMPANY, ETC. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities or the Common Stock issuable upon conversion thereof is required hereunder, Securities or the Common Stock issued upon conversion thereof held by the Company or its affiliates (as defined in Rule 144 (or any successor provision) under the Act) (other than subsequent Holders of Securities or the Common Stock issued upon conversion thereof if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities or Common Stock) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(j) TERMINATION. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Shelf Registration Period, except for any liabilities or obligations under Section 2(e), 4 or 5 to the extent arising prior to the end of the Shelf Registration Period.

Please confirm that the foregoing correctly sets forth the agreement between the Company and you.

Very truly yours,

HASBRO, INC.

By: /s/ Martin R. Trueb  
-----  
Name: Martin R. Trueb  
Title: Senior Vice President  
and Treasurer

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SALOMON SMITH BARNEY INC.

By: /s/ Michael A. Eck  
-----  
Name: Michael A. Eck  
Title: Managing Director

For itself and the other Initial Purchasers named in Schedule I to the Purchase Agreement.



## FORM OF SELLING SECURITYHOLDER NOTICE AND QUESTIONNAIRE

The undersigned beneficial holder (the "Selling Securityholder") of 2.75% Convertible Senior Debentures due 2021 (the "Notes") of Hasbro, Inc. (the "Company") or shares of Company common stock issuable upon conversion of the Notes (together with the Notes, the "Transfer Restricted Securities") of the Company understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Transfer Restricted Securities in accordance with the terms of the Registration Agreement (the "Registration Agreement") dated as of November 30, 2001 between the Company and the Initial Purchasers named therein. The Registration Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Registration Agreement.

In order to sell or otherwise dispose of any Transfer Restricted Securities pursuant to the Shelf Registration Statement, a beneficial owner of Transfer Restricted Securities generally will be required to be named as a selling securityholder in the related prospectus, deliver a prospectus to purchasers of Transfer Restricted Securities and be bound by those provisions of the Registration Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the Shelf Registration Statement so that such beneficial owners may be named as selling securityholders in the related prospectus at the time of effectiveness.

Certain legal consequences arise from being named as selling securityholders in the Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Transfer Restricted Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and the related prospectus.

## NOTICE

The undersigned beneficial owner (the "Selling Securityholder") of Transfer Restricted Securities hereby gives notice to the Company of its intention to sell or otherwise dispose of Transfer Restricted Securities beneficially owned by it and listed below in Item (3) (unless otherwise specified under Item (3)) pursuant to the Shelf Registration Statement. The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Agreement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full legal name of Selling Securityholder:

-----

(b) Full legal name of registered holder (if not the same as (a) above) through which Transfer Restricted Securities listed in Item (3) below are held (if the Transfer Restricted Securities are held through a broker-dealer or other third party and, as a result, you do not know the legal name of the registered holder, please complete Item (1)(c) below):

-----

(c) Full legal name of broker-dealer or other third party through which Transfer Restricted Securities listed in Item (3) below are held:

-----

(d) Full legal name of DTC Participant (if applicable and if not the same as (b) or (c) above) through which Transfer Restricted Securities listed in Item (3) below are held:

-----

2. Address for Notices to Selling Securityholder:

-----

-----

-----

Telephone:

-----

Fax:

-----

Contact Person:

-----

3. Beneficial Ownership of Transfer Restricted Securities:

(a) Type and principal amount (or number of shares) of Transfer Restricted Securities beneficially owned:

-----  
-----

(b) CUSIP No(s). of such Transfer Restricted Securities beneficially owned:

-----  
-----

Unless otherwise indicated in the space provided below, all Notes and all shares of common stock listed in response to Item (3)(a) above, and all shares of common stock issuable upon conversion of the Notes listed in response to Item (3)(a) above, will be included in the Shelf Registration Statement. If the undersigned does not wish all such Notes or shares of common stock to be so included, please indicate below the principal amount or the number of shares to be included:

-----  
-----

4. Beneficial ownership of other securities of the Company owned by the Selling Securityholder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company other than the Transfer Restricted Securities listed above in Item (3).

