

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended July 2, 2000

Commission file number 1-6682

HASBRO, INC.

(Name of Registrant)

Rhode Island

05-0155090

(State of Incorporation)-----
(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02861

(Principal Executive Offices)

(401) 431-8697

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X or No
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The number of shares of Common Stock, par value \$.50 per share, outstanding as of July 30, 2000 was 172,309,426.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Thousands of Dollars Except Share Data)
(Unaudited)

Assets	Jul. 2, 2000	Jun. 27, 1999	Dec. 26, 1999
	-----	-----	-----
Current assets			
Cash and cash equivalents	\$ 188,545	97,765	280,159
Accounts receivable, less allowance for doubtful accounts of \$62,700, \$60,200 and \$65,000	573,869	843,580	1,084,118
Inventories:			
Finished products	414,262	372,917	348,058
Work in process	43,051	12,409	13,470
Raw materials	50,847	48,134	47,043
Total inventories	508,160	433,460	408,571
Deferred income taxes	127,142	106,895	115,646
Prepaid expenses	329,137	479,220	243,158
Total current assets	1,726,853	1,960,920	2,131,652
Property, plant and equipment, net	320,176	308,420	318,825
	-----	-----	-----

Other assets			
Cost in excess of acquired net assets, less accumulated amortization of \$212,804, \$169,332, and \$193,947	808,863	696,614	806,092
Other intangibles, less accumulated amortization of \$308,393, \$209,620 and \$300,632	917,546	811,423	949,789
Other	241,778	123,760	256,990
	-----	-----	-----
Total other assets	1,968,187	1,631,797	2,012,871
	-----	-----	-----
Total assets	\$4,015,216	3,901,137	4,463,348
	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets, continued

(Thousands of Dollars Except Share Data)
(Unaudited)

Liabilities and Shareholders' Equity	Jul. 2, 2000	Jun. 27, 1999	Dec. 26, 1999
	-----	-----	-----
Current liabilities			
Short-term borrowings	\$ 363,375	823,202	714,669
Trade payables	163,733	132,787	284,772
Accrued liabilities	679,662	606,435	983,280
Income taxes	37,809	46,954	88,606
	-----	-----	-----
Total current liabilities	1,244,579	1,609,378	2,071,327
Long-term debt, excluding current installments	1,168,959	409,937	420,654
Deferred liabilities	99,857	77,700	92,392
	-----	-----	-----
Total liabilities	2,513,395	2,097,015	2,584,373
	-----	-----	-----
Shareholders' equity			
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of \$.50 par value. Authorized 600,000,000 shares; issued 209,694,630, 209,694,630 and 209,694,630	104,847	104,847	104,847
Additional paid-in capital	473,946	466,821	468,329
Deferred compensation	(14,795)	-	-
Retained earnings	1,765,166	1,644,460	1,764,110
Accumulated other comprehensive income	(50,140)	(26,009)	(32,982)
Treasury stock, at cost; 37,414,109, 14,860,988 and 16,710,620 shares	(777,203)	(385,997)	(425,329)
	-----	-----	-----
Total shareholders' equity	1,501,821	1,804,122	1,878,975
	-----	-----	-----
Total liabilities and shareholders' equity	\$4,015,216	3,901,137	4,463,348
	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

(Thousands of Dollars Except Share Data)
(Unaudited)

	Quarter Ended		Six Months Ended	
	Jul. 2, 2000	Jun. 27, 1999	Jul. 2, 2000	Jun. 27, 1999
	-----	-----	-----	-----
Net Revenues	\$ 778,373	874,574	1,551,854	1,542,972

Cost of Sales	298,043	345,026	598,344	601,543
Gross Profit	480,330	529,548	953,510	941,429
Expenses				
Amortization	31,928	31,918	64,784	57,844
Royalties, Research and Development	135,150	179,776	261,189	291,718
Advertising	77,732	101,274	147,091	182,358
Selling, Distribution and Administration	198,974	158,368	403,710	321,649
Total Expenses	443,784	471,336	876,774	853,569
Operating Profit	36,546	58,212	76,736	87,860
Nonoperating (income) expense				
Interest Expense	28,198	13,625	49,641	25,598
Other (Income) Expense, Net	(1,073)	(2,209)	(4,249)	(4,527)
Total nonoperating (income) expense	27,125	11,416	45,392	21,071
Earnings Before Income Taxes	9,421	46,796	31,344	66,789
Income Taxes	2,921	14,507	9,717	20,705
Net Earnings	\$ 6,500	32,289	21,627	46,084
Per Common Share				
Net Earnings				
Basic	\$.04	.17	.12	.24
Diluted	\$.04	.16	.12	.22
Cash Dividends Declared	\$.06	.06	.12	.12

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Six Months Ended July 2, 2000 and June 27, 1999

(Thousands of Dollars)
(Unaudited)

	2000	1999
	-----	-----
Cash flows from operating activities		
Net earnings	\$ 21,627	46,084
Adjustments to reconcile net earnings to net cash utilized by operating activities:		
Depreciation and amortization of plant and equipment	49,128	48,437
Other amortization	64,784	57,844
Deferred income taxes	7,501	(6,184)
Compensation earned under restricted stock programs	1,566	-
Change in operating assets and liabilities (other than cash and cash equivalents):		
Decrease in accounts receivable	499,364	102,603
Increase in inventories	(107,517)	(106,718)
Increase in prepaid expenses	(91,923)	(264,842)
Decrease in trade payables and accrued liabilities	(451,732)	(197,450)
Other	(2,609)	(772)
Net cash utilized by operating activities	(9,811)	(320,998)
Cash flows from investing activities		
Additions to property, plant and equipment	(59,394)	(41,130)
Investments and acquisitions, net of cash acquired	(29,472)	(13,800)
Other	(6,141)	3,317
Net cash utilized by investing activities	(95,007)	(51,613)
Cash flows from financing activities		
Proceeds from borrowings with original maturities of more than three months	888,525	3,500
Repayments of borrowings with original maturities of more than three months	(148,324)	(6)
Net (repayments) proceeds of other short-term borrowings	(332,654)	461,465

Purchase of common stock	(367,544)	(191,345)
Stock option transactions	1,751	44,396
Dividends paid	(21,814)	(22,196)
	-----	-----
Net cash provided by financing activities	19,940	295,814
	-----	-----
Effect of exchange rate changes on cash	(6,736)	(3,186)
	-----	-----
Decrease in cash and cash equivalents	(91,614)	(79,983)
Cash and cash equivalents at beginning of year	280,159	177,748
	-----	-----
Cash and cash equivalents at end of period	\$188,545	97,765
	=====	=====

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
Six Months Ended July 2, 2000 and June 27, 1999

(Thousands of Dollars)
(Unaudited)

	2000	1999
	-----	-----
Supplemental information		
Cash paid during the period for:		
Interest	\$ 26,996	24,745
Income taxes	\$ 71,570	32,850

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings

(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	-----	-----	-----	-----
	Jul. 2,	Jun. 27,	Jul. 2,	Jun. 27,
	2000	1999	2000	1999
	-----	-----	-----	-----
Net earnings	\$ 6,500	32,289	21,627	46,084
Other comprehensive loss	(7,129)	(4,774)	(17,158)	(16,384)
	-----	-----	-----	-----
Total comprehensive earnings (loss)	\$ (629)	27,515	4,469	29,700
	=====	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements

(Thousands of Dollars)
(Unaudited)

(1) In the opinion of management and subject to year-end audit, the accompanying unaudited interim financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of July 2, 2000 and June 27, 1999, and the results of operations and cash flows for the periods then ended. Certain 1999 balances have been reclassified to conform to current year presentation.

The year to date period ended July 2, 2000 is a 27-week period while the year to date period ended June 27, 1999 is a 26-week period.

The results of operations for the six months ended July 2, 2000 are not necessarily indicative of results to be expected for the full year.

(2) The Company's other comprehensive earnings (loss) primarily results from foreign currency translation adjustments.

(3) During 2000, the Company issued restricted stock and granted deferred restricted stock units to certain key employees. At July 2, 2000, these awards, net of forfeitures, aggregated the equivalent of 681,000 shares. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. Upon granting of these awards, unearned compensation equivalent to the market value at the date of grant is charged to shareholders' equity and subsequently amortized over the periods during which the restrictions lapse, generally 3 years. During 2000, the Company also conditionally awarded 370,000 deferred restricted shares under the Long Term Incentive Program (LTIP) under the Company's omnibus employee stock plans. This award is conditional upon the Company reaching certain volume, earnings per share and stock price benchmarks within a three year performance cycle, with payout over the two years following that cycle. Unearned compensation equivalent to the market value of shares awarded was recorded at the date of award and is being amortized over a five-year period. Adjustments are made to compensation expense for changes in market value and achievement of financial goals. Amortization of deferred, unearned compensation relating to the restricted stock and deferred restricted stock units, and shares awarded under the LTIP of \$1,293 and \$273, respectively, was recorded in the six months of 2000.

(4) Hasbro is a worldwide marketer and distributor of children's and family entertainment products and services, principally engaged in the design, manufacture and marketing of games and toys ranging from traditional to high-tech. The Company is focused on managing its business in two major areas, Toys and Games. Within these two major areas, the Company's reportable segments are U.S. Toys, Games, International and Global Operations.

In the United States, the U.S. Toy segment includes the design, marketing and selling of boys action figures, vehicles and playsets, girls toys, preschool toys and infant products and creative play products. The Games segment includes the development, marketing and selling of traditional board games and puzzles, handheld electronic games, electronic interactive plush, children's consumer electronics, electronic learning aids, trading card and role-playing

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)
(Unaudited)

games and interactive software games based on the Company's owned and licensed brands. Within the International segment, the Company develops, markets and sells both toy and game products in non-U.S. markets. Global Operations manufactures and sources product for the majority of the Company's segments. The Company also has other segments which license certain toy and game properties and which develop and market non-traditional toy and game based product realizing more than half of their revenues and the majority of their operating profit in the first half of the year, which is contra-seasonal to the rest of the Company's business. These other segments do not meet the quantitative thresholds for reportable segments and have been combined for reporting purposes.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are general corporate expenses, the elimination of intersegment transactions and assets not identified with a specific segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost.

