UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- ----- ACT OF 1934

For the fiscal year ended December 28, 2002

COMMISSION FILE 1-5224

THE STANLEY WORKS
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CONNECTICUT	06-0548860
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
1000 STANLEY DRIVE NEW BRITAIN, CONNECTICUT	06053
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(860) 225-5111
(REGISTRANT'S TELEPHONE NUMBER)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock--$2.50 Par Value per Share	New York Stock Exchange Pacific Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Yes X No
----- ----

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12-b of the Act)

Yes X No
----- ----

As of June 28, 2002 and February 28, 2003, the aggregate market values of voting common equity held by non-affiliates of the registrant was $3,509,282,868 and $2,242,523,117, respectively, based on the last reported respective sale prices of the registrant's common stock on the New York Stock Exchange. On February 28, 2003, the registrant had 86,885,824 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year are incorporated by reference in Part III.

FORM 10-K

PART I

ITEM 1. BUSINESS.

1(a) GENERAL DEVELOPMENT OF BUSINESS.

(i) General. The Stanley Works ("Stanley" or the "Company") was founded in 1843 by Frederick T. Stanley and incorporated in 1852. Stanley is a worldwide producer of tools and door products for professional, industrial and consumer use. Stanley(R) is a brand recognized around the world for quality and value.

In 2002, Stanley had net sales of $2.6 billion and employed approximately 14,900 people worldwide. The Company's principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

(ii) Restructuring Activities. Information regarding the Company's restructuring activities is incorporated herein by reference to the material captioned "Restructuring Activities" in Item 7 and Note O of the Notes to Consolidated Financial Statements in Item 8.

1(b) Financial Information About Segments. Financial information regarding the Company's business segments is incorporated herein by reference to the material captioned "Business Segment Results" in Item 7 and Note P of the Notes to Consolidated Financial Statements in Item 8.

1(c) NARRATIVE DESCRIPTION OF BUSINESS.

The Company's operations are classified into two business segments: Tools and Doors.

Tools.

The Tools segment manufactures and markets carpenters, mechanics, pneumatic and hydraulic tools as well as tool sets. These products are distributed directly to retailers (including home centers, mass merchants and retail lumber yards) and end users as well as through third party distributors. Carpenters tools include hand tools such as measuring instruments, planes, hammers, knives and blades, screwdrivers, saws, garden tools, chisels, boring tools, masonry, tile and drywall tools, as well as electronic stud sensors, levels, alignment tools and elevation measuring systems. The Company markets its carpenters tools under the Stanley(R), FatMax(R), MaxGrip(TM), Powerlock(R), IntelliTools(TM), Contractor Grade(TM), Dynagrip(R), AccuScape(R) and Goldblatt(R) brands.

Mechanics tools include consumer, industrial and professional mechanics hand tools, including wrenches, sockets, electronic diagnostic tools, tool boxes and high-density industrial storage and retrieval systems. Mechanics tools are marketed under the Stanley(R), Proto(R), Mac(R), Husky(R), Jensen(R), Vidmar(R), ZAG(R) and Blackhawk(TM) brands.

Pneumatic tools include Bostitch(R) fastening tools and fasteners (nails and staples) used for construction, remodeling, furniture making, pallet manufacturing and consumer use and pneumatic air tools marketed under the Stanley(R) brand (these are high performance, precision assembly tools, controllers and systems for tightening threaded fasteners used chiefly by vehicle manufacturers).

Hydraulic tools include Stanley(R) hand-held hydraulic tools used by contractors, utilities, railroads and public works as well as LaBounty(R) mounted demolition hammers and compactors designed to work on skid steer loaders, mini-excavators, backhoes and large excavators.

Doors.

The Doors segment manufactures and markets commercial and residential doors, both automatic and manual, as well as closet doors and systems, home decor, door locking systems, commercial and consumer hardware, security access control systems and patient monitoring devices. Products in the Doors segment include residential insulated steel, reinforced fiberglass and wood entrance door systems, vinyl patio doors, mirrored closet doors and closet organizing systems, automatic doors as well as related door hardware products ranging from hinges, hasps, bolts and latches to shelf brackets and lock sets. Door products are marketed under the Stanley(R), Magic-Door(R), WelcomeWatch(R), Stanley-Acmetrack(TM), Monarch(TM), Acme(R), WanderGuard(R) , StanVision TM and BEST(R) brands and are sold directly to end users and retailers as well as through third party distributors.

Competition.

The Company competes on the basis of its reputation for product quality, its well-known brands, its commitment to customer service and strong customer relationships, the breadth of its product lines and its emphasis on product innovation.

The Company encounters active competition in all of its businesses from both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. The Company has a large number of competitors; however, aside from a small number of competitors in the consumer hand tool and consumer hardware business, who produce a range of products somewhat comparable to the Company's, the majority of its competitors compete only with respect to one or more individual products or product lines within a particular line. The Company believes that it is one of the largest manufacturers of hand tools in the world featuring a broader line than any other toolmaker. The Company also believes that it is a leader in the manufacture and sale of pneumatic fastening tools and related fasteners to the construction, furniture and pallet industries as well as a leading manufacturer of hand-held hydraulic tools used for heavy construction, railroads, utilities and public works. In the Doors segment, the Company believes that it is a U.S. leader in the manufacture and sale of insulated steel residential entrance doors to the retail market, commercial hardware products, mirrored closet doors and hardware for sliding, folding and pocket doors and the U.S. leader in the manufacture, sale and installation of automatic sliding and swing powered doors.

Customers.

A substantial portion of the Company's products are sold through home centers and mass merchant distribution channels in the U.S. In 2002, approximately 21% of the Company's consolidated sales in the Tools and Doors segments collectively were to one customer. Because a consolidation of retailers in the home center and mass merchant distribution channel is occurring, these customers constitute a growing percent of the Company's sales and are important to the Company's operating results. While this consolidation and the domestic and international expansion of these large retailers provide the Company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential volume loss. The loss of this one customer as well as certain of the other larger home centers as customers would have a material adverse effect on each of the Company's business segments until either such customers are replaced or the Company makes the necessary adjustments to compensate for the loss of business.

Despite the trend toward customer consolidation, the Company has a diversified customer base and is seeking to broaden its customer base further in each business segment by identifying and seeking new channels and customers that it does not currently serve.

Raw Materials.

The Company's products are manufactured of steel and other metals, wood and plastic. The raw materials required are available from a number of sources at competitive prices and the Company has multi-year contracts with many of its key suppliers. The Company has experienced no difficulties in obtaining supplies in recent periods.

Backlog.

At December 28, 2002, the Company had $134 million in unfilled orders compared with approximately $168 million in unfilled orders at March 1, 2003. All of these orders are reasonably expected to be filled within the current fiscal year. Most customers place orders for immediate shipment and as a result, the Company produces primarily for inventory, rather than to fill specific orders.

Patents and Trademarks.

Neither business segment is dependent, to any significant degree, on patents, licenses, franchises or concessions and the loss of these patents, licenses, franchises or concessions would not have a material adverse effect on either business segment. The Company owns numerous patents, none of which are material to the Company's operations as a whole. These patents expire from time to time over the next 20 years. The Company holds licenses, franchises and concessions, none of which individually or in the aggregate is material to the Company's operations as a whole. These licenses, franchises and concessions vary in duration from one to 20 years.

The Company has numerous trademarks that are used in its businesses worldwide. The STANLEY(R) and STANLEY in a notched rectangle design trademarks are material to both business segments. These well-known trademarks enjoy a reputation for quality and value and are among the world's most trusted brand names. The Company's tagline, "Make Something Great(TM)" is the centerpiece of the Company's brand strategy for both segments. In the Tools segment, the Bostitch(R), Powerlock(R), Tape Rule Case Design (Powerlock), LaBounty(R), MAC(R), Proto(R), Jensen(R), Goldblatt(R), Husky(R), Vidmar(R) and Zag(R) trademarks are also material to the business. In the Doors segment, BEST(R) is also material to the business. The terms of these trademarks vary from one to 20 years, with most trademarks being renewable indefinitely for like terms.

Environmental Regulations.

The Company is subject to various environmental laws and regulations in the U.S. and foreign countries where it has operations. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company's expenditures related to environmental matters.

The Company is a party to a number of proceedings before federal and state regulatory agencies relating to environmental remediation. Additionally, the Company, along with many other companies, has been named as a potentially responsible party ("PRP") in a number of administrative proceedings for the remediation of various waste sites, including ten active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: the solvency of the other PRP's, whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the fact that its volumetric contribution at these sites is relatively small.

The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of December 28, 2002, the Company had reserves of approximately $16.7 million, primarily for remediation activities associated with Company-owned properties as well as for Superfund sites that are probable and estimable.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent

uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded will have a materially adverse effect on its consolidated financial position, results of operations or liquidity.

Employees.

At December 28, 2002, the Company had approximately 14,900 employees, nearly 8,000 of whom were employed in the U.S. Approximately 10% of U.S. employees are covered by collective bargaining agreements negotiated with 13 different local labor unions who are, in turn, affiliated with approximately 6 different international labor unions. The majority of the Company's hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The Company's labor agreements in the U.S. expire in 2003, 2004 and 2005. There have been no significant interruptions or curtailments of the Company's operations in recent years due to labor disputes. The Company believes that its relationship with its employees is good.

1(d) Financial Information About Geographic Areas. Financial information regarding the Company's geographic areas is incorporated herein by reference to Note P of the Notes to Consolidated Financial Statements in Item 8.

1(e) Available Information. The Company's website is located at http://www.Stanleyworks.com. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference.) Stanley makes its Forms 10-K, 10-Q, 8-K and amendments to each available free of charge on its website as soon as reasonably practicable after filing them with the U.S. Securities and Exchange Commission.

ITEM 2. PROPERTIES.

As of December 28, 2002, the Company and its subsidiaries owned or leased facilities for manufacturing, distribution and sales offices in 17 states and 13 foreign countries. The Company believes that its facilities are suitable and adequate for its business.

Material locations (over 50,000 square feet) owned by the Company and its subsidiaries follow:

Tools

Phoenix, Arizona; Visalia, California; Clinton and New Britain, Connecticut; Shelbyville, Indiana; Two Harbors, Minnesota; Hamlet and Sanford, North Carolina; Columbus, Georgetown and Sabina, Ohio; Allentown, Pennsylvania; East Greenwich, Rhode Island; Cheraw, South Carolina; Dallas and Wichita Falls, Texas; Pittsfield, Vermont; Smiths Falls, Canada; Pecky, Czech Republic; Northampton and Worsley, England; Besancon Cedex, France; Wieseth, Germany; Chihuahua and Puebla, Mexico; Wroclaw, Poland; Taichung Hsien, Taiwan; and Amphur Bangpakong, Thailand.

Doors

Chatsworth, California; Farmington and New Britain, Connecticut; Indianapolis, Indiana; Richmond, Virginia; Brampton, Canada; Sheffield, England; Marquette, France and Guang Dong, Peoples Republic of China.

Material locations (over 50,000 square feet) leased by the Company and its subsidiaries follow:

Tools

New Britain, Connecticut; Miramar, Florida; Covington, Georgia; Fishers, Indiana; Kannapolis, North Carolina; Highland Heights and Columbus, Ohio; Milwaukie, Oregon; Somerton, Australia; Smiths Falls, Canada; Hellaby, Sheffield, Ecclesfield, Northampton and Worsley, England; Izraelim, Israel; and Biassono, Italy.

Doors

Tupelo, Mississippi; Charlotte, North Carolina; Winchester, Virginia; and Langley and Oakville, Canada.

The aforementioned material properties not being used by the Company include:

Tools

Visalia, California (owned); New Britain, Connecticut (owned); Hamlet, North Carolina (owned); Wichita Falls (owned), Texas; Northampton (owned), Worsley (leased) and Ecclesfield England (leased).

Doors

Richmond, Virginia (owned).

ITEM 3. LEGAL PROCEEDINGS.

In June 2002, Stanley Canada Inc. received a letter from the Quebec Ministry of the Environment indicating that groundwater contaminated with trichloroethene and its breakdown products had been detected at or near the former Company facility in Roxton Pond, Quebec. The Ministry claimed that the Company's former operations were the source of the contamination and is seeking further investigation and the sharing of certain costs. The Company has been working cooperatively with the Ministry to negotiate a settlement.

On October 25, 2002, Stanley Mechanics Tools, Inc., The Stanley Works, Stanley-Proto Industrial Tools, Inc. and certain other parties were served with a Complaint in the Circuit Court of the State of Oregon for the County of Clackamas by the City of Milwaukie, Oregon alleging that volatile organic compounds from the former Company site in Milwaukie have contaminated certain City water supplies. The City is seeking damages of approximately $4.84 million. The Company believes that its liability at the site is limited because it operated at the site for a short time, it has thorough documentation demonstrating that it never used the compounds in question and there are several other potentially responsible parties in the area.

The Company does not expect that the resolution of these matters will have a materially adverse effect on the Company's consolidated financial position, results of operations or liquidity.

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

No matter was submitted during the fourth quarter of 2002 to a vote of security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is listed and traded on the New York and Pacific Stock Exchanges under the abbreviated ticker symbol "SWK," and is a component of the S&P 500 Composite Stock Price Index. The Company's high and low quarterly stock price on the NYSE for the years ended December 28, 2002 and December 29, 2001 follow:

	2002			2001		
	Market Price Range		Dividend per common share	Market Price Range		Dividend per common share
	HIGH	LOW		HIGH	LOW	
QUARTER:						
First	$52.00	$40.23	$0.24	$38.35	$28.06	$0.23
Second	$51.10	$39.15	$0.24	$41.99	$31.60	$0.23
Third	$43.95	$29.90	$0.255	$45.80	$32.64	$0.24
Fourth	$36.69	$27.31	$0.255	$46.85	$34.60	$0.24
Total			$0.99			$0.94

As of December 28, 2002 there were 14,053 holders of record of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial information should be read in conjunction with the Consolidated Financial Statements and related Notes appearing elsewhere in this Form 10-K (in millions of dollars, except per share amounts):

	2002(A)	2001(B,F)	2000(F)	1999(C)	1998(D)	1997(E)
STATEMENTS OF OPERATIONS DATA:						
Net sales	$ 2,593	$ 2,607	$ 2,731	$ 2,752	$ 2,729	$ 2,670
Net earnings (loss)	$ 185	$ 158	$ 194	$ 150	$ 138	$ (42)
Net earnings (loss) per share						
Basic	$ 2.14	$ 1.85	$ 2.22	$ 1.67	$ 1.54	$ (0.47)
Diluted	$ 2.10	$ 1.81	$ 2.22	$ 1.67	$ 1.53	$ (0.47)
Percent of net sales:						
Cost of sales	67.8%	65.3%	64.1%	65.9%	65.7%	66.8%
Selling, general and administrative	21.1%	22.1%	23.4%	25.5%	25.1%	23.5%
Interest-net	0.9%	1.0%	1.0%	1.0%	0.8%	0.6%
Other-net	(0.3)%	(0.2)%	0.7%	(0.1)%	0.5%	0.8%
Earnings (loss) before income taxes	10.5%	9.1%	10.8%	8.4%	7.9%	(0.7)%
Net earnings (loss)	7.1%	6.1%	7.1%	5.5%	5.1%	(1.6)%
BALANCE SHEET DATA:						
Total assets	$ 2,418	$ 2,056	$ 1,885	$ 1,891	$ 1,933	$ 1,759
Long-term debt	$ 564	$ 197	$ 249	$ 290	$ 345	$ 284
Shareowners' equity	$ 984	$ 832	$ 737	$ 735	$ 669	$ 608
RATIOS:						
Current ratio	1.7	1.4	1.5	1.6	1.5	1.6
Total debt to total capital	42.1%	37.3%	38.6%	37.8%	45.8%	40.5%
Income tax rate	32.1%	33.1%	34.0%	35.0%	36.0%	(125.4)%
Return on average equity	20.4%	20.2%	26.4%	21.4%	21.6%	(6.0)%
COMMON STOCK DATA:						
Dividends per share	$ 0.99	$ 0.94	$ 0.90	$ 0.87	$ 0.83	$ 0.77
Equity per share at year-end	$11.33	$ 9.83	$ 8.65	$ 8.27	$ 7.54	$ 6.85
Market price-high	$52.00	$ 46.85	$ 31 7/8	$ 35.00	$ 57 1/4	$ 47 3/8
Market price -low	$27.31	$ 28.06	$ 18 7/16	$ 22.00	$ 23 1/2	$ 28.00
Average shares outstanding (in thousands)						
Basic	86,453	85,761	87,407	89,626	89,408	89,470
Diluted	88,246	87,467	87,668	89,887	90,193	89,470
OTHER INFORMATION:						
Average number of employees	13,198	14,514	16,297	16,890	18,319	18,377
Shareowners of record at end of year	14,053	15,290	16,014	16,947	17,963	18,503

(A) Includes the following: a $22.2 million, or $0.17 per share, charge related to (1) a reassessment of Mac Tools' retail inventory and accounts receivable valuations as a result of a new retail control system (2) an inventory valuation adjustment in Fastening Systems associated with recent cost estimation process improvements and (3) a fixed asset impairment related primarily to domestic plant consolidation; an $8.4 million, or $0.06 per share, charge for severance and related expenses associated with selling, general and administrative reductions; an $18.4 million gain associated with the final settlement of a U.S. defined benefit plan, which resulted in a $0.06 per share gain. Also includes a $5.5 million income tax credit, or $0.06 per share, related to a favorable foreign tax development and $11.3 million, or $0.09 per share, in environmental income arising from a settlement with an insurance carrier.

Includes $5.6 million, or $0.04 per share, of accounting corrections, as discussed in Management's Discussion and Analysis in Item 7 of this Form 10-K.

(B) Includes restructuring-related charges and asset impairments of $72.4 million, or $0.58 per share; a gain of $29.3 million, or $0.22 per share for a pension curtailment; $11.2 million in charges for business repositionings and initiatives at Mac Tools, or $0.09 per share; $4.8 million , or $0.04 per share, in

severance charges; $3.4 million, or $0.04 per share, in credits for tax benefits; and $6.4 million, or $0.05 per share, in certain inventory charges.

(C) Includes restructuring-related transition and other costs of $54.9 million, or $0.40 per share; a net restructuring credit of $21.3 million, or $0.15 per share; a Mechanics Tools' charge of $20.1 million, or $0.14 per share; and a gain realized upon the termination of a cross-currency financial instrument of $11.4 million, or $0.08 per share.

(D) Includes restructuring-related transition and other costs of $85.9 million, or $0.61 per share.

(E) Includes charges for restructuring and asset impairments of $238.5 million, or $2.00 per share; related transition costs of $71.0 million, or $0.49 per share; and a non-cash charge of $10.6 million, or $0.07 per share, for a stock option grant as specified in the Company's employment contract with its Chief Executive Officer.

(F) Net sales and selling, general and administrative (SG&A) expenses for 2001 and 2000 have been restated from prior published amounts in accordance with an accounting pronouncement which requires the reclassification of certain customer promotional payments previously reported in SG&A as a reduction of revenue, as well as restatement of prior periods ($17.8 million reclassification in 2001 and $18.3 million in 2000) for comparability purposes. It is not practicable to determine the amounts prior to fiscal 2000.

Note: Earnings per share amounts within footnotes A through E above are net of taxes and are on a diluted basis.

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

RESULTS OF OPERATIONS

Net sales were $2,593 million for 2002, as compared to $2,607 million in 2001, a 1% decrease. Sales in 2002 increased 2% from acquisitions, and 1% from the translation of foreign currencies, which strengthened against the U.S. dollar. Organic sales declined 4% principally due to the negative impact of the Mechanics Tools plant consolidation, continued overall price erosion, and ongoing weakness in industrial markets.

Net sales in 2001 of $2,607 million were down 5% as compared to 2000. The Company experienced sales volume declines in the Tools segment due to softness in the commercial and industrial markets. Sales in 2001 were also negatively impacted, by approximately 1%, from the translation of foreign currencies, which weakened against the U.S. dollar.

During 2002, the Company reported a second quarter U.S. pension settlement pre-tax gain of $18 million. Also in the second quarter, the Company incurred $8 million in severance and related expenses associated with selling, general and administrative (SG&A) cost reductions. In the third quarter, the Company reported a $6 million income tax credit related to a favorable foreign tax development. In the fourth quarter, the Company recorded $22 million in non-cash charges for increased inventory and receivable loss provisions and for specific manufacturing equipment impairments related to the following: (1) a reassessment of Mac Tools inventory and accounts receivable valuations, as a result of a new retail control system; (2) an inventory valuation adjustment in Fastening Systems associated with recent cost estimation process improvements; and (3) impairment of certain fixed assets related primarily to the Wichita Falls and Dallas, Texas plants consolidation. Other significant credits in 2002 include $11 million in environmental income arising from a settlement with an insurance carrier recognized in the third and fourth quarters. These credits and charges were classified within the 2002 Consolidated Statement of Operations as follows: (i) cost of sales -- $13 million charge; (ii) SG&A expenses -- $10 million charge; (iii) other-net -- $22 million credit; and (iv) income taxes -- $6 million credit. The tax benefit of these charges and credits was $12 million.

The audited Consolidated Financial Statements for the year ended December 28, 2002 include $5.6 million or $0.04 per share of accounting corrections. These corrections relate primarily to expense

capitalization and depreciation which arose in prior fiscal years and account for the difference between earnings set forth in these financial statements and unaudited amounts included in the Company's January 24, 2003 earnings release. These costs were classified within the 2002 Consolidated Statement of Operations as follows: (i) sales -- $0.5 million, (ii) cost of sales $4.4 million; and (iii) other-net -- $0.7 million. Management believes that these corrections are immaterial to any previously reported results of prior periods, but has recorded them in the aggregate in the fourth quarter of the year ended December 28, 2002.

During 2001, the Company recorded charges related to restructuring initiatives totaling $72 million ($18 incurred in the first quarter and $54 incurred in the fourth quarter). These costs consisted primarily of severance and asset impairments as the Company continued to rationalize its cost structure and reduce employment. In addition, the Company incurred certain other significant credits and charges during 2001. In the first quarter, the Company recorded a pre-tax $29 million pension curtailment gain pertaining to its U.S. pension plan. Also in the first quarter, the Company recorded $11 million of charges related to several business repositionings. The repositionings were principally in the Tools segment and related to the continuing movement of production, permanent reduction of the overhead cost structure of its manufacturing system, and a series of initiatives at Mac Tools. In the third quarter, the Company recorded a charge of $5 million for severance costs incurred due to lower sales volumes and the continuing weakness in the industrial markets. Also in the third quarter, the Company recorded $3 million in special credits for tax benefits. In the fourth quarter, the Company recorded a charge of $6 million for the disposition of inventories associated principally with discontinued manufacturing plants and stock-keeping-units (SKUs). These credits and charges were classified as period income and expenses and were specifically classified within the Consolidated Statement of Operations as follows: (i) sales -- $1 million charge; (ii) cost of sales -- $12 million charge; (iii) SG&A expenses -- $8 million charge; (iv) interest-net -- $0.2 million credit; (v) other-net -- $28 million credit; and (vi) income taxes -- $3 million credit. The tax benefit of the restructuring charges and these other charges and credits amounted to $18 million.

Since significant credits and charges obscure underlying trends, the narrative regarding results of operations and business segments has been expanded to provide information as to the effects of these items on each financial statement category.

In 2002, the Company reported gross profit of $836 million, or 32.2% of net sales compared to $905 million or 34.7% of net sales in 2001. Included in gross profit for 2002 were $13 million of fourth quarter charges related to Mac Tools retail and Fastening Systems inventory as discussed previously. Gross profit in 2001 included $13 million of charges taken in the first and fourth quarters related to business repositioning initiatives within the Tools segment and the disposition of inventories principally from discontinued manufacturing plants and SKUs. Gross profit before these costs amounted to $849 million or 32.7% of net sales in 2002, and $918 million or 35.2% of net sales in 2001. The $69 million, or 250 basis point, decline in gross profit in 2002 is attributed to the following issues, primarily within the Tools segment: (i) the costs associated with the consolidation of two Mechanics Tools manufacturing plants, related production inefficiencies and sales declines due to U.S. plant supply chain problems; (ii) consumer business price erosion due to the continued customer mix shift towards home centers and mass merchants; (iii) Fastening Systems price erosion associated with intensified generic nail competition as well as a strategy shift to large distributors and away from smaller customers; (iv) a reduction in Last-In, First-Out (LIFO) related inventory benefit in 2002 versus 2001; (v) increased inventory loss provisions; (vi) and lower U.S. pension income. These issues were offset, to some extent, by favorable material and other productivity variances. Acquisitions contributed approximately $22 million to gross profit in 2002. The Company anticipates continued pricing pressure in the foreseeable future due to continued supply-demand imbalances in the market. The Company expects to recover a significant portion of the negative impact to gross profit related to the Mechanics Tools plant consolidation in 2003.

In 2001, the Company reported gross profit of $905 million, or 34.7% of net sales compared to $997 million or 36.3% of net sales in 2000. Excluding the charges discussed previously, 2001 gross profit was $918 million or 35.2% of sales. The reduction in gross profit was a result of a shift in sales mix to retail and independent Mac Tools sales channels versus industrial and direct Mac Tools sales channels, partially offset by $80 million in productivity improvements. The Company experienced a LIFO reserve decline as the Company continued to reduce its cost of manufacturing and product costs by moving operations to low-cost countries. These LIFO benefits were offset by increases in transportation costs and other inventory valuation reserves.