(a) Type and amount of other securities of the Company beneficially owned by the Selling Securityholder:

-----  
-----

(b) CUSIP No(s). of such other securities of the company beneficially owned:

-----  
-----  
5. Relationship with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

-----  
-----

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Transfer Restricted Securities listed above in Item (3) pursuant to the Shelf Registration Statement only as follows (if at all): Such Transfer Restricted Securities may be sold from time to time directly by the undersigned or alternatively through underwriters or broker-dealers or agents. If the Transfer Restricted Securities are sold through underwriters or broker-dealers, the Selling Securityholder will be responsible for underwriting discounts or commissions or agent's commissions. Such Transfer Restricted Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve block transactions) (i) on any national securities exchange or quotation service on which the Transfer Restricted Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Transfer Restricted Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Transfer Restricted Securities, short and deliver Transfer Restricted Securities to close out such short positions, or loan or pledge Transfer Restricted Securities to broker-dealers that in turn may sell such securities. The Selling Securityholder may pledge or grant security interest in some or all of the Transfer Restricted Securities owned by it and, if it defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell the Transfer Restricted Securities from time to time pursuant to the prospectus. The Selling Securityholder also may transfer

and donate shares in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling securityholder for purposes of the prospectus.

State any exceptions here:

-----  
-----  
-----

Note: The Company's obligation to cooperate in an underwritten offering of the Transfer Restricted Securities is limited under Section 3(r) of the Registration Agreement.

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations) and the provisions of the Securities Act of 1933 relating to prospectus delivery, in connection with any offering of Transfer Restricted Securities pursuant to the Shelf Registration Statement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Securityholder hereby acknowledges its obligations under the Registration Agreement to indemnify and hold harmless certain persons set forth therein.

Pursuant to the Registration Agreement, the Company has agreed under certain circumstances to indemnify the Selling Securityholders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Shelf Registration Statement is required to remain effective. All notices hereunder and pursuant to the Registration Agreement shall be made in writing at the address set forth below.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Shelf Registration Statement and the related prospectus.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By: \_\_\_\_\_

Name:

Title:

Dated:

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO THE COMPANY:

HASBRO, INC.  
1027 NEWPORT AVENUE  
PAWTUCKET, RI 02862  
FACSIMILE: (401) 729-7025  
ATTENTION: GENERAL COUNSEL

WITH A COPY TO:

ROPES & GRAY  
ONE INTERNATIONAL PLACE  
BOSTON, MA 02110-2624  
FACSIMILE: (617) 951-7050  
ATTENTION: JULIE H. JONES

A-6

February 22, 2002

Hasbro, Inc.  
1027 Newport Avenue  
Pawtucket, Rhode Island 02862

Ladies and Gentlemen:

This opinion is furnished to you in connection with a registration statement on Form S-3 (the "Registration Statement"), filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, for the registration of \$250,000,000 aggregate principal amount of 2.75% Convertible Senior Debentures due 2021 (the "Debentures") of Hasbro, Inc. (the "Company") and 11,574,075 shares of common stock, \$0.50 par value per share, (the "Shares") initially issuable upon conversion of the Debentures. The Debentures were issued under an indenture dated as of November 30, 2001 between the Company and The Bank of Nova Scotia Trust Company of New York (the "Indenture"). All of the Debentures and Shares are being registered on behalf of the holders of the Debentures.

We have acted as counsel for the Company in connection with the preparation and filing of the Registration Statement. For purposes of our opinion, we have examined such documents and made such other investigation as we have deemed appropriate to render the opinions set forth below. As to matters of fact material to our opinions, we have relied, without independent verification, on representations made in the Indenture and the purchase agreement relating to the Debentures and on certificates and other inquiries of officers of the Company and of public officials.