As a result of the complexity of the Company's organizational changes, it is unable to segregate 1999 assets between the U.S. Toys and Games segments, and thus they are reported as one. Assets are segregated in 2000 and are separately reported for that period. The total of U.S. Toys and Games assets in 2000 is presented for comparative purposes only, and is not used by management in assessing segment performance in 2000. Certain asset related expense items, including depreciation and amortization of intangibles, have been allocated to segments in 1999 based upon estimates in order to arrive at segment operating profit. In the fourth quarter of 1999, the Company's Games segment acquired Wizards of the Coast, Inc. Prospectively, management of the Company's interactive software games international units, currently part of the Games segment, will be assumed by International segment management. The Company will reclassify the related revenues, operating profit and total assets of this portion of the business in segment disclosure when it is

completed for management reporting purposes. These changes are not expected to be material.

The accounting policies of the segments are the same as those described in Note 1 to the Company's Consolidated Financial Statements for the fiscal year ended December 26, 1999.

Results shown for the quarter and six months are not necessarily representative of those which may be expected for the full year 2000 nor were those of the comparable 1999 periods representative of those actually experienced for the full year 1999. Similarly, such results are not necessarily those which would be achieved were each segment an unaffiliated business enterprise.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)
(Unaudited)

Information by segment and a reconciliation to reported amounts for the three and six months ended July 2, 2000 and June 27, 1999 are as follows.

	Three Months			
	2000		1999	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. Toys	\$ 105,597	2,658	299,916	11
Games	432,337	(7,709)	312,422	(328)
International	199,233	(308)	201,537	1,260
Global Operations (a)	2,727	187,544	6,413	276,235
Other segments	38,479	4,693	54,286	3,285
Corporate and eliminations	-	(186,878)	-	(280,463)
	\$ 778,373	-	874,574	-

	Six Months			
	2000		1999	
	External	Affiliate	External	Affiliate
Net revenues				
U.S. Toys	\$ 228,564	2,856	529,524	-
Games	842,869	26,727	511,728	1,356
International	365,064	(974)	349,975	2,970
Global Operations (a)	5,202	375,532	8,625	458,594
Other segments	110,155	8,367	143,120	8,347
Corporate and eliminations	-	(412,508)	-	(471,267)
	\$ 1,551,854	-	1,542,972	-

	Quarter ended		Six Months ended	
	July 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
	----	----	----	----
Operating profit (loss)				
U.S. Toys	\$(22,242)	33,072	(52,427)	49,035
Games	72,825	34,661	147,155	38,631
International	1,513	(4,571)	(10,061)	(24,963)
Global Operations (a)	(2,262)	(1,940)	(3,082)	(3,624)
Other segments	(6,039)	3,953	(21)	31,027
Corporate and eliminations	(7,249)	(6,963)	(4,828)	(2,246)
	\$ 36,546	58,212	76,736	87,860

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)
(Unaudited)

July 2, 2000 June 27, 1999

Total assets			
U.S. Toys (b)	\$ 368,010		-
Games (b)	2,183,263		-
	-----		-----
U.S. Toys and Games (b)	\$2,551,273		2,485,673
International	903,592		872,042
Global Operations	465,381		515,389
Other segments	293,217		315,920
Corporate and eliminations	(198,247)		(287,887)
	-----		-----
	\$4,015,216		3,901,137
	=====		=====

(a) The Global Operations segment derives substantially all of its revenues and operating results from intersegment activities.

(b) As a result of the complexity of the Company's organizational changes, it is unable to segregate 1999 assets between the U.S. Toys and Games segments, and thus they are reported as one for 1999. Certain asset related expense items including depreciation and amortization of intangibles have been allocated to 1999 segment results based upon estimates in order to arrive at segment operating profit.

The following table presents consolidated net revenues by classes of principal products for the quarters and six months periods ended July 2, 2000 and June 27, 1999.

	Quarter ended		Six Months ended	
	July 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
	-----	-----	-----	-----
Boys toys	\$ 159,700	341,900	300,600	573,000
Games and puzzles	479,100	330,700	919,700	539,100
Interactive software games	18,900	39,300	40,800	77,700
Preschool toys	35,700	38,300	74,400	85,500
Other	84,973	124,374	216,354	267,672
	-----	-----	-----	-----
Net revenues	\$ 778,373	874,574	1,551,854	1,542,972
	=====	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)
(Unaudited)

(5) Earnings per share data for the quarters and six months ended July 2, 2000 and June 27, 1999 were computed as follows:

Quarter	2000		1999	
	Basic	Diluted	Basic	Diluted
-----	-----	-----	-----	-----
Net earnings	\$ 6,500	6,500	32,289	32,289
	=====	=====	=====	=====
Average shares outstanding (in thousands)	171,621	171,621	195,330	195,330
Effect of dilutive securities; Options and warrants	-	1,118	-	11,722
	-----	-----	-----	-----
Equivalent shares	171,621	172,739	195,330	207,052
	=====	=====	=====	=====
Earnings per share	\$.04	.04	.17	.16
	=====	=====	=====	=====
Six Months	2000		1999	
	Basic	Diluted	Basic	Diluted
-----	-----	-----	-----	
Net earnings	\$ 21,627	21,627	46,084	46,084
	=====	=====	=====	=====
Average shares outstanding (in thousands)	180,925	180,925	195,614	195,614
Effect of dilutive securities; Options and warrants	-	947	-	10,222

Equivalent shares	180,925	181,872	195,614	205,836
	=====	=====	=====	=====
Earnings per share	\$.12	.12	.24	.22
	=====	=====	=====	=====

(6) On December 7, 1999, the Company announced a program to further consolidate manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. Costs associated with this consolidation program, recorded in the fourth quarter of 1999, amounted to \$141,575, of which \$64,232 was recorded as a restructuring charge and \$77,343 in various other operating expense categories.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)
(Unaudited)

The significant components of the plan include the closing of two factories in Mexico and the United Kingdom, reducing capacity at the remaining three factories, shifting production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. Actions under the plan commenced in December 1999 and are expected to be completed by the end of fiscal 2000. There have been no material changes to the plan to date. The restructuring charge of \$64,232 represented approximately \$38,700 of cash charges for severance benefits for termination of approximately 2,200 employees, which will be disbursed over the employee's entitlement period, \$14,300 of cash charges for lease and facility closing costs to be expended over the contractual lease terms and closing process and non-cash charges of \$11,200 for fixed asset write-offs, arising primarily in the manufacturing area. Of the cash amount, approximately \$4,700 was paid prior to December 26, 1999 for severance benefits relating to approximately 200 employees terminated prior to year end. Non-cash charges relating to fixed asset write-offs were credited to the respective line items on the balance sheet. Details of activity in the restructuring plan for the six month period follow:

	Balance at Dec. 26, 1999	Activity	Balance at Jul. 2, 2000
	-----	-----	-----
Severance	\$ 34,000	(16,400)	17,600
Lease and facility closing costs	14,300	(5,000)	9,300
	-----	-----	-----
	\$ 48,300	(21,400)	26,900
	=====	=====	=====
Employee redundancies by area:			
Manufacturing and sourcing activities	1,700	(1,190)	510
Research, product development, marketing sales and administration	300	(250)	50
	-----	-----	-----
	2,000	(1,440)	560
	=====	=====	=====

The remaining severance liability represents cash charges for severance benefits for employees not yet terminated and amounts for employees made redundant which will be disbursed over the employee's entitlement period. The balance in lease and facility closing costs will be expended over the contractual lease term and closing process.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of dollars)

NET EARNINGS AND SEGMENT RESULTS

Net earnings for the second quarter ended July 2, 2000 decreased approximately 80% to \$6,500 from 1999 levels of \$32,289. For the six month period, net earnings decreased approximately 53% to \$21,627 from 1999 of \$46,084. Diluted earnings per share for the quarter was \$.04 and \$.16, and \$.12 and \$.22 for the six months in 2000 and 1999, respectively. Net revenues and operating profits for the quarter and six months increased in two of the Company's three major business segments, Games and, in local currencies, International, but decreased in U.S. Toys from comparable 1999 levels. Operating profit of the

Games segment was favorably impacted compared to last year primarily by the inclusion of Wizards of the Coast, Inc. (Wizards), which was acquired on September 30, 1999. The overall increase in operating profit of the Games segment was negatively impacted by approximately 35% in the quarter and 32% for the six months by an increase in operating loss compared to the prior year periods related to the Company's offering of interactive game products. Also negatively impacting Games segment operating profits, to a lesser degree, was an approximate 80% and 63% decline in shipments of Furby in the quarter and six months, respectively, from 1999. Games segment operating profit reflects expenses of approximately \$5,000 in the second quarter and \$7,000 for the six months on Games.com, the Company's internet gaming initiative. International segment revenues were essentially unchanged for the quarter and increased 4% for the six months in U. S. dollars. An International segment operating loss in 1999 compares with operating profit and a significantly reduced operating loss for the second quarter and six months of 2000, respectively. The six months of 2000 includes 27 weeks compared to 26 weeks in the comparable period of 1999. A more detailed discussion of items impacting consolidated net earnings and segment results follows.