SG&A expenses were $547 million or 21.1% of net sales in 2002. This includes $10 million in charges from second quarter severance and related expenses ($8 million) and fourth quarter Mac Tools expenses ($2 million) discussed previously. SG&A expenses in 2001 totaled $576 million or 22.1% of net sales which included $8 million in charges ($3 million in the first quarter and $5 million in the third quarter) from business repositionings and additional severance charges apart from the restructuring initiatives. Excluding these items, SG&A expenses amounted to $537 million, or 20.7% of net sales in 2002, as compared to $568 million, or 21.8% of net sales in 2001. The Company reduced spending in many functions, particularly selling expenses in Mac Tools as a result of lower retail distributor headcount. There was a $12 million decline in the provision for doubtful accounts mainly attributable to a decrease in Mac Tools provisions due to lower sales as compared with 2001 and the mix shift from retail to wholesale sales which involve reduced credit risk. These favorable items more than offset a decrease in net U.S. pension income in 2002.

SG&A expenses were $576 million, or 22.1% of net sales in 2001, as compared with $638 million, or 23.4% of net sales in 2000. Excluding the charges previously detailed, SG&A expenses were $568 million or 21.8% of net sales in 2001. Improvements in 2001 SG&A expenses were attributable to continued cost reductions achieved from changes made within the information management infrastructure, downward adjustments to employment levels in response to weak economic markets and the benefits attained from the Company's restructuring and repositioning efforts.

Interest-net for 2002 was $25 million, down slightly from $26 million in 2001. The decrease was a result of lower interest rates and weighted average debt levels in 2002. Interest-net of $26 million in 2001 represented a small decrease from $27 million in 2000 due to a decline in interest rates partially offset by an increase in weighted average debt levels in 2001.

Other-net in 2002 was $8 million in income compared to $5 million of income in 2001. The 2002 amount includes an $18 million gain from the second quarter U.S. pension settlement and $8 million in fourth quarter fixed asset impairment losses. The third and fourth quarters of 2002 reflect $11 million in income from an environmental settlement with an insurance carrier, which was offset by a $2 million increase in other environmental expense. The 2001 amount includes a $29 million U.S. pension plan curtailment gain and a charge of $2 million related to Mac Tools business repositionings, both occurring in the first quarter of 2001. There was no goodwill amortization expense in 2002, due to adoption of Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Intangible Assets", while goodwill amortization was $8 million in 2001. Asset disposals generated $1 million in gains in 2002 as compared to $1 million in losses in 2001. The Company expects non-cash intangibles amortization expense to increase to approximately $10 million in 2003 based on preliminary acquisition purchase accounting, as compared with $4 million in 2002.

Other-net represented $5 million of income in 2001 compared with $20 million expense in 2000. Excluding the aforementioned pension curtailment gain of $29 million and charges of $2 million, 2001 other-net amounted to $22 million expense.

The Company's effective income tax rate for 2002 was 32% as compared to 33% for 2001 and 34% for 2000. The tax rate decreases reflect the continued benefit of organizational and operational changes during recent years that have generated a higher percentage of taxable income in countries with lower statutory rates, primarily in Europe, Israel, and the Far East. The third quarter of 2002 reflects a favorable foreign tax development that reduced income taxes by $6 million, which was offset by the impact of non-deductible excise tax associated with the termination of the defined benefit pension plan.

In addition, the Company recorded a non-recurring tax benefit in the third quarter of 2001 amounting to $3 million. These benefit items were entirely offset by reduced tax benefits related to the restructuring and other charges.

BUSINESS SEGMENT RESULTS

The Tools segment includes carpenters, mechanics, pneumatic and hydraulic tools, as well as tool sets. The Doors segment includes commercial and residential doors, both automatic and manual, and associated services, as well as closet doors and systems, home decor, door locking systems, commercial and consumer hardware.

Tools

(Millions of Dollars)	2002	2001	2000
Net sales	$ 1,954	$ 2,008	$ 2,129
Operating profit	$ 208	$ 266	$ 286
% of Net sales	10.6%	13.2%	13.4%

Tools sales declined 2.7% in 2002 as compared to 2001. The sales decrease was mainly the result of price erosion and unfavorable channel mix in several businesses, and the Mechanics Tools plant consolidation previously mentioned, offset by $23 million in higher sales from acquisitions. Tools operating profit excluding the net impact of the charges allocated to the Tools segment totaling $23 million in 2002 and $15 million in 2001, totaled $231 million or 11.8% of net sales and $281 million or 14.0% of net sales, respectively. The $50 million decline was primarily attributable to the previously detailed Mechanics Tools domestic plant consolidation and internal product sourcing matters, price concessions in the consumer and Fastening Systems businesses, lower LIFO related inventory valuation change in 2002 as compared with 2001, and increased inventory loss provisions. Cost structure improvements

including shifting production to low cost countries and SG&A cost reductions were more than offset by the above items.

Tools sales decreased 6% in 2001 as compared to 2000. The sales decrease was primarily the result of unit volume declines from the Mac Tools repositioning in the first quarter of 2001 and weak industrial markets in North America. Also contributing to the sales decline was the effect of foreign currency translation as European currencies weakened against the U.S. dollar. Despite lower sales, Tools operating profit as a percentage of net sales remained fairly static as compared to 2000. Excluding the impact of $15 million in 2001 special charges allocated to the Tools segment, operating profit was $281 million, or 13.9% of net sales. The improvement in 2001 operating margin as a percentage of net sales excluding special charges, was primarily a result of SG&A expense reductions.

Doors

(Millions of Dollars)	2002	2001	2000
Net sales	$ 639	$ 599	$ 602
Operating profit	$ 81	$ 64	$ 55
% of Net sales	12.7%	10.7%	9.2%

Doors sales increased 6.7% in 2002, primarily due to the Best and Senior Technologies acquisitions. Increases in Hardware and Access Technologies organic sales were offset by declines in Home Decor. Operating profit was 12.7% of net sales as compared to 10.7% for 2001. Acquired companies contributed $8 million operating profit. The remaining increase in operating profit reflects favorable production costs in low cost countries and lower SG&A expenses. Excluding the impact of severance charges allocated to the Doors segment of $1 million in 2002 and $5 million in 2001, operating profit was $82 million or 12.8% of net sales in 2002, compared to $69 million, or 11.5% of net sales in 2001.

Net sales for 2001 were fairly static, representing a decrease of less than 1%. Strong sales attributable to a new program launch with a significant customer were offset by sluggish market conditions in the Americas. Operating profit in 2001 was 10.7% of net sales compared to operating profit of 9.2% for 2000. Excluding the impact of $5 million in charges allocated to the Doors segment in 2001, operating profit was $69 million, or 11.5% of sales. The improvement in operating profit, as a percentage of sales, is a result of increased productivity in the Hardware business as the Company shifted the production base to low-cost countries, and the reduction of SG&A expenses.

RESTRUCTURING ACTIVITIES

In 2001, the Company undertook initiatives to reduce its cost structure and executed several business repositionings intended to improve its competitiveness. These actions resulted in the closure of 13 facilities and a net employment reduction of approximately 2,200 production, selling and administrative people. As a result, the Company recorded $72 million of restructuring and asset impairment charges. Reserves were established for these initiatives consisting of $55 million for severance, $10 million for asset impairment charges and $7 million for other exit costs. The charges for asset impairments were primarily related to manufacturing and other assets that were retired and disposed of as a result of manufacturing facility closures.

At December 28, 2002 and December 29, 2001, restructuring and asset impairment reserve balances were $2 million and $39 million, respectively. The December 29, 2001 balance reflects $6 million related to the impairment of assets. The December 28, 2002 balance relates primarily to 2001 initiatives.

As of December 28, 2002, 86 manufacturing and distribution facilities had been closed as a result of the restructuring initiatives since 1997. In 2002, 2001 and 2000, approximately 1,000, 2,100 and 900 employees have been terminated as a result of restructuring initiatives, respectively. Severance payments of $26 million, $42 million and $29 million and other exit payments of $4 million, $4 million and $3 million were made in 2002, 2001 and 2000, respectively. Write-offs of impaired assets were $6 million, $8 million and $7 million in 2002, 2001 and 2000, respectively.

In June 2002 and September 2001, $8 million and $5 million in severance charges were recorded, respectively, as the Company continued to rationalize its headcount to provide further SG&A expense reductions. These charges were classified within SG&A expense in the Consolidated Statements of Operations. These actions resulted in the termination of approximately 200 selling and administrative employees in each year. As of December 28, 2002, no accrual remained. The Company expects to continue restructuring activities in the future primarily in connection with the movement of manufacturing or sourcing to low cost countries and SG&A expense reductions.

In 2002, $6.4 million in restructuring reserves were established in purchase accounting for the Best acquisition, due to planned closure of several Best offices and synergies in certain centralized functions. The $6.4 million is comprised of $5.3 million for severance and $1.1 million for other exit costs primarily related to non-cancelable leases.

FINANCIAL CONDITION

LIQUIDITY, SOURCES AND USES OF CAPITAL

The Company's primary sources of liquidity are cash flows from operations and borrowings under various credit facilities. The Company has historically generated strong cash flows from operations. In 2002, cash flows from operations were $285 million as compared to $222 million in 2001. In the second half of 2002, the Company received a gross pension settlement of $115 million; an ongoing U.S. defined contribution plan was pre-funded with $29 million, and excise and income taxes totaling $48 million were paid, providing a net $38 million cash inflow from the pension settlement. In the fourth quarter, one of the Company's major customers changed its payment practices enabling acceleration of accounts receivable collections by approximately $30 million. Excluding the $38 million pension settlement and the $30 million impact of a change in a major customer's payment practice, 2002 operating cash flows were $217 million, consistent with 2001. Cash payments related to restructuring and other charges of $42 million in 2002 were comparable to 2001.

During 2001, the Company generated $222 million in operating cash flow as compared to $236 million in 2000. The decline in operating cash flows was primarily the result of an increase in cash payments for restructuring in 2001 of $45 million as compared with $32 million in 2000.

Capital expenditures were $52 million in 2002 as compared to $73 million in 2001. The Company incurred higher capital expenditures in 2001 for "The Stanley Learning Center" (a major addition at world headquarters for the training and development of employees), investment in various plants including movement of production to low cost countries, and increased costs for software development and acquisitions as the Company expanded the infrastructure of its systems. Capital expenditures were $73 million in 2001 as compared to $64 million in 2000.

In 2002, the Company received $338 million in net proceeds from issuance of long-term debt, and disbursed $356 million for business acquisitions. The Company made $154 million in payments on borrowings. These debt proceeds and repayments, in addition to debt issuance costs and currency fluctuations, resulted in a $220 million increase in the Company's short-term and long-term borrowings.

The Company has unused short-(364 day) and long-term (multi-year) credit arrangements with several banks to borrow up to $350 million at the lower of prime or money market rates. Of this amount, $100 million is long-term. In addition, the Company has short-term lines of credit with numerous foreign banks aggregating $98 million, of which $87 million was available at December 28, 2002. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, $350 million is available to support the Company's commercial paper program. In addition to these lines of credit, the Company maintains a facility designed for the securitization of certain trade accounts receivable for purposes of additional liquidity. As of December 28, 2002, the Company's maximum available funds under this arrangement were $106 million, of which the Company had utilized $33 million.

The Company also has numerous assets, predominantly vehicles and equipment, under a one-year term renewable U.S. master personal property lease. Residual value obligations, which approximate the fair value of the related assets, under this master lease were $43 million at December 28, 2002. The Company does not anticipate any material liabilities associated with these transactions.

The following summarizes the Company's significant contractual obligations and commitments that impact its liquidity.

CONTRACTUAL OBLIGATIONS

		Payments Due by Period			
(in millions)	Total	(1 year	1-3 yrs	4-5 yrs)	5 yrs
Short-Term Borrowings	$ 140.1	$ 140.1	$ -	$ -	$ -
Long-term Debt	573.8	9.5	128.3	226.1	209.9
Operating Leases	92.3	43.6	25.9	12.6	10.2
Unconditional Purchase Commitments	60.7	49.9	8.0	2.8	-
Other Contractual Obligations	31.3	16.3	5.0	5.0	5.0
Total Contractual Cash Obligations	$ 898.2	$ 259.4	$ 167.2	$ 246.5	$ 225.1

OTHER COMMERCIAL COMMITMENTS

		Amounts of Commitments Expiration Per Period			
(in millions)	Total	(1 year	1-3 yrs	4-5 yrs)	5 yrs
U.S. Lines of Credit	$ 350.0	$250.0	$ -	$ 100.0	$ -
International Lines of Credit	87.0	87.0	-	-	-
Total Commercial Commitments	$ 437.0	$ 337.0	$ -	$ 100.0	$ -

Short-term borrowings, long-term debt and lines of credit are explained in detail within Note I Long Term Debt and Financing Arrangements of the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K. Operating leases and other commercial commitments are explained in detail in Note R of the Consolidated Financial Statements in Item 15 of this Form 10-K.

The Company's objective is to increase dividends by approximately one-half the Company's earnings growth rate, ultimately reaching a dividend payout ratio of 25%. Dividends increased 5.3% in 2002, 4.4% in 2001 and 3.5% in 2000. The Company plans to use a significant portion of free cash flow (operating cash flow less dividends and capital expenditures) to fund future acquisitions in commercial and industrial markets.

The Company repurchased 4.3 million shares of its common stock in 2000. The net effect was a decrease in equity of $111 million. These repurchases were funded primarily by cash flow from operations. The Company may resume repurchase of its shares as it deems appropriate.

MARKET RISK

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates. Exposure to foreign currency risk results because the Company, through its global businesses, enters into transactions and makes investments denominated in multiple currencies. The Company's predominant exposures are in European, Canadian and Asian currencies. Certain cross-currency trade flows arising from sales and procurement activities are consolidated prior to obtaining risk

protection, primarily purchased options. The Company is thus able to capitalize on its global positioning by taking advantage of naturally offsetting exposures to reduce the cost of purchasing protection. At times, the Company also enters into forward exchange contracts and purchased options to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables, predominately intercompany transactions. Gains and losses from these hedging instruments offset the gains or losses on the underlying net exposures, assets and liabilities being hedged. Management determines the nature and extent of currency hedging activities, and in certain cases, may elect to allow certain currency exposures to remain unhedged. The Company has also entered into several cross-currency interest rate swaps, primarily to reduce overall borrowing costs, but also to provide a partial hedge of the net investments in certain subsidiaries. Sensitivity to foreign currency exposure risk from these financial instruments at the end of 2002 would have been immaterial based on the potential loss in fair value from a hypothetical 10% adverse movement in all currencies.

The Company's exposure to interest rate risk results from its outstanding debt obligations, short-term investments and derivative financial instruments employed in the management of its debt portfolio. The debt portfolio is managed to achieve capital structure targets and reduce the overall cost of borrowing by using a combination of fixed and floating rate debt as well as interest rate swaps, caps and cross-currency interest rate swaps. The Company's primary exposure to interest rate risk comes from its floating rate debt in the U.S., Canada and Europe and is fairly represented by changes in LIBOR rates. At December 28, 2002, the result of a hypothetical one percentage point increase in short-term LIBOR rates would not have resulted in a material impact on the pre-tax profit of the Company.

Fluctuations in the fair value of the Company's common stock affect ESOP expense as well as diluted shares outstanding as discussed in the U.S. Pension and ESOP, and Off-Balance Sheet Arrangements (Equity Hedge) sections of Management Discussion and Analysis, respectively.

The Company has access to financial resources and borrowing capabilities around the world. There are no material instruments within the debt structure that would accelerate payment requirements due to a change in credit rating, and no significantly restrictive covenants. The Company believes that its strong financial position, operating cash flows and borrowing capacity provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the routine needs of its businesses, to make strategic acquisitions and to fund other initiatives encompassed by its growth strategy.

OTHER MATTERS

ENVIRONMENTAL The Company incurs costs related to environmental issues as a result of various laws and regulations governing current operations as well as the remediation of previously contaminated sites. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company's expenditures related to routine environmental matters.

The Company accrues for anticipated costs associated with investigatory and remediation efforts in accordance with appropriate accounting guidelines which address probability and the ability to reasonably estimate future costs. The liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated. Subject to the imprecision in estimating future environmental costs, the Company believes that any sum it may pay in connection with environmental matters in excess of the amounts recorded will not have a materially adverse effect on its financial position, results of operations or liquidity. Refer to Note T Contingencies of the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K for further information on environmental liabilities and related cash flows.

U.S. PENSION AND ESOP In June 2002, the Company recorded an $18 million pre-tax pension settlement gain in other-net. This involved the termination and settlement of the primary U.S. salaried employee plan as well as settlement of most of the liabilities in the ongoing plan for hourly employees. In addition to the settlement gain, the Company recorded $8 million of operating income related to these plans in 2002, whereas in 2003 the ongoing hourly plan will reflect approximately $2 million in expense.

As detailed in Note M Employee Benefit Plans to the Consolidated Financial Statements in Item 15 of this Form 10-K, the Company has an Employee Stock Ownership Plan (ESOP) under which the ongoing U.S. defined contribution and 401(k) plans are funded. Overall ESOP expense is affected by the market value of Stanley stock on the monthly dates when shares are released. In 2002, the market value of shares released averaged $39.62 per share and the net ESOP expense was negligible. In the event the market value of Stanley stock on the 2003 ESOP share release dates is below the $39.62 2002 average, the net ESOP expense will increase.

The Company provides a 5% guaranteed rate of return on participant contributions made to the tax deferred savings plan (401K) prior to July 1998 when all contributions were invested in Stanley common stock. The value of the shares participants purchased prior to July 1998 along with the 5% cumulative guaranteed rate of return on Stanley common stock is known as an Investment Protection Account (IPA). Beginning in July 1998 the investment options for plan participant contributions were enhanced to include a variety of investment funds in addition to the Company's common stock, and there is no guaranteed rate of return to participants on any contributions made after that time. The IPA guarantee for participants who are not considered highly compensated is now included in the actuarial valuation of an ongoing U.S. pension plan. Payments related to the IPA guarantees, if they have any value, would be made to participants over a period of many years, generally commencing with retirement. In the event the market value of Stanley common stock declines, additional costs may be triggered by the IPA benefit guarantee.

NEW ACCOUNTING STANDARDS

Refer to Note A Significant Accounting Policies of the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K for a discussion of new accounting pronouncements and the potential impact to the Company's consolidated results of operations and financial position.

CRITICAL ACCOUNTING ESTIMATES Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Significant accounting policies used in the preparation of the Consolidated Financial Statements in Item 15 of this Form 10-K are described in Note A Significant Accounting Policies thereto. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters with inherent uncertainty. The most significant areas involving management estimates are described below. Actual results in these areas could differ from management's estimates.

ALLOWANCE FOR DOUBTFUL ACCOUNTS Stanley's estimate for its allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, the Company evaluates specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy. In these cases, the Company uses its judgment, based on the best available facts and circumstances, to record a specific reserve for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received. Second, a general reserve is established for all customers based on a range of percentages applied to receivables aging categories. These percentages are based on historical collection and write-off experience.

If circumstances change, for example higher than expected defaults or a material adverse change in a major customer's ability to meet its financial obligation to the Company, estimates of the recoverability of receivable amounts due could be reduced.

In addition, Mac Tools retail related receivables, $43 million, net, at December 28, 2002, are comprised of thousands of high credit risk, individually small, accounts. While some customers remit payments by mail, to a large extent these receivables are collected by distributors in direct contact with customers on truck routes, and by outside collection agencies on certain open routes and delinquent accounts. The Company continues to reduce the number of Mac Tools employee distributors who support the retail channel of the

business, and increase the number of wholesale non-employee distributors. This retail to wholesale mix shift in the Mac Tools business has an inherent positive impact on the asset quality going forward but increases the collection risk of these Mac Tools retail related receivables. Realization of these receivables is dependent upon information systems and effective management of collection efforts by distributors and outside agencies.

INVENTORIES - LOWER OF COST OR MARKET, SLOW MOVING AND OBSOLETE U.S. inventories are valued at the lower of LIFO cost or market. The calculation of LIFO reserves, and therefore the net inventory valuation, is affected by inflation and deflation in inventory components. The Company ensures all inventory is valued at the lower of cost or market, and continually reviews the book value of discontinued product lines and SKUs to determine if these items are properly valued. The Company identifies these inventories and assesses the ability to dispose of them at a price greater than cost. If it is determined that cost is less than market value, then cost is used for inventory valuation. If market value is less than cost, then the Company writes down the related inventory to that value. If a write down to the current market value is necessary, the market value cannot be greater than the net realizable value, or ceiling (defined as selling price less costs to complete and dispose), and cannot be lower than the net realizable value less a normal profit margin, also called the floor. The Company also continually evaluates the composition of its inventory and identifies slow-moving inventories. Inventory items identified as slow-moving are evaluated to determine if reserves are required. Generally, the Company does not experience significant issues with obsolete inventory due to the nature of its products. If the Company is not able to achieve its expectations regarding net realizable value of inventory at its current value, reserves would have to be adjusted accordingly.

GOODWILL AND INTANGIBLE ASSETS The Company completed acquisitions in 2002 valued at $359 million. The assets and liabilities of acquired businesses are recorded under the purchase method at their fair values at the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. The Company had recorded goodwill of $348 million at December 28, 2002 and $216 million at December 29, 2001.

In accordance with SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. The identification and measurement of goodwill and unamortized intangibles impairment involves the estimation of the fair value of reporting units. The estimates of fair value of reporting units are based on the best information available at the date of assessment, which primarily incorporate management assumptions about future cash flows. Future cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. While the Company has not recorded intangibles impairment losses in several years, it is possible impairments may occur in the future in the event expected cash flows change significantly. Specifically, the Fastening Systems reporting unit is experiencing margin declines due primarily to the intensified generic nail competition and industrial channel movement to large distributors. Fastening Systems had $33 million of recorded goodwill at December 28, 2002. There is potential for future goodwill impairment losses if Fastening Systems projected profits and cash flows continue to decline. See Note G Goodwill and Other Intangible Assets of the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K for further discussion.

PROPERTY, PLANT AND EQUIPMENT (PP&E) The Company generally values PP&E at historical cost less accumulated depreciation. Impairment losses are recorded when indicators of impairment, such as plant closures, are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. The Company assesses whether machinery and equipment can be used at other facilities and if not, estimates the proceeds to be realized upon sale of the assets. The impairment loss is then quantified by comparing the carrying amount of the assets to the weighted average discounted cash flows, which consider various possible outcomes for the disposition of the assets. Primarily as a result of plant rationalization, certain facilities and equipment are not currently used in operations. The Company has recorded impairment losses related to unused assets and such losses may potentially occur in the future.

The Company initiated a worldwide PP&E physical inventory in 2002 which is expected to be complete in 2003. Upon completion of this physical inventory, it is possible losses may be detected.

RISK INSURANCE To some extent, the Company self insures for various business exposures. For domestic workers compensation and product liability, the Company generally purchases outside insurance coverage only for catastrophic losses ("stop loss" insurance). The two risk areas involving the most significant accounting estimates are workers compensation and product liability (liability for alleged injuries associated with the Company's products). Actuarial valuations performed by an outside risk insurance expert form the basis for workers compensation and product liability loss reserves recorded. The actuary contemplates the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to determine the range of estimated reserve required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified by third party administrator specialists (insurance companies) for workers compensation and by in-house legal counsel in consultation with outside attorneys for product liability. The cash outflows related to risk insurance claims are expected to occur over approximately 8 to 10 years, and the present value of expected claim payments is reserved. The Company believes the liability recorded for such risk insurance reserves as of December 28, 2002 is adequate, but due to judgments inherent in the reserve process it is possible the ultimate costs will differ from this estimate.

FREIGHT ACCRUAL As a result of the continued movement of U.S. based manufacturing operations to low cost country manufacturing and outsourcing, the Company has experienced increased transportation costs over the past three years, as well as increased complexity in the accrual estimation process for these costs. The Company's accrual estimation methodology is based on data from a third party transportation administrator and historical trends or lag factors applied to such underlying data.

OFF-BALANCE SHEET ARRANGEMENTS The Company's off-balance sheet arrangements include the following:

RECEIVABLE SECURITIZATIONS The Company has agreements to sell, on a revolving basis, pools of accounts and notes receivables to two Qualified Special Purpose Entities (QSPEs), which qualify to be accounted for as unconsolidated subsidiaries. The entities are designed to facilitate the securitization of certain trade accounts receivable, are used to fund the Mac Advantage financing program as well as provide long-term secured financing to Mac Tools distributors, and as an additional source of liquidity. Assets and related debt off-balance sheet were $98 and $77 million at December 28, 2002 and $85 and $64 million at December 29, 2001, respectively. The Company is responsible for servicing these accounts and receives a servicing fee, while the QSPEs bear the risk of noncollection. The proceeds from sales of eligible receivables to QSPEs were $80 million in 2002 and $81 million in 2001. There were no gains or losses on these sales.

At December 28, 2002, the Company has a $23 million long-term investment in the QSPEs. In the event the QSPEs incur future losses, this investment would be written down with associated losses reflected in the Consolidated Statements of Operations. As of December 28, 2002 and December 29, 2001, the Company had $32 million and $25 million, respectively, in receivables due from the Mac Tools related QSPE.

STANLEY COMMON STOCK EQUITY HEDGE The Company has $213 million in equity forward contracts with major U.S. financial institutions, of which $175 million matures on December 31, 2003 and $38 million on September 24, 2004. The equity forwards on Stanley common shares are designed to partially hedge the dilutive effect on earnings per share of "in-the-money" stock options as the stock price fluctuates, and to reduce potential cash outflow for the repurchase of the Company's stock to offset option exercises. The structure requires interim quarterly net share settlement, and is accounted for within equity. Cash settlements may be elected at the option of the Company. The Company has historically made no cash settlement elections.