We express no opinion as to the applicability of, compliance with or effect of federal law or the law of any jurisdiction other than the Rhode Island Business Corporation Act, the laws of the State of New York and the federal laws of the United States of America.

Based upon the foregoing, we are of the opinion that:

1. The Debentures constitute valid and binding obligations of the Company enforceable against it in accordance with their terms.

2. The Shares have been duly authorized and, when issued upon conversion of the Debentures, will be validly issued and fully paid and nonassessable.

Our opinions in paragraph 1 are subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general application affecting the rights and remedies of creditors and to general principles of equity.

We understand that this opinion is to be used in connection with the Registration Statement. We hereby consent to the filing of this opinion as part of the Registration Statement and to the use of our name therein and in the related prospectus under the caption "Validity of Securities."

Very truly yours,

/s/ Ropes & Gray

Ropes & Gray



HASBRO, INC. AND SUBSIDIARIES  
 Computation of Ratio of Earnings to Fixed Charges  
 Fiscal Years Ended in December  
 (Thousands of Dollars)

	Nine Months Ended Sept.			Fiscal Years				
	Pro Forma 2001	2001	2000	2000	1999	1998	1997	1996
Earnings available for fixed charges:								
Net earnings (loss)	\$ 13,696	7,247	35,459	(144,631)	188,953	206,365	134,986	199,912
Add:								
Cumulative effect of accounting change	1,066	1,066	--	--	--	--	--	--
Fixed charges	84,750	94,233	94,870	135,302	88,456	53,209	43,893	47,174
Taxes on income	6,946	3,912	15,931	(81,355)	84,892	97,113	69,539	106,981
Total	\$106,458	106,458	146,260	(90,684)	362,301	356,687	248,418	354,067
Fixed charges:								
Interest on long-term debt	\$ 55,606	65,089	53,115	74,206	25,068	9,688	7,348	9,258
Other interest charges	12,238	12,238	27,091	40,215	44,272	26,423	20,138	22,207
Amortization of debt expense	1,532	1,532	1,213	1,724	425	121	377	339
Rental expense representative of interest factor	15,374	15,374	13,451	19,157	18,691	16,977	16,030	15,370
Total	\$ 84,750	94,233	94,870	135,302	88,456	53,209	43,893	47,174
Ratio of earnings to fixed charges	1.26	1.13	1.54	(0.67)	4.10	6.70	5.66	7.51

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Hasbro, Inc.:

We consent to use of our reports incorporated by reference in the Hasbro, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000, which is incorporated by reference herein, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Providence, Rhode Island  
February 19, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(B)(2)

THE BANK OF NOVA SCOTIA TRUST COMPANY OF NEW YORK

(Exact name of trustee as specified in its charter)

New York

13-5691211

(Jurisdiction of incorporation or organization  
if not a U.S. national bank)

(I.R.S. employer  
Identification number)

One Liberty Plaza  
New York, N.Y.

10006

(Address of principal  
executive office)

(Zip code)

N/A

Name, address and telephone number of agent for service

HASBRO, INC.

(Exact name of obligor as specified in its charter)

Rhode Island

05-0155090

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. employer  
identification no.)

1027 Newport Avenue  
Pawtucket, RI

02862

(Address of principal executive offices)

(Postal Code)

2.75% CONVERTIBLE SENIOR DEBENTURES due 2021

(Title of the indenture securities)

Item 1. GENERAL INFORMATION

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

Board of Governors of the Federal Reserve System  
Washington, D.C.

State of New York Banking Department  
State House, Albany, N.Y.

- (b) Whether it is authorized to exercise corporate trust powers.

The Trustee is authorized to exercise corporate trust powers.

Item 2. AFFILIATION WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such affiliation.

The obligor is not an affiliate of the Trustee.

Item 3. Not applicable

Item 4. TRUSTEESHIPS UNDER OTHER INDENTURES.