NET REVENUES

Worldwide net revenues decreased 11.0% to \$778,373 in the second quarter of 2000 compared to \$874,574 in the second quarter of 1999. This decrease is due to reduced revenues, primarily in the U.S. Toy segment, from STAR WARS product relating to the May, 1999 release of STAR WARS: EPISODE I: THE PHANTOM MENACE. Decreased revenues in the Games segment from reduced shipments of FURBY and sales of interactive software games also contributed to the revenue decline from 1999. Partially offsetting this reduction was the addition of revenues resulting from increased shipments of POKEMON related product across all segments over the comparable period in 1999, and the addition of the trading card and role-playing games from Wizards of the Coast, Inc. (Wizards), which was acquired in the fourth quarter of 1999. Continued softness in the demand for interactive games may continue to negatively impact revenues of the Games segment for the remainder of fiscal 2000. The stronger US dollar negatively impacted worldwide net revenues for the 2000 second quarter compared to the same period last year by \$17,500. For the six months, revenues were \$1,551,854 and \$1,542,972 in 2000 and 1999, respectively. In addition to the second quarter factors noted above, the 2000 six month amounts reflect an approximate \$33,200 negative impact of the strengthened U.S. dollar. The strong U.S. dollar may continue to have a negative impact on revenues for the remainder of 2000.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of dollars)

GROSS PROFIT

The Company's gross profit margin, expressed as a percentage of net revenues, was 61.7% and 61.4% for the quarter and six months respectively, compared to the 1999 levels of 60.5% and 61.0%. The Company's gross margin was favorably impacted in the quarter and six months by revenues arising from shipments of trading card games, acquired through Wizards. This benefit has been partially offset by decreased revenues from STAR WARS, FURBY and interactive software games, all of which also carry high gross margins. Continued high oil prices during the remainder of 2000 may negatively impact our resin and transportation costs.

EXPENSES

Amortization expense for the second quarter of 2000 was consistent with 1999, while greater in dollars over the comparable six month period. This reflects higher amortization of the company's entertainment based property rights in 1999, consistent with revenues in that period, while the six months of 2000 reflects the amortization of intangible assets relating to the Wizards acquisition.

Royalties, research and development expenses for the quarter and year to date decreased in both amount and as a percentage of net revenues from comparable 1999 levels. The royalty component decreased in both dollars and as a percentage of net revenues principally reflecting decreased volumes of STAR WARS products, primarily in the US Toy segment, and FURBY products in the Games segment. This decrease was somewhat offset by royalties incurred across all segments relating to POKEMON products. Revenues derived from entertainment based properties, such as STAR WARS and POKEMON, and their corresponding royalties, while continuous over the life of a contract, are generally higher in amount in the year a theatrical release takes place. It is anticipated that operating profit will also generally be higher in these years. The degree to

which revenues, royalties and operating profits fluctuate is dependent not only on theatrical release dates, but on video release dates as well. Research and development, was \$48,807 and \$98,577 for the quarter and six months of 2000 respectively, compared to \$51,301 and \$94,088 in the comparable periods of a year ago. For both periods, this represents an increased percentage of 2000 net revenues. Advertising expense for the 2000 second quarter and six months decreased in amount and as a percentage of net revenues from the comparable periods last year. The decrease reflects a mix of less heavily advertised products shipped in 2000 than in the comparable periods of 1999.

Selling, distribution and administration expenses, which are largely fixed, increased in amount and as a percentage of net revenues in both the second quarter and six months of 2000 from comparable 1999 levels. The increase in amount is due primarily to the Games segment's fourth quarter 1999 acquisition of Wizards, which has higher selling, distribution and administrative costs associated with its retail stores and worldwide trading card and role-playing game tournament sponsorship.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of dollars)

NONOPERATING (INCOME) EXPENSE

Interest expense for the 2000 second quarter and six months was \$28,198 and \$49,641, respectively, compared with \$13,625 and \$25,598 in 1999. This increase reflects costs associated with borrowing requirements to fund the Company's 1998 acquisitions, the fourth quarter 1999 acquisition of Wizards, and the Company's share repurchase program all partially offset by the availability of funds generated from operations. Other (income) expense was essentially unchanged from 1999.

INCOME TAXES

Income tax expense as a percentage of pretax earnings for the second quarter and six months of 2000 was 31.0%, unchanged from the full year 1999 rate.

OTHER INFORMATION

During the fourth quarter of 1999 the Games segment acquired Wizards. The trading card and role playing games associated with that acquisition are a year round business, less dependent on the fourth quarter holiday retail selling season than traditional toys and other forms of games. In 1999, the second quarter and first half were positively impacted by the May 19, 1999 theatrical release of STAR WARS: EPISODE 1: THE PHANTOM MENACE. The Company expects the second half of the year and within that half, the fourth quarter, to be more significant to its overall business for the full year in 2000. This concentration increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. The trend of retailers over the past few years has been to purchase product within or close to the fourth quarter holiday consumer selling season, which includes Christmas. Quick response inventory management practices now being used result in fewer orders being placed in advance of shipment and more orders, when placed, for immediate delivery. Consequently, unshipped orders on any date in a given year are not necessarily indicative of sales for the entire year. In addition, it is a general industry practice that orders are subject to amendment or cancellation by customers prior to shipment. At July 30, 2000 and July 25, 1999, the Company's unshipped orders were approximately \$870,000 and \$1,060,000, respectively. In addition to the above factors, many of the Company's new product introductions are planned for the second half of the year. For those planned new products containing electronic components, a worldwide shortage of electronic components may impact the Company's ability to meet customer demands for those products.

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations

(Thousands of dollars)

On December 7, 1999, the Company announced a program to further consolidate

manufacturing and sourcing activities and product lines, as well as streamline and further regionalize marketing, sales and research and development activities worldwide. The plan resulted in cost savings of approximately \$3,100 and \$6,100, respectively, in the second quarter and six months of 2000. The components of activity in the plan and the balance remaining at the end of the quarter are as follows:

	Balance at Dec. 26, 1999	Activity	Balance at Jul. 2, 2000
	-----	-----	-----
Severance	\$ 34,000	(16,400)	17,600
Lease and facility closing costs	14,300	(5,000)	9,300
	-----	-----	-----
	\$ 48,300	(21,400)	26,900
	=====	=====	=====
Employee redundancies by area:			
Manufacturing and sourcing activities	1,700	(1,190)	510
Research, product development, marketing sales and administration	300	(250)	50
	-----	-----	-----
	2,000	(1,440)	560
	=====	=====	=====

The significant components of the plan include the closing of two factories, in Mexico and the United Kingdom, the reduction of capacity at the remaining three factories, the shift of production to third party manufacturers in the Far East and further consolidation and regionalization of the International marketing and sales structure. Actions under the plan commenced in December 1999 and are expected to be completed by the end of fiscal 2000. The remaining severance liability represents cash charges for severance benefits for employees not yet terminated and amounts for employees made redundant which will be disbursed over the employee's entitlement period. The balance in lease and facility closing costs will be expended over the contractual lease terms and closing process. The Company expects to generate pre-tax savings of approximately \$16,000 in 2000 and \$23,000 per year thereafter from these actions.

LIQUIDITY AND CAPITAL RESOURCES

The seasonality of the Company's business coupled with certain customer incentives, mainly in the form of extended payment terms, result in the interim cash flow statements not being representative of that which may be expected for the full year. Historically, the majority of the Company's cash collections occur late in the fourth quarter and early in the first quarter of the subsequent year. As receivables are collected, cash flow from operations becomes positive and is used to repay a significant portion of outstanding short-term debt.

HASBRO, INC. AND SUBSIDIARIES Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

(Thousands of dollars)

Because of this seasonality in cash flow, management believes that on an interim basis, rather than discussing only its cash flows, a better understanding of its liquidity and capital resources can be obtained through a discussion of the various balance sheet categories as well. Also, as several of the major categories, including cash and cash equivalents, accounts receivable, inventories and short-term borrowings, fluctuate significantly from quarter to quarter, again due to the seasonality of its business, management believes that a comparison to the comparable period in the prior year is generally more meaningful than a comparison to the prior year-end.

Cash flows utilized by operating activities were \$9,811 and \$320,998 for the six months ended July 2, 2000 and June 27, 1999 respectively. Receivables were \$573,869 at July 2, 2000 compared to \$843,580 at the end of the 1999 comparable period. The decrease reflects the reduced second quarter revenues in comparison with the second quarter of 1999, combined with the shorter payment terms associated with trading card games. Inventories increased 17.2% from 1999 levels, primarily reflecting the Company's fourth quarter 1999 acquisition of Wizards. In addition to finished product, Wizards maintains a higher level of raw materials and work in process than the Company's pre-existing toys and games, due to the special paper and printing requirements of trading card games. Other current assets decreased to \$456,279 from \$586,115, reflecting the partial use of prepaid royalties existing at June 27, 1999 offset in part by the acquisition of Wizards. Trade payables and accrued liabilities increased to \$843,395 from \$739,222 in 1999. The increase primarily relates to the acquisition of Wizards.

Property, plant and equipment and other assets, as a group, increased from their 1999 levels, reflecting the Company's fourth quarter 1999 acquisition of Wizards, partially offset by assets of approximately \$76,200 written off or written down to fair market value in connection with the Company's 1999 consolidation program, and twelve additional months of depreciation and amortization expense.

Net cash provided by financing activities of \$19,940 in the six months of 2000 compares with \$295,814 in 1999. Net borrowings (short and long-term borrowings less cash and cash equivalents) increased to \$1,343,789 at July 2, 2000 from \$1,135,374 at June 27, 1999. This reflects the use of approximately \$780,000 of cash in the prior twelve months for investments and acquisitions and the Company's continued repurchase of its common stock both of which are traditionally funded through a combination of cash provided by operating activities and short and long-term borrowings. On March 15, 2000, the Company issued \$750 million of debt securities in the form of \$550 million of 7.95% notes due March 15, 2003 and \$200 million of 8.50% notes due March 15, 2006. The Company used the proceeds of these notes to pay down short term debt primarily incurred in connection with the acquisition of Wizards and the repurchase of shares of its common stock, including a portion of the proceeds for the repurchase of shares under a Modified Dutch Auction Tender Offer,

HASBRO, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial
Condition and Results of Operations, Continued

(Thousands of dollars)

which was initiated and completed in the first six months of 2000. Included in short-term borrowings is \$2,200 of current installments of long-term debt. At July 2, 2000, the Company had committed unsecured lines of credit totaling approximately \$715,000 available to it. It also had available uncommitted lines approximating \$615,000. The Company believes that these amounts are adequate for its needs. Of these available lines, approximately \$390,000 was in use at July 2, 2000.