The equity forward contracts contain registration event triggers applicable if the Company's credit rating is downgraded to BBB and Baa2 as determined by Standard & Poor's Rating Service and Moody's Investor Services, respectively. A registration event requires the Company to make its best effort to register the shares under the hedge. In addition the equity forward contracts contain unwind triggers commencing when the Company's stock price declines below $19 to $15 per share varying by contract (a weighted average of $16.73), or its credit rating is downgraded to BBB- and Baa3 as determined by Standard & Poor's Rating Service and Moody's Investor Services, respectively. In the event of an unwind caused by share price decline or a credit rating downgrade, the Company is obligated to make its best efforts to register shares under the hedge. The Company, as its liquidity permits, may elect to repurchase shares from the counterparties, who are otherwise entitled to sell these shares into the market.

If the stock price declines, the Company may issue shares to the counterparties that exceed the favorable offset of stock options coming "out-of-the-money" resulting in dilution of earnings per share. The Company delivered 1,338,708 shares of common stock with a market value of $47 million ($42 million book value) from quarterly net share settlements in 2002. In 2001, the Company received 1,432,264 shares of common stock with a market value and book value of $67 million from settlements. The following chart summarizes hypothetical net share settlements occurring at various Stanley common stock prices, assuming the final 2002 quarterly interim settlement share price of $34.83, or 6.1 million underlying shares, as the starting point.

Share price	Incr (Decr) in Diluted Shares from Options	Equity Hedge Settlement Shares Delivered (Received)	Net Diluted Shares Outstanding Increase (Decrease)
$ 20	(1,302,128)	4,541,149	3,239,021
$ 30	(651,273)	986,010	334,737
$ 40	612,801	(791,564)	(178,763)

The accounting treatment on the equity forward contracts is expected to change in the third quarter of 2003 based on an exposure draft issued by the Financial Accounting Standards Board (FASB). Currently, activity on the equity hedge is accounted for entirely within equity whereas under the proposed new rules "mark to market" accounting will be required. The rule change, if enacted, would mean gains and losses related to fair value of the shares delivered or received under the quarterly interim share settlements would be reported in the Company's income statement. In addition, the proposed rule changes may require the Company to report the $213 million notional amount of the equity forward contracts as debt. The Company is evaluating various alternatives including maintainance, modification, and termination of its equity hedge program but has not decided on any course of action.

SYNTHETIC LEASES The Company is a party to synthetic leasing programs for two of its major distribution centers. The leases are designed and qualify as operating leases for accounting purposes, where only the monthly lease amount is recorded in the income statement and the liability and value of underlying assets are off-balance sheet. The reasons for these programs are primarily to reduce overall cost and to retain flexibility. As of December 28, 2002, the estimated fair values of assets and remaining obligations for these two properties were $34 million and $24 million, respectively. FASB Interpretation No. (FIN) 46 "Consolidation of Variable Interest Entities" will affect the accounting for one of these synthetic leases in the third quarter of 2003. Upon adoption of FIN 46, $17 million in assets and $11 million in obligations for one of the properties under synthetic leases will be reflected in the Consolidated Balance Sheets. The Company is considering various alternatives to change the lease structure but has not determined a course of action.

CAUTIONARY STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

The statements contained in this Annual Report to shareowners regarding the Company's ability (i) to generate cash and realize outstanding receivables, (ii) to increase shareowner returns and dividends, (iii) to improve its brand, (iv) to maintain or increase sales and gain retail share, (v) to reduce its cost structure, restructure and continue productivity gains, including the reduction of facilities and employees,

and improve competitiveness, (vi) to recover a significant portion of the negative impact to gross profit of the Mechanics Tools plant consolidation and (vii) to maintain the level of ongoing expense of the hourly pension plan are forward looking and inherently subject to risk and uncertainty.

The Company's ability to generate cash, increase shareowner returns and dividends and maintain or increase sales and gain retail share is dependent on both internal and external factors, including (i) the success of the Company's efforts to redress production problems in its Mechanics Tools business, (ii) the success of the Company's marketing and sales efforts, (iii) the continued success of initiatives with The Home Depot, Lowe's and WalMart, (iv) continuing improvements in productivity and cost reductions, including inventory reductions, continued improvement in the payment terms under which the Company buys and sells goods, materials and product and continued reduction of SG&A expenses as a percentage of sales, (v) the ability of the sales force to adapt to changes made in the sales organization and achieve adequate customer coverage, (vi) the absence of increased pricing pressures from customers and competitors and the ability to defend market share in the face of price competition, (vii) the acceptance of the Company's new products in the marketplace as well as the ability to satisfy demand for these products, (viii) the successful integration of the Company's recent acquisitions (ix) outcomes of pending and future litigation and (x) the strength of the United States economy and the relative strength of foreign currencies, including, without limitation, the Euro and the Taiwan dollar. Additionally, the realization of Mac Tools retail receivables in particular is dependent upon information systems and effective management of collection efforts by distributors and outside agencies pertaining to covered and open routes.

The Company's ability to improve its brand is dependent upon a number of factors, including the success of the marketing efforts of the Company and its customers and the success and acceptance of the Company's new products.

The Company's ability to reduce its cost structure, restructure and continue productivity gains, including the reduction of facilities and employees, and improve competitiveness is dependent on the success of various initiatives that are underway or are being developed to improve manufacturing and sales operations and to implement related control systems, which initiatives include certain facility closures and related workforce reductions expected to be completed in 2003. The success of these initiatives is dependent on the Company's ability to increase the efficiency of its routine business processes, to develop and implement process control systems, to mitigate the effects of any material cost inflation, to develop and execute comprehensive plans for facility consolidations, the availability of vendors to perform outsourced functions, the successful recruitment and training of new employees, the resolution of any labor issues related to closing facilities, the need to respond to significant changes in product demand while any facility consolidation is in process and other unforeseen events.

The Company's ability to recover a significant portion of the negative impact to gross profit related to flawed execution in Mechanics Tools consolidations is dependent on the continued ability of the affected facilities to maintain current production rates, the successful integration and performance of new Mechanics Tools operations and management personnel and processes and the successful recovery of demand for Mac and Mechanics Tools products affected by the aforementioned flawed execution.

The Company's ability to maintain the level of ongoing expense of the hourly pension plan is dependent on the Company's employment levels and interest rates.

The Company's ability to achieve the objectives discussed above will also be affected by other external factors. These external factors include pricing pressure and other changes within competitive markets, the continued consolidation of customers in consumer channels, inventory management pressures on the Company's customers, increasing competition, changes in trade, monetary and fiscal policies and laws, inflation, currency exchange fluctuations, the impact of dollar/foreign currency exchange rates on the competitiveness of products, the impact of events that cause or may cause disruption in the Company's distribution and sales networks such as the recent closure of ports on the West Coast, the events of

September 11, 2001, war, political unrest and recessionary or expansive trends in the economies of the world in which the Company operates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company incorporates by reference the material captioned "Market Risk" in Item 7 and the material in Note J of the Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 15 for an index to Financial Statements and Financial Statement Schedules. Such Financial Statements and Financial Statement Schedule are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by Items 401 and 405 of Regulation S-K, except for Item 401 with respect to the executive officers as described below, is incorporated herein by reference to the information set forth in the section of the Company's definitive proxy statement (which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the close of the Company's fiscal year) entitled Information Concerning Nominees for Election as Directors and Information Concerning Directors Continuing in Office under the following subsection Item 1 - Election of Directors.

Executive Officers

The following is a list of the executive officers of the Company as of December 28, 2002:

Name, Age (as of 12/28/02) Birth date	Office	Elected to Office
J.M. Trani (57) (03/15/45)	Chairman and Chief Executive Officer. Joined Stanley December 1996; President and Chief Executive Officer of GE Medical Systems (1986).	12/31/96
B.H. Beatt (50) (07/24/52)	Vice President, General Counsel and Secretary. Joined Stanley October 2000; Vice President, General Counsel and Secretary, Dexter Corporation (1991).	10/09/00
J. H. Garlock Jr. (48) (06/05/54)	Vice President, Stanley October 2002, President, Stanley Fastening Systems. Joined Stanley September 2000 as President, Stanley Doors; President, Porter Cable corporation (1997).	10/28/02
P.E. Haviland (48) (07/23/54)	Vice President, Corporate Planning and Development. Joined Stanley September 2002. Vice President, Corporate Development, Exelon Corporation (1998); Senior Vice President, Planning and Administration, Bovis Incorporated (1993).	10/16/02

W.D. Hill (53) (09/18/49)	Vice President, Engineering. Joined Stanley August 1997; Director Product Management-Tool Group, Danaher Tool (1996); Vice President, Product Development Global Accessories, The Black & Decker Corporation (1994).	09/17/97
P.M.Isabella (47) (10/14/55)	Vice President - Operations. Joined Stanley May 1999; January 1998, Vice President Operations, GE Industrial Systems; January 1995, General Manager Switchgear/Busway Operation.	10/18/01
K.O. Lewis (49) (5/28/53)	Vice President, Marketing and Brand Development. Joined Stanley November 1997; Executive Vice President Strategic Alliances, Marvel Entertainment Group (1996); Director Participant Marketing, Walt Disney Attractions (1986).	11/03/97
J.M. Loree (44) (06/14/58)	Executive Vice President, September 2002, and Chief Financial Officer. Joined Stanley July 1999; Vice President, Finance & Strategic Planning, GE Capital Auto Financial Services (1997); President & Chief Executive Officer, GE Capital Modular Space (1995).	07/19/99
M.J. Mathieu (50) (02/20/52)	Vice President, Human Resources. Joined Stanley September 1997; Manager-Human Resources, GE Motors & Industrial Systems (1996); Consultant-Executive Staffing, General Electric Company (1994).	09/17/97
D.R. McIlnay(52) (06/11/50)	President, Consumer Sales Americas. Joined Stanley October 1999; President & Chief Executive Officer, The Gibson-Homans Company (1997); President, Levolor Home Fashions, a Newell Company (1993).	10/04/99

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 402 of Regulation S-K is incorporated herein by reference to the information set forth under the section entitled Executive Compensation of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the close of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by Item 403 of Regulation S-K, except for the equity compensation plan information that follows, is incorporated herein by reference to the information set forth under the sections entitled Security Ownership and Executive Compensation of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the close of the Company's fiscal year.

EQUITY COMPENSATION PLAN INFORMATION

Compensation plans under which the Company's equity securities are authorized for issuance at December 28, 2002 follow:

	(A)	(B)	(C)
PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options and restricted stock shares	Weighted-average exercise price of outstanding options and restricted stock shares	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	11,009,696	$ 30.06	22,699,966
Equity compensation plans not approved by security holders	(a)	(a)	(a)
Total	11,009,696	$ 30.06	22,699,966

(a) There is a non-qualified deferred tax savings plan for highly compensated salaried employees which mirrors the qualified plan provisions but was not specifically approved by security holders. U.S. employees are eligible to contribute from 1% to 15% of their salary to a tax deferred savings plan as described in the Employee Stock Ownership Plan (ESOP) section of Item 15 Note M Employee Benefit Plans to the consolidated financial statements. The Company contributes an amount equal to one-half of the employee contribution up to the first 7% of their salary, all of which is invested in Stanley common stock for qualified employees. The same matching arrangement is provided for highly compensated salaried employees in the "non-qualified" plan, except that the arrangement for these employees is outside of the ESOP, and is not funded in advance of distributions. Shares of the Company's common stock may be issued at the time of a distribution from the plan. The number of securities remaining available for issuance under the plan at December 28, 2002 is not determinable, since the plan does not authorize a maximum number of securities.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

ITEM 14. CONTROLS AND PROCEDURES.

Within the 90-day period prior to the filing of this report, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chairman and its Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chairman and its Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in its periodic Securities Exchange Commission filings. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a). Index to documents filed as part of this report:

1. and 2. Financial Statements and Financial Statement Schedules.

The response to this portion of Item 15 is submitted as a separate section of this report beginning with an index thereto on page F-1.

3. Exhibits

See Exhibit Index in this Form 10-K on page E-1.

(b). The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

Date of Report	Items Reported
November 25, 2002	Press Release dated November 25, 2002 announcing the acquisition of Best Lock Corporation d.b.a. Best Access Systems, and comments on the Company's expectations for this acquisition.
November 5, 2002	Press Release dated November 1, 2002 announcing the completion of an offering of $350 million in aggregate principal amount of notes.
October 16, 2002	Press Release dated October 16, 2002 providing earnings guidance for the fourth quarter and full year 2002 and for the full year 2003 and commentary regarding gross margin projections and consumer and industrial sales expectations. In a conference call with industry analysts, shareowners and other participants, the Company reviewed the earnings guidance and commentary regarding gross margin projections and consumer and industrial sales expectations.
October 10, 2002	Press Release dated October 10, 2002 commenting on sales and profit outlooks and announcing that the Company will acquire Best Lock Corporation d.b.a. Best Access Systems and has formed an access controls group.

(c) See Exhibit Index in this Form 10-K on page E-1.

(d) The response in this portion of Item 15 is submitted as a separate section of this Form 10-K with an index thereto beginning on page F-1.

SIGNATURES

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

THE STANLEY WORKS

By /s/ John M. Trani

John M. Trani, Chairman
and Chief Executive Officer

March 28, 2003

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

/s/ John M. Trani	/s/ James M. Loree
John M. Trani, Chairman, Chief Executive Officer and Director	James M. Loree, Executive Vice President, Finance and Chief Financial Officer
/s/ Donald Allan Jr.	
Donald Allan Jr., Vice President, and Corporate Controller	
*	*
Robert G. Britz, Director	Stillman B. Brown, Director
	*
Emmanuel A. Kampouris, Director	Eileen S. Kraus, Director
*	
John D. Opie, Director	Derek V. Smith, Director
*	
Kathryn D. Wriston, Director	

*By: /s/ Bruce H. Beatt

Bruce H. Beatt
(As Attorney-in-Fact)

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, John M. Trani, certify that:

1. I have reviewed this anual report on Form 10-K of The Stanley Works and subsidiaries;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ John M. Trani

John M. Trani
Chairman and Chief Executive Officer

I, James M. Loree, certify that:

1. I have reviewed this annual report on Form 10-K of The Stanley Works and subsidiaries;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ James M. Loree

James M. Loree
Executive Vice President, Finance
and Chief Financial Officer

FORM 10-K
ITEM 15(a) (1) AND (2)
THE STANLEY WORKS AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Consent of Independent Auditors

We consent to the incorporation by reference in the following registration statements of The Stanley Works and subsidiaries of our report dated March 21, 2003, with respect to the consolidated financial statements and schedule of The Stanley Works and subsidiaries included in this Annual Report (Form 10-K) for the year ended December 28, 2002.

- Registration Statement (Form S-8 No. 2-93025)
- Registration Statement (Form S-8 No. 2-96778)
- Registration Statement (Form S-8 No. 2-97283)
- Registration Statement (Form S-8 No. 33-16669)
- Registration Statement (Form S-3 No. 33-12853)
- Registration Statement (Form S-3 No. 33-19930)
- Registration Statement (Form S-8 No. 33-39553)
- Registration Statement (Form S-8 No. 33-41612)
- Registration Statement (Form S-3 No. 33-46212)
- Registration Statement (Form S-3 No. 33-47889)
- Registration Statement (Form S-8 No. 33-55663)
- Registration Statement (Form S-8 No. 33-62565)
- Registration Statement (Form S-8 No. 33-62567)
- Registration Statement (Form S-8 No. 33-62575)
- Registration Statement (Form S-8 No. 333-42346)
- Registration Statement (Form S-8 No. 333-42582)
- Registration Statement (Form S-8 No. 333-64326)
- Registration Statement (Form S-4 No. 333-89200)

/s/ ERNST & YOUNG LLP

Hartford, Connecticut
March 27, 2003

Schedule II - Valuation and Qualifying Accounts
The Stanley Works and Subsidiaries
Fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000
(In Millions of Dollars)

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BEGINNING BALANCE	(1) CHARGED TO COSTS AND EXPENSES	(2) CHARGED TO OTHER ACCOUNTS(B)	DEDUCTIONS	ENDING BALANCE
YEAR ENDED 2002 RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
Allowance for doubtful accounts:					
Current	$32.3	$ 9.9	$(0.8)	$ 15.0(a)	$26.4
Non-current	1.4	--	(0.2)	--	1.2
YEAR ENDED 2001 RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
Allowance for doubtful accounts:					
Current	41.9	18.0	(3.5)	24.1(a)	32.3
Non-current	0.6	--	1.0	0.2	1.4
YEAR ENDED 2000 RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
Allowance for doubtful accounts:					
Current	43.4	24.3	2.2	28.0(a)	41.9
Non-current	0.7	--	(0.1)	--	0.6

(a) Represents doubtful accounts charged-off, less recoveries of accounts previously charged-off.

(b) Represents net transfers to and from other accounts, foreign currency translation adjustments and acquisitions and divestitures.

REPORT OF INDEPENDENT AUDITORS

The Shareowners
The Stanley Works

We have audited the accompanying consolidated balance sheets of The Stanley Works and subsidiaries as of December 28, 2002 and December 29, 2001, and the related consolidated statements of operations, changes in shareowners' equity, and cash flows for each of the three fiscal years in the period ended December 28, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Stanley Works and subsidiaries at December 28, 2002 and December 29, 2001, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as whole, presents fairly in all material respects the information set forth therein.

As discussed in Note G to the Consolidated Financial Statements, effective December 30, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets."

/s/ ERNST & YOUNG LLP

Hartford, Connecticut
March 21, 2003

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000

(in millions of dollars, except per share amounts)	2002	2001	2000
Net Sales	$ 2,593.0	$ 2,606.6	$ 2,730.6
Costs and Expenses			
Cost of sales	$ 1,757.2	$ 1,701.3	$ 1,751.5
Selling, general and administrative	547.2	575.9	638.3
Interest income	(4.0)	(6.7)	(7.5)
Interest expense	28.5	32.3	34.6
Other-net	(8.4)	(5.3)	20.0
Restructuring charges and asset impairments	--	72.4	--
	2,320.5	2,369.9	2,436.9
Earnings Before Income Taxes	272.5	236.7	293.7
Income Taxes	87.5	78.4	99.3
Net Earnings	$ 185.0	$ 158.3	$ 194.4
Net Earnings Per Share of Common Stock			
Basic	$ 2.14	$ 1.85	$ 2.22
Diluted	$ 2.10	$ 1.81	$ 2.22

See notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

December 28, 2002 and December 29, 2001

(Millions of Dollars)	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	$ 121.7	$ 115.2
Accounts and notes receivable	548.0	551.3
Inventories	414.7	410.1
Deferred taxes	21.2	4.7
Prepaid expenses	68.2	55.6
Properties held for sale	5.2	3.1
Other current assets	11.4	4.5
Total Current Assets	1,190.4	1,144.5
Property, Plant and Equipment	494.8	491.2
Goodwill and Other Intangibles	544.9	236.1
Other Assets	188.1	183.9
Total Assets	$2,418.2	$2,055.7
Liabilities and Shareowners' Equity		
Current Liabilities		
Short-term borrowings	$ 140.1	$ 177.3
Current maturities of long-term debt	9.5	120.1
Accounts payable	260.3	247.7
Accrued expenses	271.0	280.4
Total Current Liabilities	680.9	825.5
Long-Term Debt	564.3	196.8
Other Liabilities	189.2	201.1
Commitments and Contingencies (Notes R and T)		
Shareowners' Equity		
Preferred stock, without par value:		
Authorized and unissued 10,000,000 shares		
Common stock, par value $2.50 per share:		
Authorized 200,000,000 shares;		
issued 92,343,410 shares		
in 2002 and 2001	230.9	230.9
Retained earnings	1,244.6	1,184.9
Accumulated other comprehensive loss	(123.4)	(138.9)
ESOP debt	(180.8)	(187.7)
	1,171.3	1,089.2
Less: cost of common stock in treasury		
(5,508,293 shares in 2002 and 7,684,663 shares in 2001)	187.5	256.9
Total Shareowners' Equity	983.8	832.3
Total Liabilities and Shareowners' Equity	$2,418.2	$2,055.7

See notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS
OF CASH FLOWS

Fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000

(Millions of Dollars)	2002	2001	2000
Operating Activities:			
Net earnings	$ 185.0	$ 158.3	$ 194.4
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	71.2	81.8	82.1
Provision for doubtful accounts	6.7	17.2	24.3
Restructuring and asset impairments	-	72.4	-
Other non-cash items	29.4	1.2	19.1
Changes in operating assets and liabilities:			
Accounts and notes receivable	29.0	(32.6)	(15.8)
Inventories	(8.4)	(14.6)	(29.2)
Accounts payable and accrued expenses	3.4	(66.8)	(42.0)
Income taxes	(49.1)	25.7	9.8
Other	17.9	(21.0)	(6.5)
Net cash provided by operating activities	285.1	221.6	236.2
Investing Activities:			
Capital expenditures	(37.2)	(55.7)	(59.8)
Capitalized software	(15.1)	(17.4)	(4.6)
Proceeds from sales of assets	11.5	9.8	14.1
Business acquisitions	(355.9)	(79.3)	-
Other	1.2	(27.2)	(19.7)
Net cash used in investing activities	(395.5)	(169.8)	(70.0)
Financing Activities:			
Payments on long-term debt	(115.0)	(2.4)	(32.7)
Proceeds from long-term borrowings	352.5	75.0	-
Net short-term financing	(39.3)	(29.3)	59.7
Debt issuance costs	(15.0)	-	-
Proceeds from issuance of common stock	17.4	25.4	8.9
Purchase of common stock for treasury	-	(11.0)	(108.6)
Cash dividends on common stock	(85.6)	(80.5)	(78.3)
Net cash provided by (used in) financing activities	115.0	(22.8)	(151.0)
Effect of exchange rate changes on cash	1.9	(7.4)	(9.6)
Increase in cash and cash equivalents	6.5	21.6	5.6
Cash and cash equivalents, beginning of year	115.2	93.6	88.0
Cash and cash equivalents, end of year	$ 121.7	$ 115.2	$ 93.6

See notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY

Fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000

(Millions of Dollars, except per share amounts)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	ESOP Debt	Treasury Stock	Shareowners' Equity
Balance January 1, 2000	$ 230.9	$ 926.9	$ (99.2)	$ (202.2)	$ (121.0)	$ 735.4
Comprehensive income:						
Net earnings		194.4				194.4
Currency translation adjustment			(24.6)			(24.6)
Minimum pension liability			(0.7)			(0.7)
Total comprehensive income						169.1
Cash dividends declared-$0.90 per share		(78.3)				(78.3)
Issuance of common stock		(6.5)			17.5	11.0
Purchase of common stock					(111.5)	(111.5)
Equity hedge shares delivered		(0.3)			0.3	-
Tax benefit related to stock options		0.8				0.8
ESOP debt and tax benefit		2.6		7.4		10.0
Balance December 30, 2000	230.9	1,039.6	(124.5)	(194.8)	(214.7)	736.5
Comprehensive income:						
Net earnings		158.3				158.3
Currency translation adjustment and other			(12.6)			(12.6)
Minimum pension liability			(1.8)			(1.8)
Total comprehensive income						143.9
Cash dividends declared-$0.94 per share		(80.5)				(80.5)
Issuance of common stock		(9.0)			35.6	26.6
Purchase of common stock					(10.8)	(10.8)
Equity hedge shares received		67.0			(67.0)	-
Tax benefit related to stock options		3.7				3.7
ESOP debt and tax benefit		5.8		7.1		12.9
Balance December 29, 2001	230.9	1,184.9	(138.9)	(187.7)	(256.9)	832.3
Comprehensive income:						
Net earnings		185.0				185.0
Currency translation adjustment and other			17.8			17.8
Minimum pension liability			(2.3)			(2.3)
Total comprehensive income						200.5
Cash dividends declared-$0.99 per share		(85.6)				(85.6)
Issuance of common stock		(5.1)			27.8	22.7
Equity hedge shares delivered		(41.6)			41.6	-
Tax benefit related to stock options		3.0				3.0
ESOP debt and tax benefit		4.0		6.9		10.9
Balance December 28, 2002	$ 230.9	$ 1,244.6	$ (123.4)	$ (180.8)	$ (187.5)	$ 983.8

See notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION The Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries which require consolidation, after the elimination of intercompany accounts and transactions. The Company's fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in fiscal years 2002, 2001, and 2000.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

FOREIGN CURRENCY TRANSLATION For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates; income and expenses are translated using weighted average exchange rates. Resulting translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in a separate component of shareowners' equity. Translation adjustments for operations in highly inflationary economies and exchange gains and losses on transactions are included in earnings, and amounted to net losses for 2002, 2001 and 2000 of $0.9 million, $0.1 million and $2.3 million, respectively.

CASH EQUIVALENTS Highly liquid investments with original maturities of three months or less are considered cash equivalents.

ACCOUNTS RECEIVABLE Trade receivables are stated at gross invoice amount less discounts, other allowances and rebates and provision for uncollectible accounts.

ALLOWANCE FOR DOUBTFUL ACCOUNTS The Company estimates its allowance for doubtful accounts using two methods. First, the Company determines a specific reserve for individual accounts where information is available that the customer may have an inability to meet its financial obligations. Second, a general reserve is established for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. The same methodology is utilized in estimating the allowance for doubtful accounts for off-balance sheet trade receivables discussed in Note C.

INVENTORIES U.S. inventories are valued at the lower of Last-In, First-Out (LIFO) cost or market. Other inventories are valued generally at the lower of First-In, First-Out (FIFO) cost or market.

FIXED ASSETS Property, plant and equipment are stated on the basis of historical cost less accumulated depreciation. Depreciation is provided using straight-line methods over the estimated useful lives of the assets.