If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, furnish the following information:

- (a) Title of the securities outstanding under each such other indenture.

Hasbro, Inc.  
7.95% Notes due 2003  
8.50% Notes due 2006

- (b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of Section 310(b)(1) of the Act arises as a result of the trusteeship under any such other indenture, including a statement as to how the indenture securities will rank as compared with the securities issued under such other indentures.

The trustee does not believe there is a default under the outstanding indenture securities. The ranking of the securities to be issued under this indenture will rank pari passu with the securities issued and outstanding under such other indentures.

Item 5 through Item 15. Not applicable.

Item 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this statement of eligibility.

1. A copy of the articles of association of the trustee as now in effect.

A copy of the Organization Certificate of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 1 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with Registration Statement No. 333-6688 and is incorporated herein by reference thereto.

2. A copy of the certificate of authority of the trustee to commence business, if not contained in the articles of association.

A copy of the Certificate of Authority to commence business, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 2 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with Registration Statement No. 333-6688 and is incorporated herein by reference thereto.

3. A copy of the authorization of the trustee to exercise corporate trust powers, if such authorization is not contained in the documents specified in paragraph (1) or (2) above.

The authorization to exercise corporate trust powers is contained in the documents specified in paragraphs (1) and (2) above.

4. A copy of the existing by-laws of the trustee, or instruments corresponding thereto.

A copy of the existing by-laws of the trustee, as now in effect, is on file with the Securities and Exchange Commission as Exhibit 4 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with Registration Statement No. 333-6688 and is incorporated herein by reference thereto.

5. A copy of each indenture referred to in Item 4, if the obligor is in default.

Not Applicable.

6. The consents of the United States institutional trustees required by Section 321(b) of the Act.

The consent of the trustee required by Section 321 (b) of the Act is on file with the Securities and Exchange Commission as Exhibit 6 to the Statement of Eligibility and Qualification of Trustee (Form T-1) filed with Registration Statement No. 333-27685 and is incorporated herein by reference thereto.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

A copy of the latest report of condition of the trustee published pursuant to law

or the requirements of its supervising or examining authority is annexed hereto as Exhibit 7 and made a part hereof.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, The Bank of Nova Scotia Trust Company of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and State of New York, on the 11th day of February, 2002.

THE BANK OF NOVA SCOTIA TRUST  
COMPANY OF NEW YORK

By: /s/ John F. Neylan

-----  
John F. Neylan  
Trust Officer

-----  
 Legal Title of Bank

ONE LIBERTY PLAZA, 23RD FLOOR  
 -----

City

NEW YORK, NY 10006  
 -----

State Zip Code

FDIC Certificate Number \_\_\_\_\_

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL  
 AND STATE-CHARTERED SAVINGS BANKS FOR DECEMBER 31, 2001

All Schedules are to be reported in thousands of dollars. Unless otherwise  
 indicated, report the amount outstanding as of the last business day of the  
 quarter.

Schedule RC--Balance Sheet

	Dollar Amounts in Thousands	RCON	Bil	Mil	Thou	
<b>ASSETS</b>						
1. Cash and balances due from depository institutions (from Schedule RC-A):						
a. Noninterest-bearing balances and currency and coin(1).....		0081		517		1.a.
b. Interest-bearing balances(2).....		0071		4 945		1.b.
2. Securities:						
a. Held-to-maturity securities (from Schedule RC-B, column A).....		1754		1 220		2.a.
b. Available-for-sale securities (from Schedule RC-B, column D).....		1773		0		2.b.
3. Federal funds sold and securities PURCHASED UNDER AGREEMENTS TO RESELL.....		1350		13 000		3.
4. Loans and lease financing receivables (from Schedule RC-C):						
a. Loans and leases held for sale.....		5369		0		4.a.
b. Loans and leases, net of unearned income.....	B528					4.b.
c. LESS: Allowance for loan and lease losses.....	3123					4.c.
d. Loans and leases, net of unearned income and allowance (item 4.b minus 4.c).....	B529			0		4.d.
5. Trading assets (from Schedule RC-D).....		3545		0		5.
6. Premises and fixed assets (including capitalized leases).....		2145		0		6.
7. Other real estate owned (from Schedule RC-M).....		2150		0		7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M).....		2130		0		8.
9. Customers' liability to this bank on acceptances outstanding.....		2155		0		9.
10. Intangible assets:						
a. Goodwill.....		3163		0		10.a.
b. Other intangible assets (from Schedule RC-M).....		0426		0		10.b.
11. Other assets (from Schedule RC-F).....		2160		1 255		11.
12. Total assets (sum of items 1 through 11).....		2170		20 937		12.