EURO CONVERSION

Certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Economic Monetary Union common currency, or Euro. While the Euro was introduced on January 1, 1999, member countries will continue to use their existing currencies through January 1, 2002, with the transition period for full conversion to the Euro ending June 30, 2002. Transition to the Euro creates certain issues for the Company with respect to upgrading information technology systems for 2002 full use requirements, reassessing currency risk, product pricing, amending business and financial contracts as well as processing tax and accounting records. The Company has and will continue to address these transition issues and does not expect the Euro conversion to have a material effect on the results of operations or financial condition of the Company.

FORWARD-LOOKING STATEMENTS

This discussion contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "may," "planned," "potential," "should," "will," and "would" or any variations of such words with similar meanings. These forward-looking statements are inherently subject to known and unknown risks and uncertainties. A variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. These factors include, but are not limited to, the Company's ability to manufacture, source and ship new and continuing product in a timely manner and customers' and consumers' acceptance of new and continuing products at prices that will be sufficient to profitably recover development, manufacturing, marketing, royalty and other costs of the products; the impact of competition on revenue, margins and other aspects of the Company's business, including the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees in a competitive environment; economic conditions, including higher fuel prices, currency fluctuations and government regulations and other actions in the various markets in which the Company operates; the impact of market conditions, third party actions or approvals and the impact of competition that could delay or increase the cost of implementation of the

(Thousands of dollars)

consolidation program or alter planned actions and reduce actual results; the risk that anticipated benefits of acquisitions may not occur or be delayed or reduced in their realization; with respect to the Company's online game site initiative, in addition to the factors set forth above, technical difficulties in adapting games to online format and establishing the online game site that could delay or increase the cost of the site becoming operational; the acceptance by customers of the games and other products and services to be offered at the online game site; and other risks and uncertainties as are or may be detailed from time to time in the Company's public announcements and filings with the SEC such as Forms 8-K, 10-Q and 10-K. The Company undertakes no obligation to revise the forward-looking statements contained in this discussion or to update the forward-looking statements to reflect events or circumstances occurring after the date of this discussion.

RECENT INFORMATION

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 was amended by SFAS 138 in June 2000. The Company will adopt this statement on January 1, 2001. SFAS 133 will require that the Company record all derivatives, such as foreign exchange contracts, in the balance sheet at fair value. Changes in derivative fair values will either be recognized in earnings as an offset to the changes in the fair value of the related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other shareholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. The impact of SFAS 133 on the Company's financial statements will depend on several factors, including interpretive guidance issued from the FASB, the extent of the Company's hedging activities and use of equity and other financial derivatives, the Company's ability to forecast foreign currency transactions compared to actual results and the effectiveness of the hedging instruments used. However, the Company does not believe adoption of SFAS 133 will have a material impact on either the Company's financial condition or its results of operations.

On August 9, 2000, the Company announced that Alfred J. Verrecchia was promoted to President and Chief Operating Officer of the Company. Mr. Verrecchia replaces Herbert M. Baum, who resigned from the Company on August 8, 2000 to accept a position at The Dial Corporation.

PART II. Other Information

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's Annual Meeting of Shareholders held on May 17, 2000, the Company's shareholders reelected the following persons to the Board of Directors of the Company: Alan G. Hassenfeld (141,938,349 votes for, 2,953,398 votes withheld), Harold P. Gordon (141,947,402 votes for, 2,944,345 votes withheld), Marie Josee Kravis (141,906,676 votes for, 2,985,071 votes withheld), and Preston Robert Tisch (141,702,985 votes for, 3,188,762 votes withheld).

The Company's shareholders also approved an amendment to the Stock Incentive Performance Plan by a vote of 141,462,619 votes for, 2,933,760 votes against, while 495,368 abstained. The Company's shareholders also approved an amendment to the Restated Articles of Incorporation of the Company to increase the number of shares of common stock which Hasbro is authorized to issue from 300,000,000 to 600,000,000 by a vote of 134,777,620 votes for, 9,593,695 votes against, while 520,432 abstained.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

- 3.1 Restated Articles of Incorporation of the Company.
- 3.2 Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999.
- 3.3 Certificate of Vote(s) authorizing a decrease of class or series of any class of shares.
- 3.4 Amendment to Articles of Incorporation, dated June 28, 2000.
- 11.1 Computation of Earnings Per Common Share - Six Months Ended July 2, 2000 and June 27, 1999.
- 11.2 Computation of Earnings Per Common Share - Quarter Ended July 2, 2000 and June 27, 1999.
- 12 Computation of Ratio of Earnings to Fixed Charges - Six Months and Quarter Ended July 2, 2000.
- 27 Article 5 Financial Data Schedule - Second Quarter 2000

(b) Reports on Form 8-K

A Current Report on Form 8-K, dated July 20, 2000 was filed by the Company and included the Press Release dated July 20, 2000, announcing the Company's results for the current quarter. Consolidated Statements of Earnings (without notes) for the quarters and six months ended July 2, 2000 and June 27, 1999 and Consolidated Condensed Balance Sheets (without notes) as of said dates were also filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HASBRO, INC.

(Registrant)

Date: August 16, 2000

By: /s/ Alfred J. Verrecchia

President and
Chief Operating Officer and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

HASBRO, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended July 2, 2000

Exhibit Index

Exhibit
No.

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- 27 Article 5 Financial Data Schedule - Second Quarter 2000

RESTATED ARTICLES OF INCORPORATION

OF

HASBRO, INC.

Pursuant to the provisions of Section 7-1.1-59 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Restated Articles of Incorporation:

FIRST: The name of the corporation is HASBRO, INC.

SECOND: The period of its duration is perpetual.

THIRD: The purposes or purposes which the corporation is authorized to pursue are:

manufacturing, processing, buying, selling, photographing, printing and/or otherwise dealing in all kinds of toys, novelties, school supplies, games, plastics, pens, pencils, erasers and other articles of a similar nature; manufacturing, processing, buying, selling, photographing, printing and otherwise dealing in other articles of personal property bearing the names, pictures, likenesses and/or reproduction of any toys, novelties, school supplies, games, plastics, pens, pencils, erasers and other articles of a similar nature; to apply for, obtain, register, purchase, lease, or otherwise to acquire and hold, own, use, develop, operate and introduce, and to sell, assign, grant and/or receive licenses or territorial rights in respect to, or otherwise to turn to account or dispose of, any copyrights, trademarks, trade names, patents, labels, patent rights or letters patent of the United States, or of any other country or government, inventions, improvements and processes, whether used in connection or secured under letters patent or otherwise; and generally to engage in any other lawful business, except as hereinafter and/or by law prohibited; and generally to do any and all acts necessary, incident or related to any of the foregoing specific purposes.

In addition to the foregoing, said corporation shall have the following power and authority, viz:-- (See Sec. 7-2-10 of the General Laws).

To do any lawful act which is necessary or proper to accomplish the purposes of its incorporation. Without limiting or enlarging the effect of this general grant of authority, it is hereby specifically provided that every corporation shall have power:

(a) to have perpetual succession in its corporate name, unless a period for its duration is limited in its articles of association or charter;

(b) to sue and be sued in its corporate name;

(c) to have and use a common seal, and alter the same at pleasure;

(d) to elect such officers and appoint such agents as its business requires, and to fix their compensation and define their duties;

(e) to make by-laws not inconsistent with the Constitution or laws of the United States or of this state, or with the corporation's charter, or articles of association, determining the time and place of holding and the manner of calling and of conducting meetings of its stockholders and directors, the manner of electing its officers and directors, the mode of voting by proxy, the number, qualifications, powers, duties and term of office of its officers and directors, the number of directors and of shares of stock necessary to constitute a quorum, which number may be less than a majority, and the method of making demand for payment of subscriptions to its capital stock and providing for an executive committee to be elected from and by the board of directors and defining its powers and duties, and containing any other provisions, whether of the same or of a different nature, for the management of the corporation's property and the regulation and government of its affairs;

(f) to make contracts, incur liabilities and borrow money;

(g) to acquire, hold, sell and transfer shares of its own capital stock; provided, that no corporation shall use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of the capital of the corporation;

(h) to acquire, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of any bonds, securities or evidences of indebtedness created by, or the shares of the capital stock of any other corporation or corporations of this state or of any other state, country, nation or government, and while owner of said stock to exercise all the rights, powers and privileges of ownership, including the right to vote thereon;

(i) to guarantee any bonds, securities or evidences of indebtedness created by or dividends on or a certain amount per share in liquidation of the capital stock of any other corporation or corporations created by this state or by any other state, country, nation or government;

(j) to acquire, hold, use, manage, convey, lease, mortgage, pledge or otherwise dispose of within or without this state any other property, real or personal, which its purposes shall require;

(k) to conduct business and have offices in this state and elsewhere; provided, however, that nothing in this section contained shall authorize any corporation to carry on the business of a bank, savings bank or trust company."

FOURTH: The total amount of authorized capital stock of the Corporation, with par value, shall be One Hundred Sixty-Two Million Five Hundred Thousand Dollars (\$162,500,000), as follows, viz:

Common Stock in the amount of One Hundred Fifty Million Dollars (\$150,000,000), to be divided into Three Hundred Million (300,000,000) shares of the par value of Fifty Cents (\$.50) each;

Preference Stock in the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000), to be divided into Five Million (5,000,000) shares of the par value of Two and 50/100 Dollars (\$2.50) each.