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company assesses whether machinery and equipment can be used at other facilities and if not, estimates the proceeds to be realized upon the sale of the assets. The impairment loss is then quantified by comparing the carrying amount of the assets to the weighted average discounted cash flows, which consider various possible outcomes for the disposition of the assets. Primarily as a result of plant rationalization, certain facilities and equipment are not currently used in operations. The Company recognized $8.4 million in impairment losses in the Tools segment in 2002 classified in other-net in the Consolidated Statements of Operations. Impairment losses of $10.4 million in 2001 were included in "Restructuring Charges and Asset Impairments" in the Consolidated Statements of Operations of which $0.3 million and $10.1 million related to the Doors and Tools segments, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Intangible assets acquired are recorded at cost. Goodwill and other intangible assets were historically amortized using the straight-line method of amortization over their estimated useful lives.

As of January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets." Under the provisions of this Statement, goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization. Annual impairment testing must be performed on these assets using the guidance and criteria described in the Statement. All other intangible assets are amortized over their estimated useful lives.

FINANCIAL INSTRUMENTS The Company recognizes all derivative financial instruments, such as interest rate swap agreements, foreign currency options, and foreign exchange contracts, in the Consolidated Financial Statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareowners' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risk. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income. Changes in fair value of derivatives used as hedges of the net investment in foreign operations are reported in other comprehensive income as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in income.

Prior to December 31, 2000, the Company also used interest rate swap agreements, foreign currency options and foreign exchange contracts for hedging purposes.

The net interest paid or received on the swaps is recognized as interest expense. Gains resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period originally covered by the terminated swap. The Company manages exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of forward exchange contracts or currency options. The Company enters into forward exchange contracts to hedge intercompany loans and enters into purchased foreign currency options to hedge anticipated transactions. Gains and losses on forward exchange contracts are deferred and recognized as part of the underlying transactions. Changes in the fair value of options, representing a basket of foreign currencies to hedge anticipated cross-currency cash flows, are included in cost of sales. The Company does not use financial instruments for trading or speculative purposes.

REVENUE RECOGNITION Revenue is recognized when the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally considered to have occurred upon shipment of the finished product. In limited instances, certain sale transactions contain multiple elements for which revenue is recorded as the earnings process for these elements are completed. In circumstances where long-term contracts exist for customized product, revenue is recognized over the term of the contract using the percentage of completion method.

The Company enters into arrangements licensing its brand name on specifically approved products. The licensees pay the Company royalties as products are sold, subject to annual minimum guaranteed amounts. For those arrangements where the Company has continuing involvement with the licensee, royalty revenues are recognized as they are earned over the life of the agreement. For certain agreements, where the Company has no further continuing involvement with the licensee, the Company recognizes the guaranteed minimum royalties at the time the arrangement becomes effective and all applicable products have been approved.

INCOME TAXES Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, and are measured by applying enacted tax rates in effect in years in which the differences are expected to reverse.

EARNINGS PER SHARE Basic earnings per share equals net earnings divided by weighted average shares outstanding during the year. Diluted earnings per share includes the impact of common stock equivalents using the treasury stock method when the effect is dilutive.

SHIPPING AND HANDLING FEES AND COSTS It is the general practice of the Company to not bill customers for freight. Shipping and handling costs associated with inbound freight are included in cost of sales. Shipping costs associated with outbound freight are included as a reduction in net sales and amounted to $119 million, $136 million and $132 million in 2002, 2001 and 2000, respectively. The Company records distribution costs in selling, general and administrative (SG&A) expenses that amounted to $72 million, $75 million and $82 million in 2002, 2001 and 2000, respectively.

NEW ACCOUNTING STANDARDS In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS No. 143, the Company will adopt this new accounting standard beginning in fiscal 2003. The Company does not expect the adoption of SFAS No. 143 to have a material impact.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires costs associated with exit or disposal activities to be recognized when they are incurred and applies prospectively to such activities that are initiated in fiscal 2003 and beyond. Adoption of this standard is expected to impact the timing of recognition of costs associated with future exit and disposal activities, but will not impact the recognition of costs under the Company's existing programs.

In November 2002, FASB Interpretation No. (FIN) 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" was issued. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. The Company adopted the disclosure requirements as required by the Interpretation as of December 28, 2002. The Interpretation also requires that a liability for fair value of the obligation be recorded at the inception of a guarantee, for all guarantees issued or modified after December 31, 2002. The Company will adopt this accounting for fiscal 2003. The Company is currently assessing the impact this interpretation will have on its financial statements.

In January 2003, the FASB issued FIN 46 "Consolidation of Variable Interest Entities." This Interpretation addresses consolidation of variable interest entities which have equity investment at risk insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or entities with equity investors lacking certain essential characteristics of controlling financial interest. This Interpretation is effective immediately for variable interests created or obtained after January 31, 2003. For interests acquired prior to February 1, 2003, this Interpretation applies to the Company in the third quarter of 2003. Upon adoption of FIN 46 for existing variable interests, the Company expects to consolidate assets and obligations for one property under synthetic lease in the Consolidated Balance Sheets. As of December 28, 2002, the estimated fair values of assets and remaining obligations under the synthetic lease were $17.3 million and $10.8 million, respectively.

STOCK-BASED COMPENSATION The Company accounts for its stock-based compensation plans using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost is recognized for stock-based compensation unless the quoted market price of the stock at the grant date is in excess of the amount the employee must pay to acquire the stock. Stock-based employee compensation is discussed fully in Note K Capital Stock.

If compensation cost for the Company's stock-based compensation plans had been determined based on the fair value at the grant dates consistent with the method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net earnings and earnings per share would have been adjusted to the pro forma amounts indicated below:

(Millions of Dollars)	2002	2001	2000
Net income, as reported	$185.0	$ 158.3	$194.4
Add: Tax (benefit) on actual option exercises included in reported net income	(3.0)	(3.7)	(0.8)
Less: Stock-based employee compensation expense determined under fair value method, net of related tax effects	5.4	3.8	21.2
Pro forma net income, fair value method	$176.6	$ 150.8	$172.4
Earnings per share:			
Basic, as reported	$ 2.14	$ 1.85	$ 2.22
Basic, pro forma	$ 2.04	$ 1.76	$ 1.97
Diluted, as reported	$ 2.10	$ 1.81	$ 2.22
Diluted, pro forma	$ 2.00	$ 1.72	$ 1.97

Pro forma compensation cost relating to the stock options is recognized over the vesting period. The vesting periods used for 2002, 2001 and 2000 stock option grants are 3.9 years, 3.6 years and six months, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2002, 2001 and 2000, respectively: dividend yield of 3.2%, 2.6% and 3.8%; expected volatility of 30% for 2002, and 40% for 2001 and 2000; risk-free interest rates of 3.2%, 4.8% and 6.1%; and expected lives of 5 years in 2002, and 7 years in 2001 and 2000. The weighted average fair value of stock options granted in 2002, 2001 and 2000 was $7.30, $14.31 and $8.15, respectively.

Employee Stock Purchase Plan compensation cost is recognized in the fourth quarter when the purchase price for the following fiscal year is established. The fair value of the employees' purchase rights under the Employee Stock Purchase Plan was estimated using the following assumptions for 2002, 2001 and 2000, respectively: dividend yield of 3.3%, 3.0% and 5.2%; expected volatility of 30% for 2002, and 40% for 2001 and 2000; risk-free interest rates of 1.9%, 2.0% and 6.0%, and expected lives of one year. The weighted average fair value of those purchase rights granted in 2002, 2001 and 2000 was $7.50, $8.48 and $5.68, respectively.

RECLASSIFICATIONS Certain prior years' amounts have been reclassified to conform to the current year presentation.

In January 2002, the Company adopted Emerging Issues Task Force (EITF) Issue No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services." EITF No. 00-25 requires the reclassification of certain customer promotional payments previously reported in SG&A expenses as a reduction of revenue, and prior periods must be restated for comparability of results. Net sales and SG&A expenses are $17.8 million and $18.3 million lower for fiscal

years 2001 and 2000, respectively, than previously published amounts, reflecting reclassification of certain cooperative advertising expenses.

B. ACQUISITIONS

In November 2002, the Company completed the acquisition of Best Lock Corporation dba Best Access Systems (Best) for $316.0 million. Best is a global provider of security access control systems. In 2003, the Company made an additional purchase price payment for Best totaling $0.6 million which will be accounted for as an increase to goodwill. Amounts assigned to major balance sheet categories for the Best acquisition include: current assets of $63.6 million, consisting principally of accounts receivables and inventories; long-term assets of $313.1 million, consisting of fixed assets and goodwill and other intangibles (see Note G Goodwill and Other Intangible Assets) and current liabilities of $38.3 million. If the results of operations of Best were included for the entire 2002 and 2001 fiscal years, net sales would have been $220.1 million and $243.3 million higher than the results reported in the 2002 and 2001 Consolidated Statements of Operations, respectively. Net income and earnings per share during these periods would not have been significantly different; however, Best's operating results during these periods are not necessarily indicative of future operating results.

During 2002, the Company acquired five other small businesses at a total cost of $42.7 million.

In April 2001, the Company acquired Contact East, a leading business to business distributor of mission critical tools and supplies for assembly, testing and repair of electronics in the United States for $79.3 million.

The aforementioned acquisitions were accounted for as purchase transactions and, accordingly, the operating results have been included in the Company's Consolidated Financial Statements since the date of acquisition. In connection with these acquisitions, the Company has recorded liabilities of $2.8 million in 2002 related to purchase contingencies. The acquisitions did not have a material impact on 2002 or 2001 operations.

Purchase accounting for the 2002 acquisitions is preliminary, primarily with respect to identification and valuation of intangibles, and is expected to be finalized by mid 2003. Further, $6.4 million in restructuring reserves were established in purchase accounting for the November 2002 Best acquisition due to planned closure of several Best offices and synergies in certain centralized functions. The $6.4 million is comprised of $5.3 million for severance and $1.1 million of other exit costs primarily related to non-cancelable leases. The Company began formulating the restructuring plans during the pre-acquisition due diligence work and these plans include activities initiated by Best management prior to the acquisition. It is possible that additional restructuring reserves for acquired companies may be required in the future.

C. ACCOUNTS AND NOTES RECEIVABLE

(Millions of Dollars)	2002	2001
Trade receivables	$ 507.1	$ 486.0
Other	67.3	97.6
Gross accounts and notes receivable	574.4	583.6
Allowance for doubtful accounts	(26.4)	(32.3)
Net accounts and notes receivable	$ 548.0	$ 551.3

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. Adequate provisions have been established to cover anticipated credit losses. As of December 29, 2001, the Company had one customer that accounted for approximately 10% of its net receivables.

The Company has agreements to sell, on a revolving basis, undivided interests in defined pools of accounts and notes receivable to two Qualified Special Purpose Entities (QSPEs). The entities are

designed to facilitate the securitization of certain trade accounts receivable, to fund the Mac Advantage financing program as well as provide long-term secured financing to Mac Tools wholesale distributors, and are used as an additional source of liquidity. At December 28, 2002 and December 29, 2001, the defined pools of receivables amounted to $238.1 million and $271.7 million, respectively. The proceeds from sales of such eligible receivables, to QSPEs, in revolving-period securitizations were $79.7 million in 2002 and $81.4 million in 2001, and these amounts have been deducted from receivables in the December 28, 2002 and December 29, 2001 Consolidated Balance Sheets. There were no gains or losses on these sales. As of December 28, 2002 and December 29, 2001, the Company had $32.4 million and $25.3 million, respectively, in receivables due from the Mac Tools related QSPE. The Company is responsible for servicing and collecting the receivables sold and held in the QSPEs. Any incremental additional costs related to such servicing and collection efforts are not significant.

D. INVENTORIES

(Millions of Dollars)	2002	2001
Finished products	$ 324.0	$ 308.0
Work in process	44.9	49.1
Raw materials	45.8	53.0
	$ 414.7	$ 410.1

Inventories in the amount of $314.4 million at December 28, 2002 and $277.0 million at December 29, 2001 were valued at the lower of LIFO cost or market. If the LIFO method had not been used, inventories would have been $49.9 million higher than reported at December 28, 2002 and December 29, 2001. The LIFO method is utilized in determining inventory value as it results in a better matching of cost and revenues.

E. PROPERTIES HELD FOR SALE

At December 28, 2002, the Company has five properties, valued at $5.2 million, classified as held for sale due to the Company's continued plant rationalization efforts. These assets are all reported within the Tools segment and consist of real property which is expected to be disposed of throughout the next year. At December 29, 2001, the Company had two properties held for sale with a book value of $3.1 million. Properties held for sale are carried at the lower of fair value or book value.

F. PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)	2002	2001	Useful life (Years)
Land	$ 23.6	$ 24.4	N/A
Land Improvements	17.4	16.0	10-20
Buildings	219.7	202.3	40
Machinery and equipment	963.8	903.9	3-15
Computer software	94.2	76.4	3-5
	1,318.7	1,223.0	
Less: accumulated depreciation and amortization	823.9	731.8	
	$ 494.8	$ 491.2	

(Millions of Dollars)	2002	2001	2000
Depreciation	$ 57.2	$ 59.1	$ 61.7
Amortization	10.3	12.4	12.1
Depreciation and amortization expense	$ 67.5	$ 71.5	$ 73.8

G. GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL In January 2002, the Company adopted SFAS No. 142 which changed the accounting for goodwill and intangible assets with an indefinite life whereby such assets are no longer amortized. For these assets, SFAS No. 142 requires an initial evaluation for impairment upon adoption and annual evaluations thereafter. The Company performed the initial evaluation upon adoption and a subsequent evaluation was performed in the third quarter of 2002; neither evaluation resulted in an impairment loss. The table below shows comparative pro-forma financial information as if goodwill had not been amortized for all periods presented (in millions, except per share amounts).

(Year Ended)	2002	2001	2000
Reported net income	$ 185.0	$ 158.3	$ 194.4
Goodwill amortization, net of tax	-	6.6	4.3
Adjusted net income	$ 185.0	$ 164.9	$ 198.7
Reported basic earnings per share	$ 2.14	$ 1.85	$ 2.22
Goodwill amortization, net of tax, per share	-	0.07	0.05
Adjusted basic earnings per share	$ 2.14	$ 1.92	$ 2.27
Reported diluted earnings per share	$ 2.10	$ 1.81	$ 2.22
Goodwill amortization, net of tax, per share	-	0.07	0.05
Adjusted diluted earnings per share	$ 2.10	$ 1.88	$ 2.27

The changes in the carrying amount of goodwill by segment are as follows:

(Millions of Dollars)	Tools	Doors	Total
Balance December 29, 2001	$ 203.4	$ 12.8	$ 216.2
Goodwill acquired during the year	-	126.1	126.1
Foreign currency translation and other	5.6	-	5.6
Balance December 28, 2002	$ 209.0	$ 138.9	$ 347.9

The increase in goodwill during 2002 resulted from business combinations completed or finalized during the period, primarily the acquisition of Best. When the purchase accounting for 2002 acquisitions is finalized, goodwill may be adjusted.

OTHER INTANGIBLE ASSETS Other intangible assets, at December 28, 2002 and December 29, 2001 were as follows:

(Millions of Dollars)	2002		2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets				
Patents and copyrights	$ 17.6	$ (13.2)	$ 17.3	$ (17.0)
Trademark	16.7	(9.1)	17.8	(11.6)
Customer relationships	109.9	(1.2)	-	-
Other intangible assets	11.3	(6.2)	15.6	(5.9)
Total	$ 155.5	$ (29.7)	$ 50.7	$ (34.5)
Unamortized Intangible Assets				
Trademark	$ 67.7		$ -	
Minimum pension liability	3.5		3.7	
Total	$ 71.2		$ 3.7	

Aggregate other intangibles amortization expense was $3.7 milli on, $2.7 million and $3.0 million for the years ended December 28, 2002, December 29, 2001 and December 30, 2000, respectively. Estimated amortization expense is $9.6 million for 2003, $9.3 million for 2004, $9.2 million for 2005, $8.9 million for 2006 and $8.4 million for 2007.

During 2002, the Company acquired certain businesses as discussed in Note B. In connection with these acquisitions, the Company recorded intangible assets. The purchase accounting, including amounts attributable to the fair value of identifiable intangible assets, is preliminary. When the purchase accounting is finalized, these amounts may be adjusted. The major intangible asset classes associated with these acquisitions have the following balances at December 28, 2002:

(Millions of Dollars)	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (years)
Amortized Intangible Assets			
Patents and copyrights	$ 1.5	$ (0.1)	6
Customer relationships	109.9	(1.2)	16
Other intangible assets	0.2	-	3
Total	$ 111.6	$ (1.3)	
Unamortized Intangible Assets			
Trademark	$ 67.7		

H. ACCRUED EXPENSES

Accrued expenses at December 28, 2002 and December 29, 2001 follow:

(Millions of Dollars)	2002	2001
Payroll and related taxes	$ 28.9	$ 30.3
Insurance	38.6	27.2
Restructuring	8.7	21.2
Income taxes	59.5	77.2
Other	135.3	124.5
	$ 271.0	$ 280.4

I. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

(Millions of Dollars)		2002	2001
Notes payable in 2002	7.4%	$ -	$ 100.0
Notes payable in 2004	5.8%	120.0	120.0
Notes payable in 2007	4.5%	75.0	75.0
Notes payable in 2007	3.5%	150.0	-
Notes payable in 2012	4.9%	200.0	-
Industrial Revenue Bonds due in varying amounts to 2010	5.8-6.8%	5.6	19.6
ESOP loan guarantees, payable in varying monthly installments through 2009	6.1%	17.4	22.5
Other, including net swap receivables	2.0-10.1%	5.8	(20.2)
		573.8	316.9
Less: current maturities		9.5	120.1
		$ 564.3	$ 196.8

The Company has unused short-term and long-term credit arrangements with several banks to borrow up to $350.0 million at the lower of prime or money market rates. Of this amount, $100.0 million is long-term. Commitment fees range from 0.06% to 0.08%. In addition, the Company has short-term lines of credit with numerous foreign banks aggregating $98.0 million, of which $87.0 million was available at December 28, 2002. Short-term arrangements are reviewed annually for renewal. Of the long-term and short-term lines, $350.0 million is available to support the Company's commercial paper program. The weighted average interest rates on short-term borrowings at December 28, 2002 and December 29, 2001 were 1.7% and 2.3%, respectively.

To manage interest costs and foreign exchange risk, the Company maintains a portfolio of interest rate swap agreements. The portfolio includes currency swaps that convert $90.5 million of fixed rate United States dollar debt into 4.4% fixed rate Euro debt. The Company also has currency swaps that convert $39.0 million of variable rate United States dollar debt to variable rate Euro debt (3.4% weighted average rate). See Note J for more information regarding the Company's interest rate and currency swap agreements.

Aggregate annual maturities of long-term debt for each of the years from 2004 to 2007 are $122.7 million, $4.7 million, $0.9 million and $226.1 million, respectively. Interest paid during 2002, 2001 and 2000 amounted to $25.8 million, $33.4 million and $36.1 million, respectively.

Included in short-term borrowings on the Consolidated Balance Sheets are commercial paper and Extendible Commercial Notes utilized to support working capital requirements, which were $129.0 million and $160.0 million, as of December 28, 2002 and December 29, 2001, respectively.

On November 1, 2002, the Company issued 5-year and 10-year notes payable of $150.0 million and $200.0 million, respectively. The proceeds from these notes were used to acquire Best Lock Corporation and for general corporate purposes.

J. FINANCIAL INSTRUMENTS

The Company's objectives in using debt related financial instruments are to obtain the lowest cost source of funds within an acceptable range of variable to fixed-rate debt proportions and to minimize the foreign exchange risk of obligations. To meet these objectives the Company enters into interest rate swap and currency swap agreements. A summary of instruments and weighted average interest rates follows. The weighted average variable pay and receive rates are based on rates in effect at the balance sheet dates. Variable rates are generally based on LIBOR or commercial paper rates with no leverage features.

(Millions of Dollars)	2002	2001
Currency swaps	$ 124.2	$ 105.3
pay rate	4.1%	4.1%
receive rate	4.6%	4.6%
maturity dates	2004-2005	2004-2005

The Company uses purchased currency options and forward exchange contracts to reduce exchange risks arising from cross-border cash flows expected to occur over the next one year period. In addition, the Company enters into forward exchange contracts to hedge intercompany loans and royalty payments. The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. At December 28, 2002 and December 29, 2001, the Company had forward contracts hedging intercompany loans and royalty payments totaling $12.7 million and $20.3 million, respectively. At December 28, 2002 and December 29, 2001, currency options hedged anticipated transactions totaling $128.1 million and $136.5 million, respectively. The forward contracts and options are primarily denominated in Canadian dollars, Australian dollars, Taiwanese dollars, Japanese Yen, Thailand Baht, Great Britain Pound, Israeli Shekels and Euro and generally mature within the next one year period.

The counterparties to these interest rate and currency financial instruments are major international financial institutions. The Company is exposed to credit risk for net exchanges under these agreements, but not for the notional amounts. The Company considers the risk of default to be remote.

A summary of the carrying values and fair values of the Company's financial instruments at December 28, 2002 and December 29, 2001 is as follows:

(Millions of Dollars)	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	$ 578.9	$ 597.0	$ 341.0	$ 346.8
Currency and interest rate swaps	(5.1)	(27.6)	(24.1)	(27.6)
	$ 573.8	$ 569.4	$ 316.9	$ 319.2

Generally, the carrying value of the debt related financial instruments is included in the balance sheet in long-term debt. The fair values of long-term debt are estimated using discounted cash flow analysis, based on the Company's marginal borrowing rates. The fair values of foreign currency and interest rate swap agreements are based on current settlement values. The carrying amount of cash equivalents and short-term borrowings approximates fair value.

K. CAPITAL STOCK

WEIGHTED-AVERAGE SHARES OUTSTANDING Weighted-average shares outstanding used to calculate basic and diluted earnings per share follows:

(Millions of Dollars, except per share amounts)	2002	2001	2000
Basic earnings per share-weighted-average shares outstanding	86,452,974	85,761,275	87,407,282
Dilutive effect of stock options and awards	1,793,381	1,706,074	260,499
Diluted earnings per share-weighted-average shares outstanding	88,246,355	87,467,349	87,667,781

COMMON STOCK SHARE ACTIVITY Common stock share activity for 2002, 2001 and 2000 follows:

	2002	2001	2000
Outstanding, beginning of year	84,658,747	85,188,252	88,945,175
Issued from treasury	2,181,151	1,170,480	557,490
Returned to treasury	(4,781)	(1,699,985)	(4,314,413)
Outstanding, end of year	86,835,117	84,658,747	85,188,252

COMMON STOCK RESERVED Common stock shares reserved for issuance under various employee and director stock plans at December 28, 2002 and December 29, 2001 follows:

	2002	2001
Employee Stock Purchase Plan	3,677,300	3,797,153
Stock-based compensation plans	19,022,666	20,769,666
	22,699,966	24,566,819

PREFERRED STOCK PURCHASE RIGHTS Each outstanding share of common stock has one half of a share purchase right. Each purchase right may be exercised to purchase one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $220.00, subject to adjustment. The rights, which do not have voting rights, expire on March 10, 2006, and may be redeemed by the Company at a price of $0.01 per right at any time prior to the tenth day following the public announcement that a person has acquired beneficial ownership of 10% or more of the outstanding shares of common stock.

In the event that the Company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right (other than a holder who is a 10%-or-more shareowner) shall have the right to receive, upon exercise thereof, that number of shares of common stock of the surviving Company having a market value equal to two times the exercise price of the right. Similarly, if anyone becomes the beneficial owner of more than 10% of the then outstanding shares of common stock (except pursuant to an offer for all outstanding shares of common stock which the independent directors have deemed to be fair and in the best interest of the Company), provision will be made so that each holder of a right (other than a holder who is a 10%-or-more shareowner) shall thereafter have the right to receive, upon exercise thereof, common stock (or, in certain circumstances, cash, property or other securities of the Company) having a market value equal to two times the exercise price of the right. At December 28, 2002, there were 43,417,559 outstanding rights. There are 250,000 shares of Series A Junior Participating Preferred Stock reserved for issuance in connection with the rights.

STOCK-BASED COMPENSATION PLANS The Company has stock-based compensation plans for salaried employees and non-employee directors of the Company and its affiliates. The plans provide for discretionary grants of stock options, restricted stock shares and other stock-based awards. Stock options are granted at the market price of the Company's stock on the date of grant and have a ten-year term. Generally, stock option grants made in 2001 and later years become 50% vested after three years from the date of grant and the remaining 50% become vested after five years, whereas grants made in fiscal 2000 and earlier years generally vested 50% after one year from date of grant and the remaining 50% vested after two years.

Stock option amounts and weighted-average exercise prices follow:

	2002		2001		2000	
	Options	Price	Options	Price	Options	Price
Outstanding, beginning of year	9,855,884	$ 29.17	9,989,441	$ 27.19	6,413,578	$ 28.89
Granted	1,944,250	32.91	1,967,352	38.30	4,142,650	23.89
Exercised	(593,188)	24.72	(833,529)	25.19	(356,160)	20.12
Forfeited	(197,250)	29.65	(1,267,380)	30.38	(210,627)	22.97
Outstanding, end of year	11,009,696	$ 30.06	9,855,884	$ 29.17	9,989,441	$ 27.19
Exercisable, end of year	7,326,094	$ 27.31	6,382,194	$ 27.71	6,192,691	$ 27.28

Outstanding and exercisable stock option information at December 28, 2002 follows:

	Outstanding Stock Options			Exercisable Stock Options	
Exercise Price Ranges	Options	Weighted-average Remaining Contractual Life	Weighted-average Exercise Price	Options	Weighted-average Exercise Price
$19.34-24.97	2,867,521	7.0	$ 21.70	2,867,521	$21.70
$25.13-34.62	5,645,573	7.1	$ 29.56	3,844,823	$28.83
$35.23-55.98	2,496,602	7.9	$ 40.79	613,750	$44.00
	11,009,696	7.3	$ 30.06	7,326,094	$27.31

EMPLOYEE STOCK PURCHASE PLAN The Employee Stock Purchase Plan enables substantially all employees in the United States, Canada and Belgium to subscribe at any time to purchase shares of common stock on a monthly basis at the lower of 85% of the fair market value of the shares on the first day of the plan year ($32.56 per share for fiscal year 2002 purchases) or 85% of the fair market value of the shares on the last business day of each month. A maximum of 6,000,000 shares are authorized for subscription. During 2002, 2001 and 2000 shares totaling 119,853, 273,784, and 100,369, respectively, were issued under the plan at average prices of $31.42, $17.32 and $20.82 per share, respectively.