(1) Includes cash items in process of collection and unposted debits.  
 (2) Includes time certificates of deposit not held for trading.

Dollar Amounts in Thousands RCON Bil Mil Thou -

LIABILITIES 13. Deposits:	
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E).....	
2200 7 645 13.a.	(1)
Noninterest-bearing(1).....	6631 7 614 13.a.(1) ----
(2) Interest-bearing.....	
6636 31 13.a.(2)	b. Not applicable
----- 14. Federal funds purchased and securities sold under agreements to repurchase.....	2800 0 14. ----- 15. Trading liabilities (from Schedule RC-D).....
3548 0 15. ----- 16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M).....	3190 0 16. -----
17. Not applicable	18. Bank's liability on acceptances executed and outstanding.....
	2920 0 18. -----
----- 19. Subordinated notes and debentures(2).....	3200 0 19. ----
----- 20. Other liabilities (from Schedule RC-6).....	2930 218 20. -----
----- 21. Total liabilities (sum of items 13 through 20).....	2948 7 863 21. -----
----- 22. Minority interest in consolidated subsidiaries.....	3000 0 22. -----
EQUITY CAPITAL	
----- 23. Perpetual preferred stock and related surplus.....	3838 0 23. -
----- 24. Common stock.....	
3230 1 000 24. ----- 25. Surplus (exclude all surplus related to preferred stock).....	3839 10 030 25. -----
----- 26. a. Retained earning.....	3632
2 044 26.a. ----- b. Accumulated other comprehensive income(3).....	B530 0 26.b. -----
----- 27. Other equity capital components(4).....	A130 0 27. --
----- 28. Total equity capital (sum of items 23 through 27).....	3210 13 074 28. -----
----- 29. Total liabilities, minority interest, and equity capital (sum of items 21,22, and 28).....	
3300 20 937 29. -----	
Memorandum TO BE REPORTED WITH THE MARCH REPORT OF CONDITION	
1. Indicate in the box at the right the number of the statement below that best describes RCON Number the most comprehensive level of auditing work performed for the bank by independent auditors as of any date during	
2000.....	6724 M.1. -----
----- 1 = Independent audit of the bank conducted in accordance with 4 = Directors' examination of the bank conducted in generally accepted auditing standards by a certified public accounting firm which submits a report on the bank by a certified public accounting firm (may be required by state chartering authority) ducted in accordance with generally accepted auditing 5 = Directors' examination of the bank performed by standards by a certified public accounting firm which submits other external auditors (may be required by state a report on the consolidated holding company (but not on the bank chartering authority) separately) 6 = Review of the bank's financial statements by external 3 = Attestation on bank management's assertion on the auditors effectiveness of the bank's internal control over financial 7 = Compilation of the bank's financial statements by reporting by a certified public accounting firm external auditors 8 = Other audit procedures (excluding tax preparation work) 9 = No external audit work. - ----- (1) Includes total demand deposits and noninterest-bearing time and savings deposits. (2) Includes limited-life preferred stock and related surplus. (3) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, and minimum pension liability adjustments. (4) Includes treasury stock and unearned Employee Stock Ownership Plan shares.	