FIFTH: A description of the terms, conditions, rights, privileges and other provisions regarding the Preference Stock is as follows, viz:

The Board of Directors of the corporation is authorized to issue the Preference Stock of the Corporation from time to time in one or more series, each series to have such dividend rates, convertibility features, redemption rates and prices, liquidation preferences, voting rights and other rights, limitations and qualifications as the Board of Directors may determine, including but not limited to the following:

(a) the serial designation of each series;

(b) the rate or rates of preferential, non-participating dividends, if any, payable either in cash or in property, or in the shares of the same series or another series of Preference Stock, or in shares of the Common Stock or in any combination thereof;

(c) the dates of payment of dividends and whether dividends shall be cumulative and if cumulative the dates from which dividends shall be cumulative;

(d) the price or prices and the time at which the same may be redeemed, which shall be not less than the par value thereof, plus dividend arrearages, if any;

(e) the notice of redemption required;

(f) the amount and terms of a sinking fund, if any, for the redemption thereof, provided such sinking fund is payable only out of funds legally available therefor;

(g) the terms, conditions, rights, privileges and other provision, if any, respecting the conversion of any or all series of Preference Stock into either Preference Stock of the same series or another series of Preference Stock, or into Common Stock or into any other class of capital stock which the corporation may then be authorized to issue, or into any combination thereof;

(h) the preferential amount or amounts which shall be paid to the holders thereof in the event of liquidation, dissolution, or winding up of the corporation, whether voluntary or involuntary, which shall be not less than the par value plus dividend arrearages, if any;

(i) the voting powers, if any, rights to participate in meetings of stockholders, or rights to have notice of meetings of stockholders; and

(j) such other designations, preferences and relative, participating

optional or other special rights, and qualifications, limitations or restrictions thereof, as are permitted by the provisions of Section 7-3-1 of the General Laws of Rhode Island, and all amendments thereof and additions thereto.

Each series of the Preference Stock shall have such preferences as to dividends and assets and amounts distributable on liquidation, dissolution or winding up as shall be declared by the resolution or resolutions of the Board of Directors establishing such series; provided that all Preference Stock shall be preferred over all Common Stock as to dividends. All shares of any one series shall rank equally.

The shares of any series of Preference Stock which have been issued and redeemed, will have the status of authorized and unissued shares and may be reissued as shares of the series of which they were originally a part or may be issued as shares of a new series or as shares of any other series, all subject to the conditions and restrictions of any series of Preference Stock.

Subject to the limitations prescribed in this Article Fifth and any further limitations in accordance herewith, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the Board of Directors of the corporation out of the assets of the corporation which are by law available therefor, dividends payable either in cash, or in property, or in shares of any series of Preference Stock, or in Common Stock, or in any combination thereof. No dividends, however, other than dividends payable in shares of Common Stock shall be paid on Common Stock if dividends in full on all outstanding shares of Preference Stock to which the holders thereof are entitled shall not have been paid or declared and set apart for payment. Each issued and outstanding share of Common Stock shall entitle the holder thereof to full voting power.

The board of directors may authorize the issuance of additional shares of Common Stock and/or Preference Stock, not exceeding the number of shares authorized, or in the event of the issuance of additional shares as aforesaid, the stockholders shall not have any preemptive right to subscribe for any new stock to be issued by the corporation, in proportion to and/or by virtue of their respective holdings of stock at the time of such issue.

Hasbro, Inc., a corporation organized and existing under the Business Corporation Act of the State of Rhode Island (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 7.1.1-15 of the Rhode Island Business Corporation Act at a meeting duly called and held on June 4, 1989:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Articles of Incorporation, the Board of Directors hereby creates a series of Preference Stock, par value \$2.50 per share. The designation, number of shares, rights, preferences, and limitations is as follows:

Series B Junior Participating Preference Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B Junior Participating Preference Stock" (the "Series B Preference Stock") and the number of shares constituting the Series B Preference Stock shall be 100,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series B Preference Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series B Preference Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preference Stock (or any similar stock) ranking prior and superior to the Series B Preference Stock with respect to dividends, the holders of shares of Series B Preference Stock, in preference to the holders of Common Stock, par value \$.50 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preference

Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preference Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preference Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series B Preference Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10 per share on the Series B Preference Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preference Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preference Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preference Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preference Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series B Preference Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preference Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preference Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preference Stock or any similar stock, or by law, the holders of shares of Series B Preference Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series B Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preference Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preference Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preference Stock;

(ii) declare or pay dividends or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preference Stock, except dividends paid ratably on the Series B Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preference Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preference Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series B Preference Stock, or any shares of stock ranking on a parity with the Series B Preference Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preference Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preference Stock and may be reissued as part of a new series of Preference Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, or in any other Certificate of Designations creating a series of Preference Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preference Stock unless, prior thereto, the holders of shares of Series B Preference Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series B Preference Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preference Stock, except distributions made ratably on the Series B Preference Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at

any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series B Preference Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series B Preference Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preference Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series B Preference Stock shall not be redeemable.

Section 9. Rank. The Series B Preference Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to the Corporation's 8% Convertible Preference Stock, par value \$2.50 per share, and to all series of any other class of the Corporation's Preference Stock.

Section 10. Amendment. The Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preference Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preference Stock, voting together as a single class.

SIXTH: The principal office of said corporation shall be located in Pawtucket, Rhode Island.

SEVENTH: The corporation may contract for any lawful purpose with one or more of its directors or with any corporation having with it a common director or directors, if the contract is entered into in good faith, if it is approved or ratified by vote of the holders of a majority in interest of its stock or by a majority vote at any meeting of its board of directors excluding any vote by the contracting or common director or directors and if the contracting or common director or directors shall not be necessary for a quorum at the meeting for this purpose. A contract made in compliance with the foregoing provisions shall be voidable by the corporation complying with the said provision only in case it would be voidable if made with a stranger. A contract not otherwise void or voidable shall not be rendered void or voidable merely because not approved or ratified in accordance with the foregoing provisions.

EIGHTH: 8.1 The number of directors of the Corporation (exclusive of directors that may be elected by the holders of any one or more series of the Preference Stock voting separately as a class or classes) that shall constitute the entire Board of Directors (the "Entire Board of Directors") shall be 17, unless otherwise determined from time to time by resolution adopted by the affirmative vote of a majority of the Entire Board of Directors, except that if an Interested Person (as hereinafter defined) exists, such majority must include the affirmative vote of at least a majority of the Continuing Directors (as hereinafter defined).

8.2 Except with respect to any directors elected by holders of any one or more series of Preference Stock voting separately as a class or classes, the Board of Directors shall be divided into three (3) classes in respect of term of office, designated Class I, Class II and Class III. Each class shall contain one-third (1/3) of the Entire Board of Directors, or such other number

that will cause all three (3) classes to be as nearly equal in number as possible, with the terms of office of one class expiring each year. At the annual meeting of shareholders in 1985, directors of Class I shall be elected to serve until the annual meeting of shareholders to be held in 1986; the directors of Class II shall be elected to serve until the annual meeting of shareholders to be held in 1987; and the directors of Class III shall be elected to serve until the annual meeting of shareholders to be held in 1988; provided that in each case, directors shall continue to serve until their successors shall be elected and shall qualify or until their earlier death, resignation or removal. At each subsequent annual meeting of shareholders, one (1) class of directors shall be elected to serve until the annual meeting of shareholders held three (3) years next following and until their successors shall be elected and shall qualify or until their earlier death, resignation or removal. No decrease in the number of directors shall have the effect of shortening the term of office of any incumbent director. Any increase or decrease in the number of directors shall be apportioned among the classes so as to make all classes as nearly equal in number as possible.

8.3 Except as otherwise required by law and subject to the terms of any one or more classes or series of outstanding capital stock of the Corporation, any director may be removed; provided, however, such removal must be for cause and must be approved by at least a majority vote of the Entire Board of Directors or by at least a majority of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, except that if an Interested Person exists, such removal must be approved (1) by at least a majority vote of the Entire Board of Directors, including a majority of the Continuing Directors, or (2) by at least 80% of the votes held by the holders of shares of the Corporation then entitled to be voted at an election for that director, including a majority of the votes held by holders of shares of the Corporation then entitled to vote at an election for that director that are not beneficially owned or controlled, directly or indirectly, by any Interested Person. For purposes of this paragraph, the Entire Board of Directors will not include the director who is the subject of the removal determination, nor will such director be entitled to vote thereon. However, nothing in the preceding sentence shall be construed as preventing a director who is the subject of removal determination (but who has not yet actually been removed in accordance with this Section 8.3) from voting on any other matters brought before the Board of Directors, including, without limitation, any removal determination with respect to any other director or directors.

8.4 Except as otherwise provided by the terms of any one or more classes or series of outstanding capital stock of the Corporation, any vacancy occurring on the Board of Directors, including any vacancy created by reason of any increase in the number of directors, shall be filled by the affirmative vote of at least a majority of the remaining directors, whether or not such remaining directors constitute a quorum, except that if an Interested Person exists, such majority of the remaining directors must include a majority of the Continuing Directors. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor in office.

NINTH: The Board of Directors is authorized to adopt, repeal, alter, amend or rescind the By-Laws of the Corporation by the affirmative vote of at least a majority of the Entire Board of Directors, except that if an Interested Person exists, such Board action must be taken by the affirmative vote of at least a majority of the Entire Board of Directors, including a majority of the Continuing Directors. The shareholders may adopt, repeal, alter, amend or rescind the By-Laws of the Corporation by the vote of at least 66-2/3% of the votes held by holders of shares of Voting Stock (as hereinafter defined) except that if an Interested Person exists, such shareholder action must be taken by the vote of at least 80% of the votes held by holders of shares of Voting Stock, including an Independent Majority of Shareholders (as hereinafter defined).

TENTH: 10.1 For the purposes of these Articles Eighth through Twelfth:

(1) The term "beneficial owner" and correlative terms shall have the meaning as set forth in Rule 13d-3 of the General Rules and Regulations (the "General Rules") promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934 (the "Exchange Act"), as in effect on June 5, 1985, except that the words "within sixty days" in Rule 13d-3(d)(1)(i) shall be omitted.