LONG-TERM STOCK INCENTIVE PLAN The Long-Term Stock Incentive Plan (LTSIP) provides for the granting of awards to senior management employees for achieving Company performance measures. The Plan is administered by the Compensation and Organization Committee of the Board of Directors consisting of non-employee directors. Awards are generally payable in shares of common stock as directed by the Committee. Shares totaling 12,035, 10,742, and 41,532 were issued in 2002, 2001 and 2000, respectively. LTSIP expense was $0.2 million in 2002, $0.1 million in 2001 and $0.8 million in 2000.

COMMON STOCK EQUITY HEDGE The Company enters into equity hedges, in the form of equity forwards on Stanley common shares, to offset the dilutive effect of in-the-money stock options on earnings per share and to reduce potential cash outflow for the repurchase of the Company's stock to offset stock option exercises. The counterparties to these forward contracts are major U.S. financial institutions with whom management believes the risk of non-performance is remote. Interim quarterly settlements are in shares of stock, not cash, and are accounted for within equity. Cash settlements may be elected at the option of the Company. The Company has historically made no cash settlement elections. The Company is obligated to issue the number of shares equating to $6.1 million in market value for every $1 decrease in the stock price. The maximum number of shares that could be issued in net settlement of the equity hedge contracts is 75.4 million shares; the maximum share issuance would occur only if the Company's stock price declined to $2.83 per share. At December 28, 2002 there were 6.1 million shares underlying the $213.3 million notional amount of the equity forward contracts, of which $174.6 million matures on December 31, 2003 and $38.7 million on September 24, 2004.

When the price of Stanley stock has appreciated since the last quarterly interim settlement, the Company receives Stanley common shares from the counterparties. When the price of Stanley stock has depreciated since the last quarterly interim settlement, the Company delivers Stanley common stock from treasury shares to the counterparties. If the stock price declines, the Company may issue shares to the counterparties that exceed the favorable offset of stock options coming "out of the money," resulting in dilution of earnings per share.

Aggregate annual settlement activity under the equity hedge was as follows: 1,338,708 shares of common stock with a market value of $46.6 million ($41.6 million book value) delivered in 2002; 1,432,264 shares of common stock with a market and book value of $67.0 million received in 2001; and 25,166 shares of common stock with a $0.3 million value delivered in 2000.

L. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss at the end of each fiscal year was as follows:

(Millions of Dollars)	2002	2001	2000
Currency translation adjustment	($119.2)	($136.3)	($123.4)
Minimum pension liability	(5.2)	(2.9)	(1.1)
Cash flow hedge effectiveness	1.0	0.3	-
Accumulated other comprehensive loss	($123.4)	($138.9)	($124.5)

M. EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) Substantially all U.S. employees may contribute from 1% to 15% of their salary to a tax deferred savings plan. Employees elect where to invest their own contributions. The Company contributes an amount equal to one-half of the employee contribution up to the first 7% of their salary, all of which is invested in the Company's common stock. The amounts in 2002, 2001 and 2000 under this matching arrangement were $5.7 million, $5.8 million and $7.0 million, respectively.

The Company also provides a non-contributory benefit for U.S. salaried and non-union hourly employees, called the Cornerstone plan. Under this benefit arrangement, the Company contributes amounts ranging from 3% to 9% of employee compensation based on age. Approximately 2,500 U.S. employees receive an additional average 1.5% contribution actuarially designed to replace the pension benefits curtailed in 2001. Contributions under the Cornerstone plan were $12.8 million in 2002, $12.7 million in 2001 and $13.0 million in 2000. Assets of the Cornerstone defined contribution plan are invested in equity securities and bonds.

Shares of the Company's common stock held by the ESOP were purchased with the proceeds of external borrowings in 1989 and borrowings from the Company in 1991. The external ESOP borrowings are guaranteed by the Company and are included in long-term debt. Shareowners' equity reflects both the internal and the external borrowing arrangements.

Unallocated shares are released from the trust based on current period debt principal and interest payments as a percentage of total future debt principal and interest payments. These released shares along with allocated dividends, dividends on unallocated shares acquired with the 1991 loan, and shares purchased on the open market are used to fund employee contributions, employer contributions and dividends earned on participant account balances. Dividends on unallocated shares acquired with the 1989 loan are used only for debt service.

Net ESOP activity recognized is based on total debt service and share purchase requirements less employee contributions and dividends on ESOP shares. The Company's net ESOP activity resulted in expense of $0.1 million in 2002, $0.1 million in 2001 and $8.6 million in 2000. ESOP expense is affected by the market value of Stanley common stock on the monthly dates when shares are released. In 2002, the market value of shares released averaged $39.62 per share and the net ESOP expense was negligible. ESOP expense may increase in the future in the event the market value of shares declines.

Dividends on ESOP shares, which are charged to shareowners' equity as declared, were $12.6 million in 2002, $13.6 million in 2001 and $14.2 million in 2000. Interest costs incurred by the ESOP on external debt for 2002, 2001 and 2000 were $1.2 million, $1.5 million and $1.9 million, respectively. Both allocated and unallocated ESOP shares are treated as outstanding for purposes of computing earnings per share. As of December 28, 2002, the number of ESOP shares allocated to participant accounts was 5,092,393 and the number of unallocated shares was 7,126,731. The fair value of the unallocated ESOP shares at December 28, 2002 was $246.8 million.

PENSION AND OTHER BENEFIT PLANS The Company sponsors pension plans covering most domestic hourly and executive employees, and approximately 2,250 foreign employees. Benefits are generally based on salary and years of service, except for collective bargaining employees whose benefits are based on a stated amount for each year of service.

In 2001, the Company curtailed the U.S. salaried and non-union hourly plan with respect to eliminating the impact from future salary increases on benefits, resulting in a pre-tax curtailment gain of $29.3 million. The Company recorded an $18.4 million pre-tax gain associated with final settlement of these pension obligations in June 2002, which reflects a reduction for excise taxes and other expenses from the $37.2 million actuarially determined settlement gain reported in the pension expense table below. U.S. Pension income through the June, 2002 settlement date reflects a 9% expected rate of return on plan assets. After the settlement date, a 7% expected return on plan assets assumption was applied reflecting the Company's intention to invest these assets more conservatively in future.

The Company's funding policy for its defined benefit plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. Plan assets are invested in equity securities, bonds, real estate and money market instruments.

The Company contributes to multi-employer plans for certain collective bargaining U.S. employees. In addition, various other defined contribution plans are sponsored worldwide.

(Millions of Dollars)	2002	2001	2000
Multi-employer plan expense	$ 0.4	$ 0.5	$ 0.5
Defined contribution plan expense	$ 0.9	$ 3.3	$ 2.3

The components of net periodic pension cost are as follows:

	U.S. Plans			Non-U.S. Plans		
(Millions of Dollars)	2002	2001	2000	2002	2001	2000
Service cost	$ 3.0	$ 2.6	$ 3.0	$ 5.1	$ 4.7	$ 5.6
Interest cost	8.4	19.4	20.8	8.2	7.5	7.3
Expected return on plan assets	(15.0)	(34.0)	(36.8)	(11.0)	(10.9)	(11.7)
Amortization of transition asset	(0.3)	(0.6)	(0.6)	(0.2)	(0.1)	(0.1)
Amortization of prior service cost	1.0	1.0	0.9	0.5	0.3	0.3
Actuarial gain	(1.1)	(3.7)	(4.2)	(0.2)	-	(0.8)
Settlement / Curtailment gain	(37.2)	(29.3)	-	0.2	-	(1.4)
Net periodic pension (income) expense	$(41.2)	$(44.6)	$(16.9)	$ 2.6	$1.5	$(0.8)

The Company provides medical and dental benefits for certain retired employees in the United States. In addition, U.S. employees who retire from active service are eligible for life insurance benefits. Net periodic postretirement benefit expense was $1.5 million in 2002, $1.8 million in 2001 and $1.7 million in 2000.

The changes in the pension and other postretirement benefit obligations, fair value of plan assets as well as amounts recognized in the consolidated balance sheets, are shown below:

	Pension Benefits				Other Benefits	
	U.S. Plans		Non-U.S. Plans		U.S. Plans	
(Millions of Dollars)	2002	2001	2002	2001	2002	2001
Change in benefit obligation:						
Benefit obligation at end of prior year	$ 249.5	$ 262.6	$ 130.3	$ 120.1	$ 17.9	$ 14.4
Service cost	3.0	2.6	5.1	4.7	0.4	0.6
Interest cost	8.4	19.4	8.2	7.5	1.1	1.2
Curtailments / settlements	(187.0)	(29.7)	0.1	-	-	-
Change in discount rate	2.0	14.8	(2.1)	2.1	0.7	0.7
Actuarial (gain) loss	39.0	17.4	(1.7)	4.5	0.2	2.7
Plan amendments	0.1	1.6	0.9	1.5	(0.8)	-
Foreign currency exchange rates	-	-	12.3	(4.6)	-	-
Acquisitions	12.6	-	0.2	-	-	-
Benefits paid	(82.7)	(39.2)	(9.2)	(5.5)	(2.2)	(1.7)
Benefit obligation at end of year	$ 44.9	$ 249.5	$ 144.1	$ 130.3	$ 17.3	$ 17.9
Change in plan assets:						
Fair value of plan assets at end of prior year	$ 396.9	$ 406.8	$ 119.6	$ 142.9	$ -	-
Actual return on plan assets	(6.8)	28.6	(10.7)	(15.2)	-	-
Foreign currency exchange rate changes	-	-	10.6	(5.2)	-	-
Employer contribution	1.3	0.7	11.3	2.6	2.2	1.7
Curtailments / settlements	(301.8)	-	-	-	-	-
Benefits paid	(82.7)	(39.2)	(9.2)	(5.5)	(2.2)	(1.7)
Acquisitions	7.1	-	-	-	-	-
Fair value of plan assets at end of plan year	$ 14.0	$ 396.9	$ 121.6	$ 119.6	-	-
Funded status-assets (less than) in excess benefit obligation	$ (30.9)	$ 147.4	$ (22.5)	$ (10.7)	$ (17.3)	$ (17.9)
Unrecognized prior service cost	6.2	7.1	5.4	4.8	(0.6)	0.1
Unrecognized net actuarial loss (gain)	10.1	(90.8)	40.0	24.4	2.7	1.8
Unrecognized net asset at transition	-	(0.6)	0.1	-	-	-
Net amount recognized	$ (14.6)	$ 63.1	$ 23.0	$ 18.5	$ (15.2)	$ (16.0)
Amounts recognized in the consolidated balance sheet:						
Prepaid benefit cost	$ 5.8	$ 75.9	$ 35.6	$ 23.9	$ -	$ -
Accrued benefit liability	(28.7)	(19.3)	(13.0)	(5.9)	(15.2)	(16.0)
Intangible asset	3.1	3.6	0.4	0.5	-	-
Accumulated other comprehensive loss	5.2	2.9	-	-	-	-
Net amount recognized	$ (14.6)	$ 63.1	$ 23.0	$ 18.5	$ (15.2)	$ (16.0)

WEIGHTED AVERAGE ASSUMPTIONS USED:

	PENSION BENEFITS				OTHER BENEFITS	
	U.S. Plans		Non-U.S. Plans		U.S. Plans	
(Millions of Dollars)	2002	2001	2002	2001	2002	2001
Discount rate	6.5%	7.0%	6.0%	6.0%	6.5%	7.0%
Average wage increase	4.0%	4.0%	3.25%	3.5%	-	-
Expected return on plan assets	8.75%	9.0%	7.75%	8.5%	-	-

	U.S. PLANS		NON-U.S. PLANS	
	2002	2001	2002	2001
Projected benefit obligation	$ 39.9	$ 21.1	$ 143.4	$ 30.3
Accumulated benefit obligation	$ 36.0	$ 18.8	$ 130.7	$ 24.2
Fair value of plan assets	$ 7.1	$ -	$ 120.4	$ 19.0

The weighted average annual assumed rate of increase in the per-capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 12.0% for 2003, reducing gradually to 6% by 2013 and remaining at that level thereafter. A one percentage point change in the assumed health care cost trend rate would have the following effects as of December 28, 2002:

(Millions of Dollars)	1 % POINT INCREASE	1 % POINT DECREASE
Effect on the net periodic postretirement benefit cost	$ 0.1	$ (0.1)
Effect on the postretirement benefit obligation	0.7	(0.6)

N. OTHER COSTS AND EXPENSES

Other-net in 2002 includes a pre-tax nonrecurring pension settlement gain of $18.4 million ($0.06 per share), and $11.3 million in pre-tax income ($0.09 per share) from an environmental settlement with an insurance carrier. In addition, 2002 reflects $8.4 million of impairment losses recognized on machinery and equipment primarily related to plant rationalization activities. There was no goodwill amortization expense in 2002, due to the adoption of SFAS No. 142, while goodwill amortization expense was $7.6 million in 2001 and $5.3 million in 2000. Other-net in 2001 includes a pre-tax nonrecurring pension curtailment gain of $29.3 million, or $0.22 per share, net of taxes. Other-net is primarily comprised of intangibles amortization expense, gains and losses on asset dispositions, currency impact, environmental expense, results from unconsolidated entities, and expenses related to the Mac Advantage financing program.

Advertising costs, classified in SG&A expenses, are expensed as incurred and amounted to $21.6 million in 2002, $25.5 million in 2001 and $30.3 million in 2000. Cooperative advertising expense reported as a deduction in net sales was $24.2 million in 2002, $18.2 million in 2001 and $19.1 million in 2000.

Research and development costs were $9.1 million, $12.5 million and $13.6 million for the fiscal years 2002, 2001 and 2000, respectively.

O. RESTRUCTURING, ASSET IMPAIRMENTS AND OTHER SPECIAL CHARGES

In 2001, the Company undertook initiatives to reduce its cost structure and executed several business repositionings intended to improve its competitiveness. These actions resulted in the closure of 13 facilities and a net employment reduction of approximately 2,200 production, selling and administrative people. As a result, the Company recorded $72.4 million of restructuring and asset impairment charges. Reserves were established for these initiatives consisting of $54.8 million for severance, $10.4 million for asset impairment charges and $7.2 million for other exit costs. The charges for asset impairments were primarily related to manufacturing and other assets that were retired and disposed of as a result of manufacturing facility closures.

At December 28, 2002 and December 29, 2001, restructuring and asset impairment reserve balances were $2.3 million and $38.5 million. The December 29, 2001 balance reflects $5.8 million related to the impairment of assets. The December 28, 2002 balance relates primarily to 2001 initiatives.

As of December 28, 2002, 86 manufacturing and distribution facilities have been closed as a result of the restructuring initiatives since 1997. In 2002, 2001 and 2000, approximately 1,000, 2,100 and 900 employees had been terminated as a result of restructuring initiatives, respectively. Severance payments of $26.0 million, $41.7 million and $29.1 million and other exit payments of $4.4 million, $3.4 million and $3.1 million were made in 2002, 2001 and 2000, respectively. Write-offs of impaired assets were $5.8 million, $7.9 million and $7.0 million in 2002, 2001 and 2000, respectively.

In June 2002 and September 2001, $8.4 million and $4.8 million in severance charges were recorded, respectively, as the Company continued to rationalize its headcount to provide further SG&A expense reductions. These charges were classified within SG&A expense in the Consolidated Statements of Operations. These actions resulted in the termination of approximately 200 selling and administrative

employees in each year. As of December 28, 2002, no accrual remained as all of the severance has been expended.

In 2002, $6.4 million in restructuring reserves were established in purchase accounting for the Best acquisition, due to planned closure of several Best offices and synergies in certain centralized functions. The $6.4 million is comprised of $5.3 million for severance and $1.1 million for other exit costs primarily related to non-cancelable leases.

P. BUSINESS SEGMENT AND GEOGRAPHIC AREA

The Company operates worldwide in two reportable business segments: Tools and Doors. The Tools segment includes carpenters, mechanics, pneumatic and hydraulic tools as well as tool sets. The Doors segment includes commercial and residential doors, both automatic and manual, as well as closet doors and systems, home decor, door locking systems, commercial and consumer hardware.

BUSINESS SEGMENTS

(Millions of Dollars)	2002	2001	2000
Net Sales			
Tools	$ 1,954.3	$ 2,007.9	$ 2,128.8
Doors	638.7	598.7	601.8
Consolidated	$ 2,593.0	$ 2,606.6	$ 2,730.6
Operating Profit			
Tools	$ 207.6	$ 265.6	$ 285.7
Doors	81.0	63.8	55.1
Consolidated	288.6	329.4	340.8
Restructuring charges and asset impairments	-	(72.4)	-
Interest income	4.0	6.7	7.5
Interest expense	(28.5)	(32.3)	(34.6)
Other-net	8.4	5.3	(20.0)
Earnings before income taxes	$ 272.5	$ 236.7	$ 293.7
Segment Assets			
Tools	$ 1,564.0	$ 1,615.8	$ 1,502.4
Doors	710.0	318.0	260.3
	2,274.0	1,933.8	1,762.7
Corporate assets	144.2	121.9	122.1
Consolidated	$ 2,418.2	$ 2,055.7	$ 1,884.8
Capital Expenditures			
Tools	$ 41.4	$ 59.8	$ 44.5
Doors	10.9	13.3	19.9
Consolidated	$ 52.3	$ 73.1	$ 64.4
Depreciation and Amortization			
Tools	$ 59.6	$ 67.9	$ 65.0
Doors	11.6	13.9	17.1
Consolidated	$ 71.2	$ 81.8	$ 82.1

The Company assesses the performance of its reportable business segments using operating profit, which follows the same accounting policies as those described in Note A. Operating profit excludes interest income, interest expense, other-net, and income tax expense. In addition, operating profit excludes restructuring charges and asset impairments. Corporate and shared expenses are allocated to each segment. Sales between segments are not material. Segment assets primarily include accounts receivable, inventory, other current assets, property, plant and equipment, intangible assets and other miscellaneous assets. Corporate assets and unallocated assets are cash, deferred income taxes and certain other assets. Geographic net sales and long-lived assets are attributed to the geographic regions based on the geographic location of each Stanley subsidiary.

Sales to The Home Depot were approximately 21%, 20% and 18% of consolidated net sales in 2002, 2001 and 2000, respectively. For 2002, 2001 and 2000 net sales to this one customer amounted to approximately 47%, 45% and 40% of segment net sales, respectively, for the Doors segment and approximately 13%, 12% and 11%, respectively for the Tools segment.

GEOGRAPHIC AREAS

(Millions of Dollars)	2002	2001	2000
Net Sales			
United States	$ 1,841.7	$ 1,885.2	$ 1,984.0
Other Americas	185.3	167.6	185.0
Europe	472.1	456.7	459.3
Asia	93.9	97.1	102.3
Consolidated	$ 2,593.0	$ 2,606.6	$ 2,730.6
Long-Lived Assets			
United States	$ 878.8	$ 590.4	$ 458.3
Other Americas	31.8	28.5	31.3
Europe	278.1	254.1	266.7
Asia	39.1	38.2	34.2
Consolidated	$ 1,227.8	$ 911.2	$ 790.5

Q. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of the end of each fiscal year were as follows:

(Millions of Dollars)	2002	2001
Deferred tax liabilities:		
Depreciation	$ 80.6	$ 78.0
Other	11.6	5.8
Total deferred tax liabilities	92.2	83.8
Deferred tax assets:		
Employee benefit plans	27.3	16.5
Doubtful accounts	9.5	10.8
Inventories	14.6	7.7
Amortization of intangibles	23.6	14.7
Accruals	12.0	12.8
Restructuring charges	11.7	14.9
Foreign and state operating loss carryforwards	15.2	21.0
Other	9.3	0.8
	123.2	99.2
Valuation allowance	(15.2)	(21.0)
Total deferred tax assets	108.0	78.2
Net deferred tax asset (liability)	$ 15.8	$ (5.6)

Valuation allowances reduced the deferred tax asset attributable to foreign and state loss carryforwards to the amount that, based upon all available evidence, is more likely than not to be realized. Reversal of the valuation allowance is contingent upon the recognition of future taxable income and capital gains in specific foreign countries and specific states, or changes in circumstances which cause the recognition of the benefits to become more likely than not.

Income tax expense consisted of the following:

(Millions of Dollars)	2002	2001	2000
Current:			
Federal	$ 98.0	$ 24.1	$ 40.1
Foreign	13.7	19.6	16.7
State	10.4	5.9	7.0
Total current	122.1	49.6	63.8
Deferred (benefit):			
Federal	(36.0)	33.4	34.7
Foreign	1.4	(7.0)	(2.9)
State	-	2.4	3.7
Total deferred (benefit)	(34.6)	28.8	35.5
Total	$ 87.5	$ 78.4	$ 99.3

Income taxes paid during 2002, 2001 and 2000 were $120.0 million and $41.4 million and $59.7 million, respectively. During 2002, the Company had tax holidays with Poland, Thailand, and China. Tax holidays resulted in a $2.2 million reduction in tax expense in 2002, $4.2 million in 2001, and $2.2 million in 2000. The tax holidays in Poland and China expired in 2002, the tax holiday in Thailand is in place until 2010.

The reconciliation of federal income tax at the statutory federal rate to income tax at the effective rate was as follows:

(Millions of Dollars)	2002	2001	2000
Tax at statutory rate	$ 95.5	$ 82.8	$ 102.8
State income taxes, net of federal benefits	6.7	5.4	6.7
Difference between foreign and federal income tax	(14.3)	(15.9)	(7.0)
Other-net	(0.4)	6.1	(3.2)
Income taxes	$ 87.5	$ 78.4	$ 99.3

The components of earnings before income taxes consisted of the following:

(Millions of Dollars)	2002	2001	2000
United States	$ 180.6	$ 193.6	$ 241.9
Foreign	91.9	43.1	51.8
Total pre-tax earnings	$ 272.5	$ 236.7	$ 293.7

Undistributed foreign earnings of $119.4 million at December 28, 2002 are considered to be invested indefinitely or will be remitted substantially free of additional tax. Accordingly, no provision has been made for taxes that might be payable upon remittance of such earnings, nor is it practicable to determine the amount of this liability.

R. COMMITMENTS

The Company has noncancelable operating lease agreements, principally related to facilities, vehicles, machinery and equipment. At December 28, 2002, the aggregate amount of all future minimum lease payments was $92.3 million allocated as follows (in millions of dollars): $43.6 in 2003, $16.1 in 2004, $9.8 in 2005, $6.8 in 2006, $5.8 in 2007 and $10.2 thereafter. Minimum payments have not been reduced by minimum sublease rentals of $3.0 million due in the future under noncancelable subleases. Rental expense for operating leases was $36.4 million in 2002, $36.8 million in 2001 and $46.3 million in 2000.

The Company has $31.3 million in commitments for outsourcing arrangements, principally related to information systems and telecommunications, which expire at various dates through 2009. In addition, the Company has approximately $60.7 million in material purchase commitments expiring through 2006. The

future estimated minimum payments under these commitments, in millions of dollars, as of December 28, 2002 were $66.2 in 2003, $7.7 in 2004, $5.3 in 2005, $5.3 in 2006, $2.5 in 2007 and $5.0 thereafter.

The Company has numerous assets, predominantly vehicles and equipment, under a one-year term renewable U.S. master personal property lease. Residual value obligations, which approximate the fair value of the related assets, under this master lease were $42.9 million at December 28, 2002. The U.S. master personal property lease obligations are not reflected in the future minimum lease payments since the initial and remaining term does not exceed one year. The Company routinely exercises various lease renewal options and frequently purchases leased assets for fair value at the end of lease terms.

S. GUARANTEES

(Millions of Dollars)	Maximum Potential Payment	Carrying Amount of Liability
Financial guarantees:		
Credit facilities and debt obligations - consolidated subsidiaries	$ 19.8	$ -
Commercial customer financing arrangements	1.9	-
Standby letters of credit	14.7	-
Government guarantees	0.1	-
Guarantees on the residual values of leased properties	10.7	-
Guarantees on leases for divested business which are subleased	1.2	0.3
Balance December 28, 2002	$ 48.4	$ 0.3

The Company has sold various businesses and properties over many years and provided standard indemnification to the purchasers with respect to any unknown liabilities, such as environmental, which may arise in the future that are attributable to the time of Stanley's ownership. The Company has not accrued any liabilities associated with these general indemnifications since there are no identified exposures.

The Company provides product and service warranties which vary across its businesses. The types of warranties offered generally range from one year to limited lifetime, while certain products carry no warranty. Further, the Company incurs discretionary costs to service its products in connection with product performance issues. Historical warranty and service claim experience forms the basis for warranty obligations recognized. Adjustments are recorded to the warranty liability as new information becomes available.