(2) The term "Business Combination" shall mean:

(a) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) (i) with an Interested Person, any Affiliate (as hereinafter defined) or Associate (as hereinafter defined) of an Interested Person or any Person (as hereinafter defined) acting in concert with an Interested Person (including, without limitation, any Person, which after such

merger or consolidation, would be an Affiliate or Associate of an Interested Person), in each case irrespective of which Person is the surviving entity in such merger or consolidation, or (ii) proposed, directly or indirectly, by or on behalf of an Interested Person;

(b) any sale, lease, exchange, transfer, distribution to shareholders or other disposition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part (as hereinafter defined) of the assets or business of the Corporation or a Subsidiary (including, without limitation, any securities of a Subsidiary) (i) to or with an Interested Person, or (ii) proposed, directly or indirectly, by or on behalf an Interested Person;

(c) the purchase, exchange, lease or other acquisition, including, without limitation, a mortgage, pledge or other security device, by the Corporation or any Subsidiary (in a single transaction or a series of separate or related transactions) of all, substantially all or any Substantial Part of the assets or business of (i) an Interested Person, or (ii) any Person, if such purchase, exchange, lease or other acquisition is proposed, directly or indirectly, by or on behalf of an Interested Person;

(d) the issuance of any securities, or of any rights, warrants or options to acquire any securities, by the Corporation or a Subsidiary to an Interested Person (except (i) as a result of a pro rata stock dividend or stock split, (ii) upon the exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to or simultaneously with becoming an Interested Person or (iii) upon conversion of publicly traded convertible securities of the Corporation) or the acquisition by the Corporation or a Subsidiary of any securities, or of any rights, warrants or options to acquire any securities, issued by an Interested Person;

(e) any plan or proposal for, or which has the effect of, the partial or complete liquidation, dissolution, spin off, split off or split up of the Corporation or any Subsidiary proposed, directly or indirectly, by or on behalf of an Interested Person;

(f) any of the following which has the effect, directly or indirectly, of increasing the proportionate amount of Voting Stock or capital stock of any Subsidiary thereof which is beneficially owned by an Interested Person: any reclassification of securities (including, without limitation, any reverse stock split) of the Corporation, any issuance of any Voting Stock or other securities of the Corporation, any recapitalization of the Corporation or any merger, consolidation or other transaction (whether or not with or into or otherwise involving an Interested Person); and

(g) any agreement, contract, understanding or other arrangement providing for any of the transactions described in this subsection (2) of Section 10.1.

(3) The term "Continuing Director" shall mean (i) a director serving continuously as a director of the Corporation from and including June 5, 1985; (ii) a person who was a member of the Board of Directors of the Corporation immediately prior to the time that any then existing Interested Person became an Interested Person, (iii) a person not affiliated with any Interested Person and designated (before or simultaneously with initially becoming a director) as a Continuing Director by at least a majority of the then Continuing Directors and (iv) a director deemed to be a Continuing Director in accordance with the last sentence of this subsection (3) of this Section 10.1. All references to action by a specified percentage of the Continuing Directors shall mean a vote of such specified percentage of the total number of Continuing Directors of the Corporation at a meeting at which at least such specified percentage of the total number of Continuing Directors shall have been in attendance. Whenever a condition requires the act of a specified percentage of Continuing Directors, such condition shall not be capable of fulfillment unless there is at least one Continuing Director. If all of the capital stock of the Corporation is beneficially owned by one Person continuously for at least three consecutive years during which period at least three annual meetings of shareholders shall have taken place, at which meetings all of the Continuing Directors as defined in clauses (i)-(iii) above shall not have been reelected, all directors elected from and after such third consecutive year shall be deemed Continuing Directors.

(4) The term "Independent Majority of Shareholders" shall mean the majority of the votes held by holders of shares of the outstanding Voting Stock that are not beneficially owned or controlled, directly or indirectly, by any Interested Person.

(5) The term "Interested Person" shall mean (i) any Person, which, together with its "Affiliates" and "Associates" (as defined in Rule 12b-2 of the General Rules promulgated by the Commission under the Exchange Act, as in effect on June 5, 1985) and any Person acting in concert therewith, is the beneficial owner, directly or indirectly, of ten percent (10%) or more of the votes held by the holders of shares of Voting Stock, (ii) any Affiliate or Associate of an Interested Person, including, without limitation, a Person acting in concert therewith, (iii) 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 (10%) or more of the votes held by the holders of shares of Voting Stock, or (iv) 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 shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. For purposes of determining the percentage of votes held by a Person, any Voting Stock not outstanding which is subject to any option, warrant, convertible security, preemptive or other right held by such Person (whether or not such option, warrant, convertible security, preemptive or other right is currently exercisable) shall be deemed to be outstanding for the purpose of computing the percentage of votes held by such Person.

Notwithstanding anything contained in the immediately preceding paragraph, the term "Interested Person" shall not include (A) a Subsidiary of the Corporation or (B) a Continuing Director who beneficially owned, on June 5, 1985, ten percent (10%) or more of the votes held by the holders of shares of Voting Stock and any Affiliate or Associate of one or more of such Continuing Directors. For purposes of Articles Eighth, Ninth and Twelfth only of these Articles of Association, the term "Interested Person" shall not include any Person which shall have deposited all of its Voting Stock in a voting trust (only and for so long as the voting trust shall be continuing and all of such Person's Voting Stock shall remain deposited in the Voting Trust) pursuant to an agreement with the Corporation providing the Corporation with the power to appoint a majority of the voting trustees of the voting trust who, in turn, shall have the power to vote all of the shares of Voting Stock in the voting trust, in their discretion, for the election of directors of the Corporation and the amendment of these Articles of Association and the By-Laws. The agreement by the Corporation with any Person described in the immediately preceding sentence to use its best efforts to elect one designee of such Person as a director and to cause the voting trustees appointed by the Corporation to vote for such designee shall not cause such Person to be deemed an Interested Person for purposes of Articles Eighth, Ninth and Twelfth of these Articles of Association.

A Person who is an Interested Person as of (x) the time any definitive agreement, or amendment thereto, relating to a Business Combination is entered into, (y) the record date for the determination of shareholders entitled to notice of and to vote on a Business Combination, or (z) immediately prior to the consummation of a Business Combination shall be deemed an Interested Person for purposes of this definition.

(6) The term "Person" shall mean any individual, corporation, partnership or other person, group or entity (other than the Corporation, any Subsidiary or a trustee holding stock for the benefit of employees of the Corporation or its Subsidiaries, or any one of them, pursuant to one or more employee benefit plans or arrangements). When two or more Persons act as a partnership, limited partnership, syndicate, association or other group for the purpose of acquiring, holding or disposing of securities, such partnership, syndicate, association or group will be deemed a "Person".

(7) The term "Subsidiary" shall mean any corporation or other entity fifty percent (50%) or more of the equity of which is beneficially owned by the Corporation; provided, however, that for purposes of the definition of Interested Person set forth in subsection (5) of this Section 10.1 and the definition of Person set forth in subsection (6) of this Section 10.1, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is beneficially owned by the Corporation.

(8) The term "Substantial Part", as used in reference to the assets or business of any Person, means assets or business having a value of more than ten percent (10%) of the total consolidated assets of the Corporation and its Subsidiaries as of the end of the Corporation's most recent fiscal year ending prior to the time the determination is made.

(9) For the purposes of determining the number of "votes held by holders" of shares, including Voting Stock, of the Corporation, each share shall have the number of votes granted to it pursuant to Article Fifth of these Articles of Association.

(10) The term "Voting Stock" shall mean stock or other securities of

the Corporation entitled to vote generally in the election of directors.

10.2 Subject to Section 10.3 of this Article Tenth, but notwithstanding any other provisions of these Articles of Association or the fact that no vote for such a transaction may be required by law or that approval by some lesser percentage of shareholders may be permitted by law, neither the Corporation nor any Subsidiary shall be party to a Business Combination unless all of the following conditions are met:

(1) After becoming an Interested Person and prior to the consummation of such Business Combination:

(a) such Interested Person shall not have acquired any newly issued shares of capital stock, directly or indirectly, from the Corporation or a Subsidiary (except upon exercise or conversion of warrants or other rights, including preemptive rights, or convertible securities acquired by an Interested Person prior to becoming an Interested Person or upon compliance with the provisions of this Article Tenth or as a result of a pro rata stock dividend or stock split);

(b) such Interested Person shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the Corporation or a Subsidiary, or have made any major changes in the Corporation's business or equity capital structure;

(c) except as approved by a majority of the Continuing Directors, there shall have been (i) no reduction in the annual rate of dividends paid on Voting Stock (except as necessary to reflect a pro rata stock dividend or stock split) and (ii) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Voting Stock; and

(d) such Interested Person shall have taken steps to insure that the Board of Directors of the Corporation included at all times representation by Continuing Directors proportionate to the ratio that the number of shares of Voting Stock from time to time owned by shareholders who are not Interested Persons bears to all shares of Voting Stock outstanding at the time in question (with a Continuing Director to occupy any resulting fractional position among the directors); and

(2) The Business Combination shall have been approved by at least a majority of the Entire Board of Directors of the Corporation, including a majority of the Continuing Directors; and

(3) A shareholder's meeting shall have been called for the purpose of approving the Business Combination and a proxy statement complying with the requirements of the Exchange Act, as amended, or any successor statute or rule, whether or not the Corporation is then subject to such requirements, shall be mailed to all shareholders of the Corporation not less than thirty (30) days prior to the date of such meeting for the purpose of soliciting shareholder approval of such Business Combination and shall contain at the front thereof, in a prominent place, (a) any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors may choose to state, and (b) the opinion of a reputable national investment banking firm as to the fairness (or lack thereof) of the terms of such Business Combination, from the point of view of the remaining shareholders of the Corporation (such investment banking firm to be engaged by a majority of the Continuing Directors solely on behalf of the remaining shareholders and paid a reasonable fee for their services, which fee shall not be contingent upon the consummation of the transaction); and

(4) The Business Combination shall have been approved by at least 80% of the votes held by the holders of the outstanding Voting Stock, including an Independent Majority of Shareholders.

10.3 The approval requirements of Section 10.2 shall not apply to any particular Business Combination, and such Business Combination shall require only such affirmative shareholder vote as is required by law, any other provision of the Articles of Association, the terms of any outstanding classes or series of capital stock of the Corporation or any agreement with any national securities exchange, if the Business Combination is approved by a majority of the Entire Board of Directors, including the affirmative vote of at least 66-2/3% of the Continuing Directors.