The changes in the carrying amount of product and service warranties for the year ended December 28, 2002 are as follows:

(Millions of Dollars)	
Balance December 29, 2001	$ 6.6
Warranties and guarantees issued	15.1
Warranty payments	(15.3)
Adjustments to provision	(0.1)
Balance December 28, 2002	$ 6.3

T. CONTINGENCIES

The Company is involved in various legal proceedings relating to environmental issues, employment, product liability and workers' compensation claims and other matters. The Company periodically reviews the status of these proceedings with both inside and outside counsel, as well as an actuary for risk insurance. Management believes that the ultimate disposition of these matters will not have a material adverse effect on operations or financial condition taken as a whole.

The Company recognizes liabilities for contingent exposures when analysis indicates it is both probable that an asset has been impaired or that a liability has been incurred and the amount of impairment or loss can reasonably be estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued.

In the normal course of business, the Company is involved in various lawsuits and claims. In addition, the Company is a party to a number of proceedings before federal and state regulatory agencies relating to environmental remediation. Also, the Company, along with many other companies, has been named as a potentially responsible party (PRP) in a number of administrative proceedings for the remediation of various waste sites, including ten active Superfund sites. Current laws potentially impose joint and several liability upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: the solvency of the other PRPs, whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the fact that the Company's volumetric contribution at these sites is relatively small.

The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of December 28, 2002 and December 29, 2001, the Company had reserves of $16.7 million and $14.6 million respectively, primarily for remediation activities associated with Company-owned properties as well as for Superfund sites that are probable and estimable. The range of environmental remediation costs that is reasonably possible is $16.7 to $41.0 million.

The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with policy.

The environmental liability for certain sites that have cash payments that are fixed or reliably determinable have been discounted to present value. The discounted and undiscounted amount of the liability relative to these sites is $5.5 million and $7.7 million, respectively, as of December 28, 2002 and $8.2 million and $6.3 million, respectively, as of December 29, 2001. The payments relative to these sites are expected to be $1.2 million in 2003, $1.4 million in 2004, $1.0 million in 2005, $0.3 million in 2006, $0.3 million in 2007 and $3.5 million thereafter.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity.

QUARTERLY RESULTS OF OPERATIONS (unaudited)

Millions of Dollars, except per share amounts)	Quarter				Year
2002	First	Second(A)	Third	Fourth(B,C)	
Net sales	$ 616.7	$ 649.1	$ 665.5	$ 661.7	$ 2,593.0
Gross profit	215.5	223.0	209.9	187.4	835.8
Selling, general and administrative expenses	135.1	134.9	133.4	143.8	547.2
Net earnings	48.9	63.3	54.7	18.1	185.0
Net earnings per share:					
Basic	$ 0.57	$ 0.74	$ 0.63	$ 0.21	$ 2.14
Diluted	$ 0.56	$ 0.72	$ 0.62	$ 0.20	$ 2.10

2002	First(D)	Second	Third(E)	Fourth(F)	
Net sales	$ 621.6	$ 671.6	$ 671.4	$ 642.0	$ 2,606.6
Gross profit	223.1	234.3	234.6	213.3	905.3
Selling, general and administrative expenses	148.9	146.1	147.4	133.5	575.9
Restructuring and asset impairment charges	18.3	0.0	0.0	54.1	72.4
Net earnings	46.6	50.7	54.5	6.5	158.3
Net earnings per share:					
Basic	$ 0.54	$ 0.59	$ 0.64	$ 0.08	$ 1.85
Diluted	$ 0.54	$ 0.58	$ 0.62	$ 0.07	$ 1.81

(A) Second quarter results include an $8.4 million charge to selling, general and administrative expenses for severance and related costs associated with employment reductions. This charge was offset by an $18.4 million gain associated with the final settlement of a defined benefit plan recorded in other-net. The second quarter charges and credit had a zero net income impact.

(B) Fourth quarter results include pre-tax charges of $22.2 million related to the following: an $8.0 million reassessment of Mac Direct inventory and accounts receivable valuations as a result of a new retail control system ($6.5 million reflected in cost of sales and $1.5 million included in selling, general and administrative expenses); a $6.8 million inventory valuation adjustment recorded in cost of sales attributable to Fastening Systems business recent cost estimation process improvements; and a $7.4 million fixed asset impairment related primarily to the U.S. plant consolidation, included in other-net. In addition the Company recognized $8.7 million, or $0.07 per share, in environmental income arising from a settlement with an insurance carrier.

(C) Fourth quarter results include $5.6 million or $0.04 per share of accounting corrections. These corrections relate primarily to expense capitalization and depreciation which arose in prior fiscal years and account for the difference between earnings set forth in these financial statements and unaudited amounts included in the Company's January 24, 2003 earnings release. These costs were classified within the 2002 Consolidated Statement of Operations as follows -- (i) sales -- $0.5 million, (ii) cost of sales $4.4 million; and (iii) other-net -- $0.7 million. Management believes that these corrections are immaterial to any previously reported results of prior periods, but has recorded them in the aggregate in the fourth quarter of the year ended December 28, 2002.

(D) First quarter restructuring and asset impairment charges include $17 million for severance and $1 million for other exit costs. First quarter results also include a pension curtailment gain of $29 million, and $11 million in charges related to several business repositionings and a series of initiatives at Mac Tools. The $11 million was classified in the statement of operations as follows: $6 million in cost of sales, $3 million in selling, general and administrative expenses and $2 million in other-net.

(E) Third quarter results include $5 million of charges for severance recorded in selling, general and administrative expenses offset by $5 million in credits for tax benefits.

(F) Fourth quarter restructuring and asset impairments charges include $38 million for severance, $10 million for asset impairments, and $6 million for other exit costs. Also included in fourth quarter results is a $6 million charge to cost of sales for disposition of inventory for discontinued manufacturing plants and SKUs.

EXHIBIT INDEX
THE STANLEY WORKS

EXHIBIT LIST

(3) (i) Restated Certificate of Incorporation (incorporated by reference to Exhibit 3(i) to the Annual Report on Form 10-K for the year ended January 2, 1999)

(ii) The Stanley Works By-laws as amended October 17, 2001 (incorporated by reference to Exhibit 3(ii) to the Annual Report on Form 10-K for the year ended December 29, 2001).

(4) (i) Indenture, dated as of April 1, 1986 between the Company and State Street Bank and Trust Company, as successor trustee, defining the rights of holders of 5.75% Notes due March 1, 2004 (incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-4344 filed March 27, 1986)

(ii) First Supplemental Indenture, dated as of June 15, 1992 between the Company and State Street Bank and Trust Company, as successor trustee (incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-46212 filed July 21, 1992)

(a) Certificate of Designated Officers establishing Terms of 5.75% Notes due March 1, 2004 (incorporated by reference to Exhibit 4(ii)(b) to the Annual Report on Form 10-K for the year ended January 2, 1999)

(iii) Rights Agreement, dated January 31, 1996 (incorporated by reference to Exhibit (4)(i) to Current Report on Form 8-K dated January 31, 1996)

(iv) Amended and Restated Facility A (364 Day) Credit Agreement, dated as of October 16, 2002, with the banks named therein and Citibank, N.A. as administrative agent.

(v) Facility B (Five Year) Credit Agreement, dated as of October 17, 2001, with the banks named therein and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 4(v) to the Annual Report on Form 10-K for the year ended December 29, 2001).

(vi) Indenture, dated as of November 1, 2002 between the Company and JPMorgan Chase Bank, as trustee, defining the rights of holders of 3-1/2% Notes Due November 1, 2007 and 4-9/10% Notes due November 1, 2012.

(vii) Registration Rights Agreement dated November 1, 2002 among the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., BNP Paribas Corp. and Fleet Securities, Inc. as Purchasers.

(10) (i) Deferred Compensation Plan for Non-Employee Directors as amended December 11, 2000 (incorporated by reference to Exhibit 10(ii) to the Annual Report on Form 10-K for the year ended December 30, 2000.)*

(ii) 1988 Long-Term Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(iii) to the Annual Report on Form 10-K for the year ended January 3, 1998)*

(iii) Management Incentive Compensation Plan effective January 4, 1998 (incorporated by reference to Exhibit 10(iii) to the Quarterly Report on Form 10-Q for the quarter ended July 4, 1998)*

(iv) Deferred Compensation Plan for Participants in Stanley's Management Incentive Plan effective January 1, 1996 (incorporated by reference to Exhibit 10(v) to the Annual Report on Form 10-K for the year ended December 30, 1995)*

(v) Supplemental Retirement and Account Value Plan for Salaried Employees of The Stanley Works amended and restated as of June 30, 2001 (incorporated by reference to Exhibit 10(vi) to the Annual Report on Form 10-K for the year ended December 29, 2001).*

(vi) Note Purchase Agreement, dated as of June 30, 1998, between the Stanley Account Value Plan Trust, acting by and through Citibank, N.A. as trustee under the trust agreement for the

Stanley Account Value Plan, for $41,050,763 aggregate principal amount of 6.07% Senior ESOP Guaranteed Notes Due December 31, 2009 (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10-Q for the quarter ended July 4, 1998)

(vii) New 1991 Loan Agreement, dated June 30, 1998, between The Stanley Works, as lender, and Citibank, N.A. as trustee under the trust agreement for the Stanley Account Value Plan, to refinance the 1991 Salaried Employee ESOP Loan and the 1991 Hourly ESOP Loan and their related promissory notes (incorporated by reference to Exhibit 10(ii) to the Quarterly Report on Form 10-Q for the quarter ended July 4, 1998)

(viii) (a) Supplemental Executive Retirement Program amended and restated and effective September 19, 2001 (incorporated by reference to Exhibit 10(ix) to the Annual Report on Form 10-K for the year ended December 29, 2001).*

(b) Amendment to John M. Trani's supplemental Executive Retirement Program, dated September 17, 1997 (incorporated by reference to Exhibit 10(ix)(b) to the Annual Report on Form 10-K for the year ended January 3, 1998)*

(ix) (a) The Stanley Works Non-Employee Directors' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Fleet National Bank, as successor trustee (incorporated by reference to Exhibit (10)(xvii)(a) to the Annual Report on Form 10-K for year ended December 29, 1990)

(b) Stanley Works Employees' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Fleet National Bank, as successor trustee (incorporated by reference to Exhibit (10)(xvii)(b) to the Annual Report on Form 10-K for year ended December 29, 1990)

(x) Restated and Amended 1990 Stock Option Plan (incorporated by reference to Exhibit 10(xiii) to the Annual Report on Form 10-K for the year ended December 28, 1996)

(xi) Master Leasing Agreement, dated September 1, 1992 between BLC Corporation and The Stanley Works (incorporated by reference to Exhibit 10(i) to the Quarterly Report on Form 10-Q for the quarter ended September 26, 1992)

(xii) The Stanley Works Stock Option Plan for Non-Employee Directors, as amended December 18, 1996 (incorporated by reference to Exhibit 10(xvii) to the Annual Report on Form 10-K for the year ended January 3, 1998)

(xiii) Employment Agreement dated as of January 1, 2000 between The Stanley Works and John M. Trani (incorporated by reference to Exhibit 10(i) to Current Report on Form 8-K dated June 23, 2000)*

(xiv) 1997 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 to Registration Statement No. 333-42582 filed July 28, 2000)*

(xv) 2001 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Registration Statement No. 333-64326 filed July 2, 2001).*

(xvi) Engagement Letter, dated August 26, 1999 between The Stanley Works and Donald McIlnay.*

(xvii) Agreement, dated June 9, 1999 between The Stanley Works and James Loree (incorporated by reference to Exhibit 10(ii) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1999).*

(xviii) Engagement Letter, dated January 2, 2001 between The Stanley Works and Paul Isabella (incorporated by reference to Exhibit 10 (xix) of the Annual Report on Form 10-K for the year ended December 29, 2001). *

(xix) Engagement Letter, dated September 12, 2000 between The Stanley Works and Jack Garlock.*

(11) Statement re computation of per share earnings (the information required to be presented in this exhibit appears in Notes A and K to the Company's Consolidated Financial Statements set forth in this Form 10-K)

(12) Statement re computation of ratio of earnings to fixed charges

(21) Subsidiaries of Registrant

(23) Consent of Independent Auditors (at page F-2)

(24) Power of Attorney

(99) (i) Policy on Confidential Proxy Voting and Independent Tabulation and Inspection of Elections as adopted by The Board of Directors October 23, 1991 (incorporated by reference to Exhibit (28)(i) to the Quarterly Report on Form 10-Q for the quarter ended September 28, 1991)

(ii) Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(iii) Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensation plan or arrangement

[EXECUTION COPY]

==========

AMENDED AND RESTATED
FACILITY A (364-DAY) CREDIT AGREEMENT

Dated as of October 17, 2001

Amended and Restated as of October 16, 2002

between

THE STANLEY WORKS
as Borrower

THE LENDERS REFERRED TO HEREIN,
as Lenders

and

CITIBANK, N.A.
as Administrative Agent

SALOMON SMITH BARNEY INC.
as Lead Arranger and Book Runner

and

FLEET NATIONAL BANK
MELLON BANK, N.A.
BNP PARIBAS
as Co-Syndication Agents

==========

AMENDMENT AND RESTATEMENT dated as of October 16, 2002, relating to the Amended and Restated Facility A (364-Day) Credit Agreement dated as of October 17, 2001, among THE STANLEY WORKS (the "Borrower"); each of the lenders that is a signatory hereto (the "Lenders"); and CITIBANK, N.A., as administrative agent for the Lenders (together with its successors in such capacity, the "Administrative Agent").

The Borrower, certain Lenders and the Administrative Agent are parties to a Facility A (364-Day) Credit Agreement dated as of October 17, 2001 (as heretofore amended and modified, the "Existing Facility A (364-Day) Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by the making of loans) by the Lenders to the Borrower in an aggregate principal amount not exceeding $250,000,000 at any one time outstanding. The Borrower, the Lenders and the Administrative Agent wish to extend the Termination Date as defined in the Existing Facility A (364-Day) Credit Agreement by 364 days to October 15, 2003 and to amend and restate the Existing Facility A (364-Day) Credit Agreement in certain other respects; and accordingly, the parties hereto hereby agree to amend the Existing Facility A (364-Day) Credit Agreement as set forth herein and to restate the Existing Credit Agreement as so amended (as so amended and restated, the "Amended and Restated Credit Facility A (364-Day) Agreement"):

Section 1. Definitions. Terms used but not otherwise defined herein have the meanings given them in the Existing Facility A (364-Day) Credit Agreement.

Section 2. Amendments. Effective on the Effective Date (as defined below), the Existing Facility A (364-Day) Credit Agreement is hereby amended as set forth below, and the Existing Facility A (364-Day) Credit Agreement is restated to read in its entirety as set forth in the Existing Facility A (364-Day) Credit Agreement, which is hereby incorporated herein by reference, as amended as set forth below:

A. References in the Existing Facility A (364-Day) Credit Agreement to "this Agreement" and words of similar import (including indirect references) shall be deemed to be references to the Existing Facility A (364-Day) Credit Agreement as amended and restated hereby.

B. The definition of "Termination Date" in Section 1.01 of the Existing Facility A (364-Day) Credit Agreement is amended to read in its entirety as set forth below:

""Termination Date" means the earlier of (a) October 15, 2003 or (b) the date of termination in whole of the Commitments pursuant to Section 2.01(b) or Section 6.01."

C. Schedule I of the Existing Facility A (364-Day) Credit Agreement is amended to read in its entirety as set forth in Schedule I hereto.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Lenders as of the Effective Date that (i) the representations and warranties set forth in Section 4.01 of the Existing Facility A (364-Day) Credit Agreement are true and correct on and as of the Effective Date as though made on and as of the Effective Date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date) and as if each reference in said Section 4.01 to "this Agreement" included reference to the Amended and Restated Facility A (364-Day) Credit Agreement and as if each reference in said Sections 4.01(f) and 4.01(h) to "December 31, 2000" were instead a reference to "December 29, 2001" and as if each reference in said Sections 4.01(f) and 4. 01(h) to "July 1, 2001" were instead a reference to "June 29, 2002" and as if each reference in said Sections 4.01(e) and 4.01(g) to "December 31, 2000" were instead a reference to "December 31, 2001" and (ii) no event has occurred and is continuing that constitutes a Default or Event of Default (and the parties agree that breach of any of the representations and warranties in this Section 3 shall constitute an Event of Default under Section 6.01(b) of the Amended and Restated Facility A (364-Day) Credit Agreement).

Section 4. Conditions to Effectiveness. The amendment and restatement set forth in Section 2 hereof shall become effective on the date (the "Effective Date") on which the Administrative Agent shall notify the Borrower that the following conditions precedent have been satisfied (and the Administrative Agent shall promptly notify the Lenders of the occurrence of the Effective Date):

(a) Documents. The Administrative Agent shall have received the following documents (with sufficient copies for each Lender), each of which shall be satisfactory to the Administrative Agent in form and substance:

(1) Execution by All Parties. Counterparts of this Amendment and Restatement, duly executed and delivered by the Borrower, the Administrative Agent and the Lenders.

(2) Authority and Approvals. Certified copies of the resolutions of the Board of Directors of the Borrower (or equivalent documents) authorizing and approving this Amendment and Restatement, authorizing Borrowings under the Amended and Restated Facility A (364-Day) Credit Agreement in an aggregate principal amount up to but not exceeding $250,000,000 at any one time outstanding, and certified copies of all documents evidencing other necessary action (corporate, partnership or otherwise) and governmental approvals, if any, with respect to this Amendment and Restatement.

(3) Secretary's or Assistant Secretary's Certificate. A certificate of the Secretary or an Assistant Secretary of the Borrower, dated the Effective

Date, certifying the names and true signatures of the officers of the Borrower authorized to execute and deliver this Amendment and Restatement and the other documents to be delivered hereunder.

(4) Opinion of Borrower's Counsel. A favorable opinion of counsel to the Borrower, in substantially the form of Exhibit A hereto, and as to such other matters as the Administrative Agent or any Lender acting through the Administrative Agent may reasonably request.

(5) Closing Certificate. A certificate of a senior financial officer of the Borrower, dated the Effective Date, certifying the representations and warranties set forth in Section 3 hereof are true on such date as if made on and as of such date.

(b) Approvals. The Administrative Agent shall have received evidence satisfactory to it of receipt of all third party consents and approvals necessary in connection with this Amendment and Restatement (without the imposition of any conditions except those that are acceptable to the Lenders) and that the same remain in effect.

(c) Fees and Expenses. The Administrative Agent shall have received evidence satisfactory to it that (i) the Borrower shall have paid in full all accrued fees, expenses and interest due and payable to the Administrative Agent and the Lenders under the Existing Facility A (364-Day) Credit Agreement, (ii) the Borrower shall have paid all accrued fees and expenses of the Administrative Agent (including the reasonable fees and expenses of counsel to the Administrative Agent) in connection with this Amendment and Restatement and (iii) the Borrower shall have paid to the Administrative Agent for account of the Lenders such up-front fees in connection with the execution of this Amendment and Restatement as the Borrower and the Administrative Agent shall have agreed upon.

Section 5. Pro Rata Adjustments. The Borrower shall, on the Effective Date (but only if any Advances are outstanding on said date), borrow Advances from certain of the Lenders and/or (notwithstanding (i) the second sentence of Section 2.07(a) of the Amended and Restated Facility A (364-Day) Credit Agreement requiring that prepayments be made in accordance with said Section 2.07(a) and (ii) Section 2.09(a) of the Amended and Restated Facility A (364-Day) Credit Agreement requiring that payments be made ratably in accordance with the principal amounts of the Advances held by the Lenders) prepay Advances (together with all accrued and unpaid interest thereon) such that, after giving effect thereto, the Advances (including, without limitation, the principal amounts and Interest Periods thereof) shall be held by the Lenders ratably in accordance with their respective Commitments (after giving effect to this Amendment and Restatement).

Section 6. Miscellaneous. Except as herein provided, the Existing Facility A (364-Day) Credit Agreement shall remain unchanged and in full force and effect. This Amendment and Restatement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any of the parties hereto may execute this Amendment and Restatement by signing any such counterpart. This Amendment and Restatement shall be governed by, and construed in accordance with, the law of the State of New York.

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

THE STANLEY WORKS

By /s/ Craig A. Douglas

Name: CRAIG A. DOUGLAS
Title: VICE PRES & TREASURER

CITIBANK, N.A., as Administrative Agent and as Lender

By

Name:
Title:

FLEET NATIONAL BANK

By

Name:
Title:

BNP PARIBAS

By

Name:
Title:

By

Name:
Title:

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

THE STANLEY WORKS

By

Name:
Title:

CITIBANK, N.A., as Administrative Agent and as Lender

By /s/ Carolyn A. Kee

Name: CAROLYN A. KEE
Title: Vice President

FLEET NATIONAL BANK

By

Name:
Title:

BNP PARIBAS

By

Name:
Title:

By

Name:
Title:

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

THE STANLEY WORKS

By

Name:
Title:

CITIBANK, N.A., as Administrative Agent and as Lender

By

Name:
Title:

FLEET NATIONAL BANK

By /s/ Jeffrey C. Lynch

Name: JEFFREY C. LYNCH
Title: Managing Director

BNP PARIBAS

By

Name:
Title:

By

Name:
Title:

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

THE STANLEY WORKS

By

Name:
Title:

CITIBANK, N.A., as Administrative Agent and as Lender

By

Name:
Title:

FLEET NATIONAL BANK

By

Name:
Title:

BNP PARIBAS

By /s/ Christopher Criswell

Name: CHRISTOPHER CRISWELL
Title: Managing Director

By /s/ Arnaud Collin du Bocage

Name: Arnaud Collin du Bocage
Title: Managing Director

MELLON BANK, N.A.

By /s/ J. Wade Bell

Name: J. Wade Bell
Title: Vice President

JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)

By

Name:
Title:

BARCLAYS BANK PLC

By

Name:
Title:

RBC CENTURA BANK

By

Name:
Title:

THE NORTHERN TRUST COMPANY

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)

By /s/ Robert P. Kellas

Name: ROBERT P. KELLAS
Title: VICE PRESIDENT

BARCLAYS BANK PLC

By

Name:
Title:

RBC CENTURA BANK

By

Name:
Title:

THE NORTHERN TRUST COMPANY

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)

By

Name:
Title:

BARCLAYS BANK PLC

By /s/ Nicholas A. Bell

Name: NICHOLAS A. BELL
Title: DIRECTOR LOAN TRANSACTION MANAGEMENT

RBC CENTURA BANK

By

Name:
Title:

THE NORTHERN TRUST COMPANY

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)

By

Name:
Title:

BARCLAYS BANK PLC

By

Name:
Title:

RBC CENTURA BANK

By /s/ E. Mark Stubblefield

Name: E. MARK STUBBLEFIELD
Title: MARKET MANAGER

THE NORTHERN TRUST COMPANY

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)

By

Name:
Title:

BARCLAYS BANK PLC

By

Name:
Title:

RBC CENTURA BANK

By

Name:
Title:

THE NORTHERN TRUST COMPANY

By /s/ Ross Rockenbach

Name: Ross Rockenbach
Title: Vice President

SCHEDULE I

Lenders and Commitments

Lenders	Commitment
CITIBANK, N.A.	$45,000,000.00
FLEET NATIONAL BANK	$40,952,382.00
BNP PARIBAS	$40,952,382.00
MELLON BANK, N.A.	$40,952,382.00
JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank)	$28,571,428.00
BARCLAYS BANK PLC	$17,857,142.00
RBC CENTURA BANK	$17,857,142.00
THE NORTHERN TRUST COMPANY	$17,857,142.00

EXHIBIT A

[FORM OF OPINION OF COUNSEL TO THE BORROWER]

October 16, 2002

To each of the Lenders listed on
Schedule I hereto and
to Citibank, N.A., as
Administrative Agent for the Lenders

Re: The Amended and Restated Facility A (364 Day) Credit Agreement among The Stanley Works, the Lenders party thereto and Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

We have acted as special counsel to The Stanley Works, a Connecticut corporation (the "Borrower"), in connection with the Amendment and Restatement dated as of even date herewith (the "Amendment and Restatement") of the Facility A (364-Day) Credit Agreement dated as of October 17, 2001 (the "Facility A (364-Day) Credit Agreement" and, as amended by the Amendment and Restatement, the "Amended and Restated Facility A (364-Day) Credit Agreement"), among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders. This opinion is being delivered pursuant to Section 4(a)(4) of the Amendment and Restatement. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Amended and Restated Facility A (364-Day) Credit Agreement.

In rendering the opinions set forth herein, we have examined and relied on originals or copies of (i) the Amendment and Restatement, (ii) the certificate executed by the General Counsel of the Borrower dated as of the date hereof, a copy of which is attached hereto as Exhibit A (the "Borrower's Certificate"), (iii) a copy of the Borrower's Annual Report on Form 10-K for the year ended December 29, 2001 (the "Form 10-K") filed with the Securities and Exchange Commission, (iv) a copy of the Borrower's Quarterly Report on Form 10-Q for the period ended June 29, 2002 filed with the Securities and Exchange Commission, (v) the Restated Certificate of Incorporation of the Borrower dated September 11, 1998, filed with the Connecticut Secretary of the State's office on September 15, 1998, (vi) the Bylaws of the Borrower as amended through October 17, 2001, (vii) Resolutions of the Board of Directors of the Borrower adopted on October 16, 2002, and (viii) a Certificate of Legal Existence of the Borrower dated October 9, 2002 issued by the Connecticut Secretary of the State. Furthermore, in rendering the opinions set forth herein we have, with your consent, relied only upon examination of the documents described above and upon statements and representations of the

Borrower and its officers and other representatives, including the facts and conclusions set forth in the Borrower's Certificate and we have made no independent verification or investigation of the factual matters set forth therein.

In our examination we have assumed the genuineness of all signatures including endorsements, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, certified or photostatic copies, and the authenticity of the originals of such copies.

We express no opinion as to the laws of any jurisdiction other than the Applicable Laws of the States of Connecticut and New York and the United States of America. "Applicable Laws" shall mean those laws, rules and regulations which, in our experience, are normally applicable to transactions of the type contemplated by the Amendment and Restatement without our having made any special investigation as to the applicability of any specific law, rule or regulation, and which are not the subject of a specific opinion herein referring expressly to a particular law or laws. "Governmental Authorities" shall mean any United States of America, Connecticut or New York executive, legislative, judicial, administrative or regulatory body. "Governmental Approval" shall mean any consent, approval, license, authorization or validation of, or filing, recording or registration with, any Governmental Authority pursuant to Applicable Laws.

Based upon the foregoing and subject to the limitations, qualifications, exceptions and assumptions set forth herein, we are of the opinion that as of the date hereof:

1. The Borrower has been duly incorporated in, and is validly existing under the laws of, the State of Connecticut.

2. The Borrower has the corporate power and corporate authority to execute, deliver, and perform its obligations under the Amendment and Restatement.

3. The execution and delivery of the Amendment and Restatement has been duly authorized by all requisite corporate action on the part of the Borrower.

4. The Amendment and Restatement has been duly executed and delivered by the Borrower and constitutes the valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms under the laws of the State of New York.

5. Neither the execution, delivery or performance by the Borrower of the Amendment and Restatement nor the compliance by the Borrower with the terms and provisions thereof will contravene any provision of any Applicable Law of the States of New York and Connecticut, or the federal laws of the United States of America.

6. Based upon our review of Applicable Laws, but without our having made any special investigation concerning any other law, rule or regulation, no Governmental Approval which has not been obtained or taken and is not in full force and effect is required to authorize or is required in connection with the execution, delivery or performance of the Amendment and Restatement by the Borrower.

7. Neither the execution, delivery or performance by the Borrower of the Amendment and Restatement nor the compliance by the Borrower with the terms and provisions thereof will conflict with, contravene, violate or constitute a default under (i) to the best of our knowledge, after due investigation, any provision of any Applicable Contract or any other agreement or instrument to which the Borrower or the Borrower's property is subject, (ii) any provision of any Applicable Law, (iii) to the best of our knowledge, after due investigation, any judicial or administrative order or decree of any Governmental Authority, or (iv) its Certificate of Incorporation and Bylaws. As used in this paragraph, "due investigation" means solely that we have reviewed the Certificate of the Borrower attached hereto as Exhibit A.

8. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Our opinions are subject to the following assumptions and qualifications:

(a) since we do not represent the Borrower on a regular basis, we have assumed the accuracy of the description of the Borrower's business set forth in the Borrower's Form 10-K;

(b) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, or other similar laws affecting creditors' rights and remedies generally and by general principles of equity or the exercise of judicial discretion (regardless of whether enforcement is sought in equity or at law) including, but not limited to, principles relating to good faith and fair dealing, commercial reasonableness and the like;

(c) we have assumed that the Amendment and Restatement constitutes the valid and binding obligation of each party thereto (other than the Borrower) enforceable against such other party in accordance with its terms;

(d) we express no opinion as to the effect on the opinions expressed herein of (i) the compliance or non-compliance of the Administrative Agent or any party (other than the Borrower to the extent expressly set forth herein) to the Amendment and Restatement with any state, federal or other laws or regulations applicable to them or (ii) the legal or regulatory status or the nature of the business of the Administrative Agent;

(e) we express no opinion as to the enforceability of any rights to contribution or indemnification provided for in the Amendment and Restatement which are violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation); and

(f) we express no opinion with respect to any provision of the Amendment and Restatement to the extent it authorizes or permits any purchaser of a participation interest to setoff or apply any deposit, property or indebtedness with respect to any participation interest.

In rendering the foregoing opinions, we have assumed, with your consent, that (a) the execution, delivery, or performance by the Borrower of the Amendment and Restatement does

not and will not conflict with, contravene, violate or constitute a default under any rule, law, or regulation to which the Borrower is subject (other than Applicable Laws, orders, and decrees as to which we express an opinion in paragraph 7 herein) or any agreement or instrument to which the Borrower or the Borrower's property is subject (except to the extent that we express an opinion in paragraph 7 herein); and (b) no authorization, consent or other approval of, notice to or filing with, any court, governmental authority or regulatory body (other than Governmental Approvals as to which we express our opinion in paragraph 6 herein) is required to authorize or is required in connection with the execution, delivery or performance by the Borrower of the Amendment and Restatement or the transactions contemplated thereby.

This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated. The opinions set forth herein are rendered as of the date hereof. We assume no obligation to update any facts or circumstances which may hereafter come to our attention or any changes in any laws, regulations or court decisions which may hereafter occur.

This opinion is being furnished only to you in connection with the Amendment and Restatement and is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other Person for any purpose without our prior written consent, provided, that any Person that becomes a Lender pursuant to Section 8.07(a) of the Amended and Restated Facility A (364-Day) Credit Agreement may rely on this opinion as if it were addressed to such Person and delivered on the date hereof.

Very truly yours,

Tyler Cooper & Alcorn, LLP

By:

A Partner

SCHEDULE I

Lenders

Citibank, N.A.
Fleet National Bank
BNP Paribas
Mellon Bank, N.A.
JPMorgan Chase Bank
Barclays Bank PLC
RBC Centura Bank
The Northern Trust Company

Exhibit A to
TC&A Opinion

Borrower's Certificate

I, Bruce H. Beatt, am General Counsel of The Stanley Works (the "Borrower"). I understand that pursuant to Section 4(a)(4) of that certain Amendment and Restatement dated as of October 16, 2002 (the "Amendment and Restatement") to the Facility A (364-Day) Credit Agreement dated as of October 17, 2001 (the "Facility A (364-Day) Credit Agreement", and, as amended by the Amendment and Restatement, the "Amended and Restated Facility A (364-Day) Credit Agreement"), among the Borrower, the lenders party thereto (the "Lenders") and Citibank, N.A. as administrative agent for the Lenders, Tyler Cooper & Alcorn, LLP is relying on this certificate and the statements made herein in rendering certain legal opinions. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Amended and Restated Facility A (364-Day) Credit Agreement.

With regard to the foregoing, on behalf of the Borrower I certify that:

A. Based solely and exclusively on conversations with Craig A. Douglas, Treasurer of Borrower;

1. The value of all securities owned by the Borrower (excluding those issued by majority-owned Subsidiaries of the Borrower) does not exceed 10% of the value of the Borrower's total assets;

2. Less than 25 percent of the assets of the Borrower on a consolidated basis and on an unconsolidated basis consist of the margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System); and

3. The Borrower (a) is primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning holding or trading in securities and (b) is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities, and does not own or propose to acquire investment securities having a value exceeding 40 percent of the value of the Borrower's total assets (exclusive of government securities and cash items) on an unconsolidated basis; and

B. Based solely and exclusively on a certain Statement by Holding Company Claiming Exemption Under Rule U-3A-2 from the Provisions of the Public Utility Holding Company Act of 1935 (the "Act"), filed by Borrower with the United States Securities and Exchange Commission on February 28, 2002 (Accession Number 0000093556-00-000003), Borrower is exempt from the provisions of the Act.

C. Based solely and exclusively on interviews of the officers of the Borrower responsible for its financing activities and the lawyers under my supervision, the execution, delivery and performance by the Borrower of any of its obligations under the Amendment and Restatement and the Amended and Restated Facility A (364-Day) Credit Agreement does not and will not conflict with, contravene, violate or constitute a default under (i) any provision of any Applicable Contract or any other agreement or instrument to which the Borrower or the Borrower's property is subject, or (ii) any judicial or administrative order or decree of any Governmental Authority.

IN WITNESS WHEREOF, I have executed this certificate this __ day of October, 2002.

By:

Name: Bruce H. Beatt
Title: Vice President, General Counsel and Secretary

EXECUTION COPY

THE STANLEY WORKS,

Issuer

to

JPMORGAN CHASE BANK,

Trustee

INDENTURE

Dated as of November 1, 2002

Debt Securities

RECONCILIATION AND TIE BETWEEN
TRUST INDENTURE ACT OF 1939 (THE "TRUST INDENTURE ACT")
AND INDENTURE

TRUST INDENTURE ACT SECTION	INDENTURE SECTION
ss.310(a)(1)	6.8
(a)(2)	6.8
(b)	6.9
ss.312(a)	7.1
(b)	7.2
(c)	7.2
ss.313(a)	7.3
(b)(2)	7.3
(c)	7.3
(d)	7.3
ss.314(a)	7.4
(c)(1)	1.2
(c)(2)	1.2
(e)	1.2
(f)	1.2
ss.316(a) (last sentence)	1.1
(a)(1)(A)	5.2, 5.12
(a)(1)(B)	5.13
(b)	5.8
ss.317(a)(1)	5.3
(a)(2)	5.4
(b)	10.3
ss.318(a)	1.8

- ------------------

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

TABLE OF CONTENTS

ARTICLE 2

SECURITIES FORMS

ARTICLE 3

THE SECURITIES

ARTICLE 4

SATISFACTION AND DISCHARGE OF INDENTURE

ARTICLE 5

REMEDIES

ARTICLE 10

COVENANTS

ARTICLE 11

REDEMPTION OF SECURITIES

ARTICLE 12

[INTENTIONALLY OMITTED]

ARTICLE 13

REPAYMENT AT THE OPTION OF HOLDERS

ARTICLE 14

[INTENTIONALLY OMITTED]

ARTICLE 15

MEETINGS OF HOLDERS OF SECURITIES

INDENTURE, dated as of November 1, 2002 (the "Indenture"), between THE STANLEY WORKS, a corporation duly organized and existing under the laws of the State of Connecticut (hereinafter called the "Company"), having its principal executive office located at 1000 Stanley Drive, New Britain, Connecticut, 06053, and JPMORGAN CHASE BANK, a banking corporation duly organized and existing under the laws of the State of New York (hereinafter called the "Trustee"), having its Corporate Trust Office located at 4 New York Plaza, New York, New York, 10004.

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its senior unsecured debentures, notes or other evidences of indebtedness (hereinafter called the "Securities"), unlimited as to principal amount, to bear such rates of interest, to mature at such time or times, to be issued in one or more series and to have such other provisions as shall be fixed as hereinafter provided.

The Company has duly authorized the execution and delivery of this Indenture. All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, that are required to be part of this Indenture and, to the extent applicable, shall be governed by such provisions.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

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

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

Except as otherwise expressly provided in or pursuant to this Indenture or unless the context otherwise requires, for all purposes of this Indenture:

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

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America and, except as otherwise herein expressly provided, the terms "generally accepted accounting principles" or "GAAP" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date or time of such computation;

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

(5) references herein to Sections or Articles refer to Sections or Articles in this Indenture.

Certain terms used principally in certain Articles hereof are defined in those Articles.

"Act", when used with respect to any Holders, has the meaning specified in Section 1.4.

"Additional Amount[s]" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes, assessments or other governmental charges imposed on Holders specified therein and which are owing to such Holders.

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

"Attributable Debt" in respect of any Sale and Lease-Back Transaction means, as of the time of the determination, the lesser of (i) the sale price of the Principal Property so leased multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease included in such transaction and the denominator of which is the base term of such lease, and (ii) the total obligation (discounted to present value at the implicit interest factor, determined in accordance with generally accepted financial practice, included in the rental payments or, if such interest factor cannot readily be determined, at a rate of interest of 10% per annum, compounded semi-annually) of the lessee for rental payments (other than amounts required to be paid on account of property taxes as well as maintenance, repairs, insurance, water rates and other items which do not constitute payments for property rights) during the remaining portion of the base term of lease included in such transaction.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 6.11 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in an official language of the place of publication or in the English language, customarily published on each day that is a Business Day in the

place of publication, whether or not published on days that are not Business Days in the place of publication, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any day that is a Business Day in the place of publication.

"Authorized Officer" means, when used with respect to the Company, the Chairman of the Board of Directors, a Vice Chairman, the President, any Vice President, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company.

"Bearer Security" means any Security in the form established pursuant to Section 2.1 which is payable to bearer.

"Board of Directors" means the board of directors of the Company or any committee of that board duly authorized to act generally or in any particular respect for the Company hereunder.

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

"Business Day", with respect to any Place of Payment or other location, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, any day other than a Saturday, Sunday or other day on which banking institutions in such Place of Payment or other location are authorized or obligated by law, regulation or executive order to close.

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

"Common Stock" includes any capital stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company.

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

"Company Request" and "Company Order" mean, respectively, a written request or order, as the case may be, signed in the name of the Company by the Chairman of the Board of Directors, a Vice Chairman, the Chief Executive Officer, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Consolidated Net Worth" means the excess over current liabilities of all assets properly appearing on a consolidated balance sheet of the Company and its consolidated Subsidiaries after deducting the minority interests of others in Subsidiaries.

"Corporate Trust Office" means the corporate trust office of the Trustee at which at any particular time its corporate trust business shall be principally administered; which office at the date of original execution of this Indenture is located at 4 New York Plaza, New York, New York 10004, or the principal corporate trust office of any successor Trustee.

"Corporation" includes corporations and, except for purposes of Article Eight, associations, companies, business trusts and limited liability companies.

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

"Currency", with respect to any payment, deposit or other transfer in respect of the principal of or any premium or interest on or any Additional Amounts with respect to any Security, and with respect to any other payment, deposit or transfer pursuant to or contemplated by the terms hereof or such Security, means Dollars.

"CUSIP number" means the alphanumeric designation assigned to a Security by Standard & Poor's Corporation, CUSIP Service Bureau (or any Person to whom this function may be sold or otherwise transferred).

"Debt" means (a) any liability of the Company or any Restricted Subsidiary (1) for borrowed money, or under any reimbursement obligation relating to a letter of credit, or (2) evidenced by a bond, note, debenture or similar instrument, or (3) for payment obligations arising under any conditional sale or other title retention arrangement (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind, or (4) for the payment of money relating to a capitalized lease obligation; (b) any liability of others of a type described in the preceding clause (a) that the Company or any Restricted Subsidiary has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above.

"Defaulted Interest" has the meaning specified in Section 3.7.

"Dollars" or "$" means a dollar or other equivalent unit of legal tender for payment of public or private debts in the United States of America.

"Event of Default" has the meaning specified in Section 5.1.

"Foreign Currency" means any currency, currency unit or composite currency issued by the government of one or more countries other than the United States of America or by any recognized confederation or association of such governments.

"Government Obligations" means securities which are (i) direct obligations of the United States of America or the other government or governments in the confederation which issued the Foreign Currency in which the principal of or any premium or interest on such Security or any

Additional Amounts in respect thereof shall be payable, in each case where the payment or payments thereunder are supported by the full faith and credit of such government or governments or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America or such other government or governments, in each case where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States of America or such other government or governments, and which, in the case of (i) or (ii), are not callable or redeemable except at the option of the holders thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Holder", in the case of any Registered Security, means the Person in whose name such Security is registered in the Security Register and, in the case of any Bearer Security, means the bearer thereof and, in the case of any Coupon, means the bearer thereof.

"Indebtedness", with respect to any Person, means indebtedness for borrowed money or for the unpaid purchase price of real or personal property of, or guaranteed by, such Person and computed in accordance with GAAP.

"Indenture" means this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and, with respect to any Security, by the terms and provisions of such Security and any Coupon appertaining thereto established pursuant to Section 3.1 (as such terms and provisions may be amended pursuant to the applicable provisions hereof).

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

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

"Judgment Currency" has the meaning specified in Section 1.16.

"Maturity", with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in or pursuant to this Indenture, whether at the Stated Maturity or by declaration of acceleration, notice of redemption or repurchase, notice of option to elect repayment or otherwise, and includes the Redemption Date.

"Mortgage has the meaning specified in Section 10.5.

"New York Banking Day" has the meaning specified in Section 1.16.

"Office" or "Agency", with respect to any Securities, means an office or agency of the Company maintained or designated in a Place of Payment for such Securities pursuant to Section 10.2 or any other office or agency of the Company maintained or designated for such Securities pursuant to Section 10.2 or, to the extent designated or required by Section 10.2 in lieu of such office or agency, the Corporate Trust Office of the Trustee.

"Officer's Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman, the President or a Vice President of the Company, that complies with the requirements of Section 314(e) of the Trust Indenture Act and is delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company or other counsel who shall be reasonably acceptable to the Trustee, that, if required by the Trust Indenture Act, complies with the requirements of Sections 314(c) and/or 314(e) of the Trust Indenture Act.

"Original Issue Discount Security" means a Security issued pursuant to this Indenture which provides for declaration of an amount less than the principal face amount thereof to be due and payable upon acceleration pursuant to Section 5.2.

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

(a) any such Security theretofore cancelled by the Trustee or the Security Registrar or delivered to the Trustee or the Security Registrar for cancellation;

(b) any such Security for whose payment at the Maturity thereof money in the necessary amount has been theretofore deposited pursuant hereto (other than pursuant to Section 4.2) with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any Coupons appertaining thereto, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(c) any such Security with respect to which the Company has effected defeasance pursuant to the terms hereof, except to the extent provided in Section 4.2;

(d) any such Security which has been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, unless there shall have been presented to the Trustee proof satisfactory to it that such Security is held by a bona fide purchaser in whose hands such Security is a valid obligation of the Company; and

(e) any such Security converted or exchanged as contemplated by this Indenture into Common Stock or other securities, if the terms of such Security provide for such conversion or exchange pursuant to Section 3.1;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders of Securities for quorum purposes, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be Outstanding for such purposes shall be equal to the amount of the principal thereof that pursuant to the terms of such Original Issue Discount Security would be declared (or shall have been declared to be) due and payable upon a declaration of acceleration thereof pursuant to Section 5.2 at the time of such determination, and (ii) the principal amount of any Indexed Security that may be counted in making such determination and that shall be deemed Outstanding for such purposes shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided in or pursuant to this Indenture, and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making any such determination or relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which shall have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee (A) the pledgee's right so to act with respect to such Securities and (B) that the pledgee is not the Company or any other obligor upon the Securities or any Coupons appertaining thereto or an Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, or any premium or interest on, or any Additional Amounts with respect to, any Security or any Coupon on behalf of the Company.

"Person" means any individual, Corporation, partnership, joint venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", with respect to any Security, means the place or places where the principal of, or any premium or interest on, or any Additional Amounts with respect to such Security are payable as provided in or pursuant to this Indenture or such Security.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same Indebtedness as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a lost, destroyed, mutilated or stolen Security or any Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same Indebtedness as the lost, destroyed, mutilated or stolen Security or the Security to which a mutilated, destroyed, lost or stolen Coupon appertains.

"Principal Property" means all real property and tangible personal property constituting a manufacturing plant located within the United States owned by the Company or a Restricted Subsidiary, exclusive of (i) motor vehicles, mobile materials-handling equipment and other rolling stock, (ii) office furnishings and equipment, information and electronic data processing equipment, (iii) any property financed through obligations issued by a state or possession of the

United States, or any political subdivision or instrumentality of the foregoing, on which the interest is not, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, includible in gross income of the holder by reason of Section 103(a) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, (iv) any real property held for development or sale, or (v) any property the gross book value of which (including related land and improvements thereon and all machinery and equipment included therein without deduction of any depreciation reserves) is less than 10% of Consolidated Net Worth or which the Board of Directors of the Company determines is not material to the operation of the business of the Company and its Subsidiaries taken as a whole.

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

"Redemption Price", with respect to any Security or portion thereof to be redeemed, means the price at which it is to be redeemed as determined by or pursuant to this Indenture or such Security.

"Registered Security" means any Security established pursuant to Section 2.1 which is registered in a Security Register.

"Regular Record Date" for the interest payable on any Registered Security on any Interest Payment Date therefor means the date, if any, specified in or pursuant to this Indenture or such Security as the "Regular Record Date".

"Required Currency" has the meaning specified in Section 1.16.

"Responsible Officer" means any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, or any trust officer or any other officer of the Trustee within the Institutional Trust Services-Conventional Debt Unit of the Trustee (or any similar successor unit or department of the Trustee) located at the Corporate Trust Office at the Trustee who has direct responsibility for the administration of this Indenture and, for purposes of Section 6.1(3)(b) and the first proviso of Section 6.3, shall also include any officer of the Trustee to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means a Subsidiary (i) substantially all the property of which is located, or substantially all the business of which is carried on, within the United States, and (ii) which owns a Principal Property; provided, however, that the term shall not include any Subsidiary which is solely or primarily engaged in the business of providing or obtaining financing for the sale or lease of products sold or leased by the Company or any Subsidiary or which is primarily engaged in the business of a finance company either on a secured or an unsecured basis.

"Sale and Lease-back Transaction" of a corporation means any arrangement whereby (i) property has been or is to be sold or transferred by such corporation to any Person with the intention on the part of such corporation of taking back a lease of such property pursuant to which the rental payments are calculated to amortize the purchase price of such property

substantially over the useful life of such property and (ii) such property is in fact so leased by such corporation.

"Security" or "Securities" means any note or notes, bond or bonds, debenture or debentures, or any other evidences of Indebtedness, as the case may be, authenticated and delivered under this Indenture; provided, however, that if at any time there is more than one Person acting as Trustee under this Indenture, "Securities", with respect to any such Person, shall mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.5.

"Special Record Date" for the payment of any Defaulted Interest on any Registered Security means a date fixed by the Company pursuant to Section 3.7.

"Stated Maturity", with respect to any Security or any installment of principal thereof or interest thereon or any Additional Amounts with respect thereto, means the date established by or pursuant to this Indenture or such Security as the fixed date on which the principal of such Security or such installment of principal or interest is, or such Additional Amounts are, due and payable.

"Subsidiary" means any corporation of which at least a majority of all outstanding stock having ordinary voting power in the election of directors of such corporation is at the time, directly or indirectly, owned by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Act or provision, as the case may be, as amended or replaced from time to time.

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

"United States", except as otherwise provided in or pursuant to this Indenture or any Security, means the United States of America (including the states thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

"United States Alien", except as otherwise provided in or pursuant to this Indenture or any Security, means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

"U.S. Depository" or "Depository" means, with respect to any Security issuable or issued in the form of one or more global Securities, the Person designated as U.S. Depository or Depository by the Company in or pursuant to this Indenture, which Person must be, to the extent required by applicable law or regulation, a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, if so provided with respect to any Security, any successor to such Person. If at any time there is more than one such Person, "U.S. Depository" or "Depository" shall mean, with respect to any Securities, the qualifying entity which has been appointed with respect to such Securities.

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

Section 1.2. Compliance Certificates and Opinions.

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

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

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

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

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

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

Section 1.3. Form of Documents Delivered to Trustee.

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

and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, provided that such officer, after reasonable inquiry, has no reason to believe and does not believe that the Opinion of Counsel with respect to the matters upon which his certificate or opinion is based is erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, provided that such counsel, after reasonable inquiry, has no reason to believe, and does not believe that the certificate or opinion or representations with respect to such matters are erroneous.

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

Section 1.4. Acts of Holders.

(1) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by or pursuant to this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If, but only if, Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be given or taken by Holders of Securities of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein or therein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company and any agent of the Trustee or the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 15.6.

Without limiting the generality of this Section 1.4, unless otherwise provided in or pursuant to this Indenture, a Holder, including a U.S. Depository that is a Holder of a global Security, may make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other Act provided in or pursuant to this Indenture to be made, given or taken by Holders, and a U.S. Depository that is a Holder of a

global Security may provide its proxy or proxies to the beneficial owners of interests in any such global Security through such U.S. Depository's standing instructions and customary practices.

The Company shall fix a record date for the purpose of determining the Persons who are beneficial owners of interest in any permanent global Security held by a U.S. Depository entitled under the procedures of such U.S. Depository to make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other Act provided in or pursuant to this Indenture to be made, given or taken by Holders. When such a record date is fixed, the Holders on such record date or their duly appointed proxy or proxies, and only such Persons, shall be entitled to make, give or take such request, demand, authorization, direction, notice, consent, waiver or other Act, whether or not such Holders remain Holders after such record date. No such request, demand, authorization, direction, notice, consent, waiver or other Act shall be valid or effective if made, given or taken more than 90 days after such record date.

(2) The fact and date of the execution by any Person of any such instrument or writing referred to in this Section 1.4 may be proved in any reasonable manner; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(3) The ownership, principal amount and serial numbers of Registered Securities held by any Person, and the date of the commencement and the date of the termination of holding the same, shall be proved by the Security Register.

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

(5) If the Company shall solicit from the Holders of any Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may at its option (but is not obligated to), by Board Resolution, fix in advance a record date for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act. If such a record date is fixed, such

request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders for the purpose of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders of Registered Securities shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

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

Section 1.5. Notices, Etc., to Trustee and Company.

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

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

(2) the Company by the Trustee or any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to the attention of its Treasurer, with a copy to the attention of its General Counsel, at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided in or pursuant to this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities, if any, if published in an Authorized Newspaper in The City of New York and, if such Securities are then listed on any stock exchange outside the United States, in an

Authorized Newspaper in such city as the Company shall advise the Trustee that such stock exchange so requires, on a Business Day at least twice, the first such publication to be not earlier than the earliest date and the second such publication not later than the latest date prescribed for the giving of such notice.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided. In the case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

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

Section 1.7. Language of Notices.

Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under this Indenture shall be in the English language, except that, if the Company so elects, any published notice may be in an official language of the country of publication.

Section 1.8. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with any duties under any required provision of the Trust Indenture Act imposed hereon by Section 318(c) thereof, such required provision shall control.

Section 1.9. Effect of Headings and Table of Contents.

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

Section 1.10. Successors and Assigns.

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

Section 1.11. Separability Clause.

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

Section 1.12. Benefits of Indenture.