10.4 The Board of Directors of the Corporation, when evaluating any offer of another Person (the "Offering Person") (i) to make a tender or

exchange offer for any equity security of the Corporation or (ii) to effect any Business Combination (as defined in Section 10.1, except that for purposes of this Section 10.4 the term "Person" shall be substituted for the term "Interested Person"), shall, in connection with the exercise of the Board's judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to such factors as the Board of Directors determines to be relevant, including, without limitation:

(a) the relationships between the consideration offered by the Offering Person and (x) the market price of the Voting Stock over a period of years, (y) the current and future value of the Corporation as an independent entity and (z) political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects;

(b) the interests of all of the Corporation's shareholders, including minority shareholders;

(c) whether the proposed transaction might violate federal, state, local or foreign laws;

(d) the competence, experience and integrity of the Offering Person and its management; and

(e) the social, legal and economic effects upon employees, suppliers, customers, licensors, licensees and other constituents of the Corporation and its Subsidiaries and on the communities in which the Corporation and its Subsidiaries operate or are located.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

10.5 As to any particular transaction, the Continuing Directors shall have the power and duty to determine, on the basis of information known to them:

(a) The amount of Voting Stock beneficially owned by any Person;

(b) Whether a Person is an Affiliate or Associate of another;

(c) Whether a Person has an agreement, arrangement or understanding with, or is acting in concert with, another;

(d) Whether the assets subject to any Business Combination constitute a Substantial Part as hereinabove defined;

(e) Whether a proposed transaction is proposed, directly or indirectly, by or on behalf of any Person;

(f) Whether a proposed amendment of any Article of these Articles of Association would have the effect of modifying or permitting circumvention of the provisions of Article Eighth through Twelfth of these Articles of Association; and

(g) Such other matters with respect to which a determination is required under Articles Eighth through Twelfth of these Articles of Association.

Any such determination shall be conclusive and binding for all purposes of Articles Eighth through Twelfth of these Articles of Association.

10.6 The affirmative votes required by this Article Tenth is in addition to the vote of the holders of any class or series of capital stock of the Corporation otherwise required by law, the Articles of Association, any resolution which has been adopted by the Board of Directors providing for the issuance of a class or series of capital stock or any agreement between the Corporation and any national securities exchange.

10.7 Nothing contained in this Article Tenth shall be construed to relieve any Interested Person from any fiduciary or other obligation imposed by law.

ELEVENTH: 11.1 Action shall be taken by the shareholders only by unanimous written consent or at annual or special meetings of shareholders of the Corporation except that, if and with the percentage of the outstanding Preference Stock or any series thereof (the "Required Percentage") set forth in the resolution or resolutions adopted by the Board of Directors with respect to the Preference Stock, action may be taken without a meeting, without prior notice and without a vote, if consent in writing setting forth

the action so taken, shall be signed by the holders of the Required Percentage of the outstanding Preference Stock or any series thereof entitled to vote thereon.

11.2 Any new business proposed by any shareholder to be taken up at the annual meeting of shareholders shall be stated in writing and filed with the Secretary of the Corporation at least 60 days before the date of the annual meeting, and all business so stated, proposed and filed shall, if appropriate under applicable law, be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. Any shareholder may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the Secretary of the Corporation at least 60 days before the meeting, such proposal shall, if appropriate under applicable law, be held over for action at an adjourned, special or annual meeting of shareholders taking place 30 days or more thereafter. These provisions shall not prevent the consideration and approval or disapproval at the annual meetings of reports of officers, directors and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. The business to be taken up at a special meeting of shareholders shall be confined to that set forth in the notice of special meeting.

TWELFTH: 12.1 Any amendment, change or repeal of Articles Eighth and Articles Tenth through Twelfth (an "Amendment") or any other amendment of these Articles of Association which would have the effect of modifying or permitting circumvention of the provisions of Article Eighth and Articles Tenth through Twelfth (an "Other Amendment") shall require approval by the affirmative votes of at least:

(1) a majority of the Entire Board of Directors, which shall include, if an Interested Person exists for purposes of this Article Twelfth, a majority of the Continuing Directors; and

(2) a majority of the votes held by the holders of Voting Stock except that if an Interested Person exists for purposes of this Article Twelfth, the affirmative votes of at least 80% of the votes held by the holders of shares of Voting Stock including an Independent Majority of Shareholders, shall be required; provided, however, that if 66-2/3% of the Continuing Directors shall approve such Amendment or Other Amendment, then notwithstanding the existence of an Interested Person for purposes of this Article Twelfth, such Amendment or Other Amendment shall require only such affirmative vote as is required by law, by any other provision of these Articles of Association, by the terms of any outstanding classes or series of capital stock of the Corporation or by any agreement with any national securities exchange to effect a Business Combination, but in no event by less than a majority of the votes held by the holders of Voting Stock.

12.2 Any amendment, change or repeal of Article Ninth of these Articles of Association or any amendment of these Articles of Association which would have the effect of modifying or permitting circumvention of the provisions of Article Ninth shall require approval by the affirmative votes of at least:

(1) a majority of the Entire Board of Directors, which shall include, if an Interested Person exists for purposes of this Article Twelfth, a majority of the Continuing Directors; and

(2) 66-2/3% of the votes held by holders of Voting Stock, except that if an Interested Person exists, by the affirmative votes of at least 80% of the votes held by the holders of shares of Voting Stock, including an Independent Majority of Shareholders.

THIRTEENTH: A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of the director's duty as a director, except for liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) the liability imposed pursuant to the provisions of Section 7-1.1-43 of the Rhode Island Business Corporation Act; or (iv) for any transaction from which the director derived an improper personal benefit (unless said transaction is permitted by Section 7-1.1-37 of the Rhode Island Business Corporation Act). If the Rhode Island Business Corporation Act is amended after approval by the shareholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation or its shareholders shall be eliminated or limited to the fullest extent permitted by the Rhode Island Business Corporation Act, as so amended.

Any repeal or modification of the foregoing paragraph by the shareholders

of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

FOURTEENTH: The restated articles of incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as heretofore amended, and supersede the original articles of incorporation and all amendments thereto.

Dated: July , 1993 HASBRO, INC.

/s/ Alan G. Hassenfeld

Its President

/s/ Donald M. Robbins

Its Secretary

STATE OF RHODE ISLAND)
 :Sc.
COUNTY OF PROVIDENCE)

At Pawtucket in said county on this 14th day of July, 1993, personally appeared before me Alan G. Hassenfeld, who, being by me first duly sworn, declared that he is the President of Hasbro, Inc. that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

/s/ Marie D. Pamental

Notary Public

My Commission Expires 2/5/95

[NOTARIAL SEAL]

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
OFFICE OF THE SECRETARY OF STATE

RESTATED CERTIFICATE OF INCORPORATION

OF

HASBRO, INC.

I, Andred Totolo, Acting Deputy Secretary of State hereby certify that duplicate originals of Restated Articles of Incorporation of Hasbro, Inc., duly signed and certified pursuant to the provisions of Chapter 7-1.1 of the General Laws, 1956, as amended, have been received in this office and are found to conform to law, and that the foregoing is a duplicate original of the restated Articles of Incorporation.

Witness my hand and the seal of
State of Rhode Island this 14th day
of July 1993.

/s/ Andred Totolo

Acting Deputy Secretary of State

CERTIFICATE OF DESIGNATIONS
OF
SERIES C JUNIOR PARTICIPATING PREFERENCE STOCK
OF
HASBRO, INC.

(Pursuant to Section 7.1.1-15 of the
Rhode Island Business Corporation Act)

Hasbro, Inc., a corporation organized and existing under the Business Corporation Act of the State of Rhode Island (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors as required by Section 7.1.1-15 of the Rhode Island Business Corporation Act at a meeting duly called and held on June 16, 1999:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of its Restated Articles of Incorporation, the Board of Directors hereby creates a series of Preference Stock, par value \$2.50 per share (the "Preference Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series C Junior Participating Preference Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series C Junior Participating Preference Stock" and the number of shares constituting such series shall be 60,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preference Stock ranking prior and superior to the shares of Series C Junior Participating Preference Stock with respect to dividends, the holders of shares of Series C Junior Participating Preference Stock, in preference to the holders of shares of Common Stock, par value \$.50 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series C Junior Participating Preference Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) subject to the provision for adjustment hereinafter set forth, 10,000 times the aggregate per share amount of all cash dividends, and 10,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series C Junior Participating Preference Stock. In the event the Corporation shall at any time after June 30, 1999 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series C Junior Participating Preference Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series C Junior Participating Preference Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series C Junior Participating Preference Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series C Junior Participating Preference Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of

Series C Junior Participating Preference Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series C Junior Participating Preference Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series C Junior Participating Preference Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series C Junior Participating Preference Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series C Junior Participating Preference Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series C Junior Participating Preference Stock shall entitle the holder thereof to 10,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series C Junior Participating Preference Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a Series of Preference Stock or any similar stock or by law, the holders of shares of Series C Junior Participating Preference Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) (i) If at any time dividends on any Series C Junior Participating Preference Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series C Junior Participating Preference Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preference Stock (including holders of the Series C Junior Participating Preference Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series C Junior Participating Preference Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any other series of Preference Stock, if any, to increase, in certain cases, the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preference Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preference Stock of such voting right. At any meeting at which the holders of Preference Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preference Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preference Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preference Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or *pari passu* with the Series C Junior Participating Preference Stock.

(iii) Unless the holders of Preference Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preference Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preference Stock, which meeting shall thereupon be called by the Chairman of the Board, any Vice Chairman, the President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preference Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preference Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preference Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preference Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preference Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preference Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preference Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the Restated Articles of Incorporation or the Amended and Restated By-laws irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Articles of Incorporation or Amended and Restated By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series C Junior Participating Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series C Junior Participating Preference Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series C Junior Participating Preference Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Junior Participating Preference Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series C Junior Participating Preference Stock, except dividends paid ratably on the Series C Junior Participating Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series C Junior Participating Preference Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series C Junior Participating Preference Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series C Junior Participating Preference Stock, or any shares of stock ranking on a parity with the Series C Junior Participating Preference Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series C Junior Participating Preference Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preference Stock and may be reissued as part of a new series of Preference Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, in the Restated Articles of Incorporation, or in any other Certificate of Designations creating a series of Preference Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series C Junior Participating Preference Stock unless, prior thereto, the holders of shares of Series C Junior Participating Preference Stock shall have received an amount equal to \$10,000 per share of Series C Participating Preference Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series C Liquidation Preference"). Following the payment of the full amount of the Series C Liquidation Preference, no additional distributions shall be made to the holders of shares of Series C Junior Participating Preference Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series C Liquidation Preference by (ii) 10,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series C Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series C Junior Participating Preference Stock and Common Stock, respectively, holders of Series C Junior Participating Preference Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preference Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series C Liquidation Preference and the liquidation preferences of all other series of Preference Stock, if any, which rank on a parity with the Series C Junior Participating Preference Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series C Junior Participating Preference Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 10,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series C Junior Participating Preference Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series C Junior Participating Preference Stock shall not be redeemable.

Section 9. Ranking. The Series C Junior Participating Preference Stock shall rank junior to all other series of the Corporation's Preference Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series C Junior Participating Preference Stock are outstanding, neither the Restated Articles of Incorporation of the Corporation nor this Certificate of Designations shall be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series C Junior Participating Preference Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series C Junior Participating Preference Stock, voting separately as a class.

Section 11. Fractional Shares. Series C Junior Participating Preference Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series C Junior Participating Preference Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 29th day of June, 1999.

/s/ Herbert M. Baum

President

/s/ Phillip H. Waldoks

Secretary

STATE OF RHODE ISLAND)
 : Sc.
COUNTY OF PROVIDENCE)

At Pawtucket in said county on this 29th day of June, 1999, personally appeared before me Herbert M. Baum, who, being by me first duly sworn, declared that he is the President of Hasbro, Inc. that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

/s/ Marie W. Pamental

Notary Public

[NOTARIAL SEAL]

My Commission Expires 2/5/2001

Filing Fee: \$10.00

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
 Office of the Secretary of State
 Corporations Division
 100 North Main Street
 Providence, Rhode Island 02903-1335

BUSINESS CORPORATION

CERTIFICATE OF VOTE(S) AUTHORIZING DECREASE
 OF A CLASS OR SERIES OF ANY CLASS OF SHARES

Pursuant to the provisions of Section 7-1.1-15 of the General Laws, 1956, as amended, the undersigned corporation submits the following certificate of vote(s) for the purpose of decreasing the number of designated but unissued shares of Series B Junior Participating Preference Stock from 100,000 to zero:

1. The name of the corporation is Hasbro, Inc.
2. The following vote(s), decreasing the number of designated but unissued shares of Series B Junior Participating Preference Stock from 100,000 to zero, was provided for in the following vote or votes adopted by the board of directors of the corporation on June 16, 1999.

FURTHER RESOLVED, that effective June 30, 1999, the number of shares of Series B Junior Participating Preference Stock, which series was originally designated by this Board of Directors on June 4, 1989, but none of which shares have ever been issued, shall be decreased from 100,000 to zero and such shares and such series shall resume the status of authorized but unissued and undesignated Preference Stock which may be reissued as shares of any new series or as shares of any other series, all subject to the conditions and restrictions of any such new or other series; and it is

FURTHER RESOLVED, that the proper officers of the Company are authorized and directed to file a Certificate of Vote(s) as to said decrease with the Secretary of State of the State of Rhode Island and to take any other action as they may deem necessary or desirable to implement the foregoing resolution.

3. Upon filing, this certificate shall constitute an amendment to the articles of incorporation.

Dated: July 20, 1999

HASBRO, INC.

/s/ John T. O'Neill

 Executive Vice President and
 Chief Financial Officer

and

/s/ Phillip H. Waldoks

 Secretary

STATE OF RHODE ISLAND
 COUNTY OF PAWTUCKET

In Pawtucket, on this 20th day of July, 1999, personally appeared before me John T. O'Neill, who being by me first duly sworn, declared the he is the Executive Vice President and Chief Financial Officer of HASBRO, INC. and that he signed the foregoing document as the Executive Vice President and Chief Financial Officer of the corporation, and that the statements therein contained are true.

/s/ Marie D. Pamental

 Notary Public
 My Commission Expires: 2/5/2001

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State

James R. Langevin, Secretary of State

CERTIFICATE OF AMENDMENT
TO THE ARTICLES OF INCORPORATION OF

Hasbro, Inc.

I, James R. Langevin, Secretary of State of the State of Rhode Island and Providence Plantations, hereby certify that duplicate originals of Articles of Amendment to the Articles of Incorporation of

Hasbro, Inc.

duly signed and verified pursuant to the provisions of Chapter 7-1.1-56 of the General Laws, 1956, as amended, have been received in this office and are found to conform to law. The affixed is a duplicate original of the Articles of Amendment.

WITNESS my hand and the
seal of the State of Rhode
Island and Providence
Plantations this 28th day of
June 2000.

[SEAL OF THE STATE
OF RHODE ISLAND AND
PROVIDENCE PLANTATIONS]

/s/ James R. Langevin
Secretary of State

By: /S/ Cathryn Villonis

State of Rhode Island and Providence Plantations
Office of the Secretary of State
Corporations Divisions
100 North Main Street
Providence, RI 02903-1335

Business Corporation

ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION
(To be Filed In Duplicate Original)

Pursuant to the provisions of Section 7-1.1.56 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Hasbro, Inc.
2. The shareholders of the corporation (or, where no shares have been issued, the board of directors of the Corporation) on May 17, 2000, in the manner prescribed by Chapter 7-1.1 of the General Laws, 1956, as amended, adopted the following amendment(s) to the Articles of Incorporation:

[Insert Amendment(s)]

(if additional space is required, please list on a separate attachment)

Article FOURTH of the Restated Articles of Incorporation is restated in its entirety as follows:

FOURTH: The total amount of authorized capital stock of the Corporation, with par value, shall be Three Hundred Twelve Million Five Hundred Thousand Dollars (\$312,500,000), as follows, viz:

Common Stock in the amount of Three Hundred Million Dollars (\$300,000,000), to be divided into Six Hundred Million (600,000,000) shares of the par value of Fifty Cents (\$.50) each;

Preference Stock in the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000) to be divided into Five Million (5,000,000) shares of the par value of Two and 50/100 Dollars (\$2.50) each.

3. The number of shares of the corporation outstanding at the time of such adoption was 172,363,696; and the number of shares entitled to vote thereon was 172,363,696.

4. The designation and the number of outstanding shares of each class entitled to vote thereon as a class were as follows: (if inapplicable, insert "none")

Class	Number of Shares
Common	172,363,696

5. The number of shares voted for such amendment was 134,777,620; and the number of shares voted against such amendment was 9,593,695.

6. The number of shares of each class entitled to vote thereon as a class voted for and against such an amendment, respectively, was: (if inapplicable, insert "none.")

Class	Number of Shares Voted	
	For	Against
Common	134,777,620	9,593,695

7. The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows: (if no change, so state)

No change

8. The manner in which such amendment effects a change in the amount of stated capital, and the amount (expressed in dollars) of stated capital as changed by such amendment, are as follows: (if no change, so state)

No change

9. As required by section 7-1.1-57 of the General Laws, the corporation has paid all fees and franchise taxes.

10. Date when amendment is to become effective upon filing

(not prior to, nor more than 30 days after, the filing of these articles of amendment)

Date: June 12, 2000

Hasbro, Inc.

Print Corporate Name

By /s/ Herbert M. Baum

--X-- President or ---- Vice President (check one)
AND

By /s/ Phillip H. Waldoks

--X-- Secretary or --- Assistant Secretary (check one)

STATE OF RHODE ISLAND

COUNTY OF PROVIDENCE

In Pawtucket, on this 12th day of June, 2000 personally appeared before me Herbert M. Baum who, being by me first duly sworn, declared that he is the President of the corporation and that he signed the foregoing document as such of the corporation, and that the statements herein contained are true.

/s/ Marie D. Pamental

Notary Public

My Commission Expires: 2/5/01

HASBRO, INC. AND SUBSIDIARIES
 Computation of Earnings Per Common Share

Six Months Ended July 2, 2000 and June 27, 1999

(Thousands of Dollars and Shares Except Per Share Data)

	2000		1999	
	Basic	Diluted	Basic	Diluted
Net earnings	\$ 21,627	21,627	46,084	46,084
Weighted average number of shares outstanding:				
Outstanding at beginning of period	192,984	192,984	196,175	196,175
Exercise of stock options and warrants:				
Actual	26	26	1,206	1,206
Assumed	-	947	-	10,222
Purchase of common stock	(12,085)	(12,085)	(1,767)	(1,767)
Total	180,925	181,872	195,614	205,836
Per common share:				
Net earnings	\$.12	.12	.24	.22

HASBRO, INC. AND SUBSIDIARIES
 Computation of Earnings Per Common Share
 Quarter Ended July 2, 2000 and June 27, 1999
 (Thousands of Dollars and Shares Except Per Share Data)

	2000		1999	
	----- Basic -----	----- Diluted -----	----- Basic -----	----- Diluted -----
Net earnings	\$ 6,500	6,500	32,289	32,289
	=====	=====	=====	=====
Weighted average number of shares outstanding:				
Outstanding at beginning of period	171,798	171,798	195,599	195,599
Exercise of stock options and warrants:				
Actual	38	38	1,159	1,159
Assumed	-	1,118	-	11,722
Purchase of common stock	(215)	(215)	(1,428)	(1,428)
	-----	-----	-----	-----
Total	171,621	172,739	195,330	207,052
	=====	=====	=====	=====
Per common share:				
Net earnings	\$.04	.04	\$.17	.16
	=====	=====	=====	=====

HASBRO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 Six Months and Quarter Ended July 2, 2000

(Thousands of Dollars)

	Six Months -----	Quarter -----
Earnings available for fixed charges:		
Net earnings	\$ 21,627	6,500
Add:		
Fixed charges	58,823	33,043
Income taxes	9,717	2,921
Total	----- \$ 90,167 =====	----- 42,464 =====
 Fixed Charges:		
Interest on long-term debt	\$ 31,874	21,543
Other interest charges	17,767	6,655
Amortization of debt expense	703	512
Rental expense representative of interest factor	8,479	4,333
Total	----- \$ 58,823 =====	----- 33,043 =====
 Ratio of earnings to fixed charges	 1.53 =====	 1.29 =====

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1,000

6-MOS
DEC-31-2000
JUL-2-2000
188,545
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636,569
62,700
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