Nothing in this Indenture, any Security or any Coupon, express or implied, shall give to any Person, other than (i) the parties hereto, (ii) any Security Registrar, (iii) any Paying Agent, (iv) any Authenticating Agent, (v) the successors to each of the parties named in (i), (ii), (iii) and (iv) of this paragraph and, (vi) the Holders of Securities or Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.13. Governing Law; Waiver of Trial by Jury; and Jurisdiction..

This Indenture, the Securities and the Coupons shall be governed by and construed in accordance with the law of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute). The Trustee, the Company, and (by their acceptance of the Securities) the Holders, agree to submit to the non-exclusive jurisdiction of any United States federal or state court located in the Borough of Manhattan, in The City of New York in any action or proceeding arising out of or relating to this Indenture or the Securities. The Trustee and the Company hereby knowingly, voluntarily and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon, or arising out of, under or in connection with, this Indenture or any course of conduct, course of dealing, statements (whether oral or written) or actions of the Trustee or the Company relating thereto. The Company acknowledges and agrees that it has received full and sufficient consideration for this provision and that this provision is a material inducement for the Trustee and the Holders entering into this Indenture.

Section 1.14. Legal Holidays.

Unless otherwise specified in or pursuant to this Indenture or any Securities, in any case where any Interest Payment Date, Stated Maturity or Maturity of any Security, or the last date on which a Holder has the right to convert or exchange Securities of a series that are convertible or exchangeable, shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture, any Security or any Coupon other than a provision in any Security or Coupon that specifically states that such provision shall apply in lieu hereof) payment need not be made at such Place of Payment on such date, and such Securities need not be converted or exchanged on such date but such payment may be made, and such Securities may be converted or exchanged, on the next succeeding day that is a Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity or Maturity or on such last day for conversion or exchange, and no interest shall accrue

on the amount payable on such date or at such time for the period from and after such Interest Payment Date, Stated Maturity, Maturity or last day for conversion or exchange, as the case may be, to such next succeeding Business Day.

Section 1.15. Counterparts.

This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1.16. Judgment Currency.

The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on, or Additional Amounts with respect to, the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the requisite amount of the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which a final unappealable judgment is given and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with clause (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in The City of New York or a day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to be closed.

Section 1.17. No Security Interest Created.

Subject to the provisions of Section 10.5, nothing in this Indenture or in any Securities, express or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect in any jurisdiction where property of the Company or its Subsidiaries is or may be located.

Section 1.18. Limitation on Individual Liability.

No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in any Security, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred

by, the incorporators, shareholders, officers or directors, as such, of the Company, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Security or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, shareholder, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Security or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Security.

ARTICLE 2

SECURITIES FORMS

Section 2.1. Forms Generally.

Each Registered Security, Bearer Security, Coupon and temporary or permanent global Security issued pursuant to this Indenture shall be in the form established by or pursuant to a Board Resolution and set forth in an Officer's Certificate or in one or more indentures supplemental hereto, shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by or pursuant to this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing such Security or Coupon as evidenced by their execution of such Security or Coupon.

Unless otherwise provided in or pursuant to this Indenture, any Securities, or the Board Resolution or any indenture supplemental hereto establishing such series of Securities, the Securities shall be issuable in registered form without Coupons and shall not be issuable upon the exercise of warrants.

Definitive Securities and definitive Coupons shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Securities or Coupons, as evidenced by their execution of such Securities or Coupons.

Section 2.2. Form of Trustee's Certificate of Authentication.

Subject to Section 6.11, the Trustee's certificate of authentication shall be in substantially the following form:

> This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.
>
> JPMORGAN CHASE BANK,
> as Trustee

By_____
Authorized Officer

Section 2.3. Securities in Global Form.

If Securities of a series shall be issuable in global form, any such Security may provide that it or any number of such Securities shall represent the aggregate amount of all Outstanding Securities of such series (or such lesser amount as is permitted by the terms thereof) from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of any Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered pursuant to Section 3.3 or 3.4 with respect thereto. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver, in each case at the Company's expense, any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 3.3 or 3.4 has been, or simultaneously is, delivered, any instructions by the Company with respect to a Security in global form shall be in writing but need not be accompanied by or contained in an Officer's Certificate and need not be accompanied by an Opinion of Counsel.

Notwithstanding the provisions of Section 3.7, unless otherwise specified in or pursuant to this Indenture, any Securities, or the Board Resolution or any indenture supplemental hereto establishing such series of Securities, payment of principal of, any premium and interest on, and any Additional Amounts in respect of, any Security in temporary or permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 3.8 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company or the Trustee shall treat as the Holder of such principal amount of Outstanding Securities represented by a global Security (i) in the case of a global Security in registered form, the Holder of such global Security in registered form, or (ii) in the case of a global Security in bearer form, the Person or Persons specified pursuant to Section 3.1.

ARTICLE 3

THE SECURITIES

Section 3.1. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more series.

With respect to any Securities to be authenticated and delivered hereunder, there shall be established in or pursuant to a Board Resolution and set forth in an Officer's Certificate, or established in one or more indentures supplemental hereto,

(1) the title of such Securities and the series in which such Securities shall be included;

(2) any limit upon the aggregate principal amount of the Securities of such title or the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 3.4, 3.5, 3.6, 9.5 or 11.7, upon repayment in part of any Registered Security of such series pursuant to Article Thirteen, upon surrender in part of any Registered Security for conversion into Common Stock or exchange for other securities pursuant to its terms, or pursuant to or as contemplated by the terms of such Securities);

(3) if such Securities are to be issuable as Registered Securities, as Bearer Securities or alternatively as Bearer Securities and Registered Securities, and whether the Bearer Securities are to be issuable with Coupons, without Coupons or both, and any restrictions applicable to the offer, sale or delivery of the Bearer Securities and the terms, if any, upon which Bearer Securities may be exchanged for Registered Securities and vice versa;

(4) if any of such Securities are to be issuable in global form, when any of such Securities are to be issuable in global form and (i) whether such Securities are to be issued in temporary or permanent global form or both, (ii) whether beneficial owners of interests in any such global Security may exchange such interests for Securities of the same series and of like tenor and of any authorized form and denomination, and the circumstances under which any such exchanges may occur, if other than in the manner specified in Section 3.5, and (iii) the name of the Depository or the U.S. Depository, as the case may be, with respect to any such global Security;

(5) if any of such Securities are to be issuable as Bearer Securities or in global form, the date as of which any such Bearer Security or global Security shall be dated (if other than the date of original issuance of the first of such Securities to be issued);

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

(7) the date or dates, or the method or methods, if any, by which such date or dates shall be determined, on which the principal of such Securities is payable;

(8) the rate or rates at which such Securities shall bear interest, if any, or the method, or methods, if any, by which such rate or rates are to be determined, the date or dates, if any, from which such interest shall accrue or the method or methods, if any, by which such date or dates are to be determined, the Interest Payment Dates, if any, on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on Registered Securities on any Interest Payment Date, whether and under what circumstances Additional Amounts on such Securities or any of them shall be payable, the notice, if any, to Holders regarding the determination of interest on a floating rate Security and the manner of giving such notice, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(9) if in addition to or other than the Borough of Manhattan, The City of New York, the place, or places where the principal of, any premium and interest on or any Additional Amounts with respect to such Securities shall be payable, any of such Securities that are Registered Securities may be surrendered for registration of transfer or exchange, any of such Securities may be surrendered for conversion or exchange and notices or demands to or upon the Company in respect of such Securities and this Indenture may be served, the extent to which, or the manner in which, any interest payment or Additional Amounts on a global Security on an Interest Payment Date, will be paid and the manner in which any principal of or premium, if any, on any global Security will be paid;

(10) whether any of such Securities are to be redeemable at the option of the Company and, if so, the date or dates on which, the period or periods within which, the price or prices at which and the other terms and conditions upon which such Securities may be redeemed, in whole or in part, at the option of the Company;

(11) whether the Company is obligated to redeem or purchase any of such Securities or at the option of any Holder thereof and, if so, the date or dates on which, the period or periods within which, the price or prices at which and the other terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and any provisions for the remarketing of such Securities so redeemed or purchased;

(12) the denominations in which any of such Securities that are Registered Securities shall be issuable if other than denominations of $1,000 and any integral multiple thereof, and the denominations in which any of such Securities that are Bearer Securities shall be issuable if other than the denomination of $5,000;

(13) whether the Securities of the series will be convertible into shares of Common Stock and/or exchangeable for other securities, and if so, the terms and conditions upon which such Securities will be so convertible or exchangeable, and any deletions from or modifications or additions to this Indenture to permit or to facilitate the issuance of such convertible or exchangeable Securities or the administration thereof;

(14) if other than the principal amount thereof, the portion of the principal amount of any of such Securities that shall be payable upon declaration of acceleration of

the Maturity thereof pursuant to Section 5.2 or the method by which such portion is to be determined;

(15) [Intentionally Omitted]

(16) [Intentionally Omitted]

(17) whether the amount of payments of principal of, any premium or interest on or any Additional Amounts with respect to such Securities may be determined with reference to an index, formula or other method or methods (which index, formula or method or methods may be based, without limitation, on one or more Currencies, commodities, equity securities, equity indices or other indices), and, if so, the terms and conditions upon which and the manner in which such amounts shall be determined and paid or payable;

(18) any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to any of such Securities, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(19) whether either or both of Section 4.2(2) relating to defeasance or Section 4.2(3) relating to covenant defeasance shall not be applicable to the Securities of such series, or any covenants in addition to those specified in Section 4.2(3) relating to the Securities of such series which shall be subject to covenant of defeasance, and any deletions from, or modifications or additions to, the provisions of Article Four in respect of the Securities of such series;

(20) whether any of such Securities are to be issuable upon the exercise of warrants, and the time, manner and place for such Securities to be authenticated and delivered;

(21) if any of such Securities are to be issuable in global form and are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and terms of such certificates, documents or conditions;

(22) if there is more than one Trustee, the identity of the Trustee and, if not the Trustee, the identity of each Security Registrar, Paying Agent or Authenticating Agent with respect to such Securities; and

(23) any other terms of such Securities and any other deletions from or modifications or additions to this Indenture in respect of such Securities.

All Securities of any one series and all Coupons, if any, appertaining to Bearer Securities of such series shall be substantially identical except as to Currency of payments due thereunder, denomination and the rate of interest thereon, or method of determining the rate of interest, if any, Maturity, and the date from which interest, if any, shall accrue and except as may otherwise be provided by the Company in or pursuant to the Board Resolution and set forth in the Officer's

Certificate or in any indenture or indentures supplemental hereto pertaining to such series of Securities. The terms of the Securities of any series may provide, without limitation, that the Securities shall be authenticated and delivered by the Trustee on original issue from time to time upon written order of persons designated in the Officer's Certificate or supplemental indenture and that such persons are authorized to determine, consistent with such Officer's Certificate or any applicable supplemental indenture, such terms and conditions of the Securities of such series as are specified in such Officer's Certificate or supplemental indenture. All Securities of any one series need not be issued at the same time and, unless otherwise so provided, a series may be reopened for issuances of additional Securities of such series or to establish additional terms of such series of Securities.

If any of the terms of the Securities of any series shall be established by action taken by or pursuant to a Board Resolution, the Board Resolution shall be delivered to the Trustee at or prior to the delivery of the Officer's Certificate setting forth the terms of such series.

Section 3.2. Currency; Denominations.

Unless otherwise provided in or pursuant to this Indenture, the principal of, any premium and interest on and any Additional Amounts with respect to the Securities shall be payable in Dollars. Unless otherwise provided in or pursuant to this Indenture, Registered Securities denominated in Dollars shall be issuable in registered form without Coupons in denominations of $1,000 and any integral multiple thereof, and the Bearer Securities denominated in Dollars shall be issuable in the denomination of $5,000. Securities not denominated in Dollars shall be issuable in such denominations as are established with respect to such Securities in or pursuant to this Indenture.

Section 3.3. Execution, Authentication, Delivery and Dating.

Securities shall be executed on behalf of the Company by its Chairman of the Board, a Vice Chairman, its Chief Executive Officer, its President, its Chief Financial Officer, its Treasurer, one of its Assistant Treasurers or any Vice President. Coupons shall be executed on behalf of the Company by the Treasurer or any Assistant Treasurer of the Company. The signature of any of these officers on the Securities or any Coupons appertaining thereto may be manual or facsimile.

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

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities, together with any Coupons appertaining thereto, executed by the Company, to the Trustee for authentication and, provided that the Board Resolution and Officer's Certificate or supplemental indenture or indentures with respect to such Securities referred to in Section 3.1 and a Company Order for the authentication and delivery of such Securities have been delivered to the Trustee, the Trustee in accordance with the Company Order

and subject to the provisions hereof and of such Securities shall authenticate and deliver such Securities. In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities and any Coupons appertaining thereto, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon,

(1) an Opinion of Counsel to the effect that:

(a) the form or forms and terms of such Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture;

(b) all conditions precedent to the authentication and delivery of such Securities and Coupons, if any, appertaining thereto, have been complied with and that such Securities and Coupons, when completed by appropriate insertions, and executed by a duly authorized officer of the Company, delivered by a duly authorized officer of the Company to the Trustee for authentication pursuant to this Indenture, and authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, fraudulent transfer or other similar laws relating to or affecting creditors' rights generally, and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and will entitle the Holders thereof to the benefits of this Indenture; such Opinion of Counsel need express no opinion as to the availability of equitable remedies; and

(c) the execution, delivery and performance of such Securities and Coupons, if any, will not (assuming the Company's compliance with all applicable state securities or "Blue Sky" laws and except as would not result in a material adverse effect on the business affairs, financial condition, earnings or results of operations of the Company) result in any violation of any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to such Counsel, of any federal or state government, government instrumentality or court having jurisdiction over the Company or any of its properties, assets or operations.

and, to the extent that this Indenture is required to be qualified under the Trust Indenture Act in connection with the issuance of such Securities, to the further effect that:

(d) this Indenture has been qualified under the Trust Indenture Act; and

(2) an Officer's Certificate stating that all conditions precedent to the execution, authentication and delivery of such Securities and Coupons, if any, appertaining thereto, have been complied with and that, to the best knowledge of the Person executing such certificate, no event which is, or after notice or lapse of time

would become, an Event of Default with respect to any of the Securities shall have occurred and be continuing.

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel and an Officer's Certificate at the time of issuance of each Security, but such opinion and certificate, with appropriate modifications, shall be delivered at or before the time of issuance of the first Security of such series. After any such first delivery, any separate written request by an Authorized Officer of the Company that the Trustee authenticate and deliver Securities of such series for original issue will be deemed to be a certification by the Company that all conditions precedent provided for in this Indenture relating to authentication and delivery of such Securities continue to have been complied with.

The Trustee shall not be required to authenticate or to cause an Authenticating Agent to authenticate any Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee or if the Trustee, being advised by counsel, determines that such action may not lawfully be taken.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security and any Bearer Security in global form shall be dated as of the date specified in or pursuant to this Indenture.

No Security or Coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for in Section 2.2 or 6.13 executed by or on behalf of the Trustee or by the Authenticating Agent by the manual signature of one of its Authorized Officers. Such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Except as permitted by Section 3.6 or 3.7, the Trustee shall not authenticate and deliver any Bearer Security unless all Coupons appertaining thereto then matured have been detached and cancelled.

Section 3.4. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute and deliver to the Trustee and, upon Company Order, the Trustee shall authenticate and deliver, in the manner provided in Section 3.3, temporary Securities in lieu thereof which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized in or pursuant to this Indenture, in bearer form with one or more Coupons or without Coupons and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Company executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form, which shall be exchanged in accordance with the provisions thereof, if temporary Securities are issued, the Company shall cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities of the same series and containing terms and provisions that are identical to

those of any temporary Securities, such temporary Securities shall be exchangeable for such definitive Securities upon surrender of such temporary Securities at an Office or Agency for such Securities, without charge to any Holder thereof. Upon surrender for cancellation of any one or more temporary Securities (accompanied by any unmatured Coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations of the same series and containing identical terms and provisions; provided, however, that no definitive Bearer Security, except as provided in or pursuant to this Indenture, shall be delivered in exchange for a temporary Registered Security; and provided further that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in or pursuant to this Indenture. Unless otherwise provided in or pursuant to this Indenture with respect to a temporary global Security, until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 3.5. Registration, Transfer and Exchange.

With respect to the Registered Securities of each series, if any, the Company shall cause to be kept a register (each such register being herein sometimes referred to as the "Security Register") at an Office or Agency for such series in which, subject to such reasonable regulations as, it may prescribe, the Company shall provide for the registration of the Registered Securities of such series and of transfers of the Registered Securities of such series. Such Office or Agency shall be the "Security Registrar" for that series of Securities. Unless otherwise specified in or pursuant to this Indenture or the Securities, the Trustee shall be the initial Security Registrar for each series of Securities. The Company shall have the right to remove and replace from time to time the Security Registrar for any series of Securities; provided that no such removal or replacement shall be effective until a successor Security Registrar with respect to such series of Securities shall have been appointed by the Company and shall have accepted such appointment by the Company. In the event that the Trustee shall not be or shall cease to be Security Registrar with respect to a series of Securities, it shall have the right to examine the Security Register for such series at all reasonable times. There shall be only one Security Register for each series of Securities.

Upon surrender for registration of transfer of any Registered Security of any series at any Office or Agency for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series denominated as authorized in or pursuant to this Indenture, of a like aggregate principal amount bearing a number not contemporaneously outstanding and containing identical terms and provisions.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at any Office or Agency for such series. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive.

If provided in or pursuant to this Indenture, with respect to Securities of any series, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities of such series containing identical terms, denominated as authorized in or pursuant to this Indenture and in the same aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any Office or Agency for such series, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 10.2, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such series located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such Office or Agency for such series in exchange for a Registered Security of such series and like tenor after the close of business at such Office or Agency on (i) any Regular Record Date and before the opening of business at such Office or Agency on the next succeeding Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such Office or Agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such Coupon is so surrendered with such Bearer Security, such Coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

If provided in or pursuant to this Indenture with respect to Securities of any series, at the option of the Holder, Registered Securities of such series may be exchanged for Bearer Securities upon such terms and conditions as may be provided in or pursuant to this Indenture with respect to such series.

Whenever any Securities are surrendered for exchange as contemplated by the immediately preceding two paragraphs, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise provided in or pursuant to this Indenture, any Securities, or the Board Resolution or any indenture supplemental hereto establishing such series of Securities, any global Security shall be exchangeable for definitive Securities only if (i) the Depository is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Company within 90 days of the date the Company is so informed in writing, (ii) the Company executes and delivers to the

Trustee a Company Order to the effect that such global Security shall be so exchangeable, or (iii) an Event of Default has occurred and is continuing with respect to the Securities. If the beneficial owners of interests in a global Security are entitled to exchange such interests for definitive Securities as the result of an event described in clause (i), (ii) or (iii) of the preceding sentence, then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee definitive Securities in such form and denominations as are required by or pursuant to this Indenture, and of the same series, containing identical terms and in aggregate principal amount equal to the principal amount of such global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such global Security shall be surrendered from time to time by the U.S. Depository or such other Depository as shall be specified in the Company Order with respect thereto, and in accordance with instructions given to the Trustee and the U.S. Depository or such other Depository, as the case may be (which instructions shall be in writing but need not be contained in or accompanied by an Officer's Certificate or be accompanied by an Opinion of Counsel), as shall be specified in the Company Order with respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or in part, for definitive Securities as described above without charge. The Trustee shall authenticate and make available for delivery, in exchange for each portion of such surrendered global Security, a like aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such global Security to be exchanged, which (unless such Securities are not issuable both as Bearer Securities and as Registered Securities, in which case the definitive Securities exchanged for the global Security shall be issuable only in the form in which the Securities are issuable, as provided in or pursuant to this Indenture) shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof, but subject to the satisfaction of any certification or other requirements to the issuance of Bearer Securities; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities of the same series to be redeemed and ending on the relevant Redemption Date; and provided further that (unless otherwise provided in or pursuant to this Indenture) no Bearer Security delivered in exchange for a portion of a global Security shall be mailed or otherwise delivered to any location in the United States. Promptly following any such exchange in part, such global Security shall be returned by the Trustee to such Depository or the U.S. Depository, as the case may be, or such other Depository or U.S. Depository referred to above in accordance with the instructions of the Company referred to above. If a Registered Security is issued in exchange for any portion of a global Security after the close of business at the Office or Agency for such Security where such exchange occurs on or after (i) any Regular Record Date for such Security and before the opening of business at such Office or Agency on the next succeeding Interest Payment Date, or (ii) any Special Record Date for such Security and before the opening of business at such Office or Agency on the related proposed date for payment of interest or Defaulted Interest, as the case may be, interest shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but shall be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such global Security shall be payable in accordance with the provisions of this Indenture.

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

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

No service charge shall be made for any registration of transfer or exchange, or redemption of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge and any other expenses (including fees and expenses of the Trustee) that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.4, 9.5 or 11.7 not involving any transfer.

Except as otherwise provided in or pursuant to this Indenture, the Company shall not be required (i) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of like tenor and the same series under Section 11.3 and ending at the close of business on the day of such selection, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except in the case of any Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except, to the extent provided with respect to such Bearer Security, that, such Bearer Security may be exchanged for a Registered Security of like tenor and the same series, provided that such Registered Security shall be immediately surrendered for redemption with written instruction for payment consistent with the provisions of this Indenture or (iv) to issue, register the transfer of or exchange any Security which, in accordance with its terms, has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so only if and when expressly required by the terms of, this Indenture.

Section 3.6. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security or a Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, subject to the provisions of this Section 3.6, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with Coupons appertaining thereto corresponding to the Coupons, if any, appertaining to the surrendered Security.

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

Notwithstanding the foregoing provisions of this Section 3.6, in case any mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or Coupon; provided, however, that payment of principal of, any premium or interest on or any Additional Amounts with respect to any Bearer Securities shall, except as otherwise provided in Section 10.2, be payable only at an Office or Agency for such Securities located outside the United States and, unless otherwise provided in or pursuant to this Indenture, any interest on Bearer Securities and any Additional Amounts with respect to such interest shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

Upon the issuance of any new Security under this Section 3.6, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security, with any Coupons appertaining thereto issued pursuant to this Section 3.6 in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains shall constitute a separate obligation of the Company, whether or not the destroyed, lost or stolen Security and Coupons appertaining thereto or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series and any Coupons, if any, duly issued hereunder.

The provisions of this Section 3.6, as amended or supplemented pursuant to this Indenture with respect to particular Securities or generally, shall be exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

Section 3.7. Payment of Interest and Certain Additional Amounts; Rights to Interest and Certain Additional Amounts Preserved.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, and are punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in

whose name such Security (or one or more Predecessor Securities) is registered as of the close of business on the Regular Record Date for such interest.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, but shall not be punctually paid or duly provided for, on any Interest Payment Date for such Registered Security (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder thereof on the relevant Regular Record Date by virtue of having been such Holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed by the Company in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Registered Security, the Special Record Date therefor and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when so deposited to be held in trust for the benefit of the Person entitled to such Defaulted Interest as in this clause provided. The Special Record Date for the payment of such Defaulted Interest shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after notification to the Trustee of the proposed payment. The Trustee shall, in the name and at the expense of the Company, cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of such Registered Security (or a Predecessor Security thereof) at his address as it appears in the Security Register not less than 10 days prior to such Special Record Date. The Trustee may, if so directed by the Company, in the name and at the expense of the Company cause a similar notice to be published at least once in an Authorized Newspaper of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

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

Unless otherwise provided in or pursuant to this Indenture or the Securities of any particular series pursuant to the provisions of this Indenture, at the option of the Company, interest on Registered Securities that bear interest may be paid by mailing a check to the address of the Person entitled thereto as such address shall appear in the Security Register or by transfer to an account maintained by the payee with a bank located in the United States.

Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

In the case of any Registered Security of any series that is convertible into shares of Common Stock or exchangeable for other securities, which Registered Security is converted or exchanged after any Regular Record Date and on or prior to the next succeeding Interest Payment Date (other than any Registered Security with respect to which the Stated Maturity is prior to such Interest Payment Date), interest with respect to which the Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion or exchange, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Registered Security (or one or more predecessor Registered Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Registered Security which is converted or exchanged, interest with respect to which the Stated Maturity is after the date of conversion or exchange of such Registered Security shall not be payable.

Section 3.8. Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered in the Security Register as the owner of such Registered Security for the purpose of receiving payment of principal of, any premium and (subject to Sections 3.5 and 3.7) interest on and any Additional Amounts with respect to such Registered Security and for all other purposes whatsoever, whether or not any payment with respect to such Registered Security shall be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security or the bearer of any Coupon as the absolute owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not any payment with respect to such Security or Coupon shall be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

No Holder of any beneficial interest in any global Security held on its behalf by a Depository shall have any rights under this Indenture with respect to such global Security, and such Depository may be treated by the Company, the Trustee, and any agent of the Company or the Trustee as the owner of such global Security for all purposes whatsoever. None of the

Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Section 3.9. Cancellation.

All Securities and Coupons surrendered for payment, redemption, registration of transfer, exchange or conversion shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Coupons, as well as Securities and Coupons surrendered directly to the Trustee for any such purpose, shall be cancelled promptly by the Trustee. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be cancelled promptly by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by or pursuant to this Indenture. All cancelled Securities and Coupons held by the Trustee shall be disposed of by the Trustee in accordance with its then practices, unless by a Company Order the Company directs their return to it.

Section 3.10. Computation of Interest.

Except as otherwise provided in or pursuant to this Indenture, any Security, or the Board Resolution or any indenture supplemental hereto establishing such series of Securities, interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.11. CUSIP Numbers.

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

ARTICLE 4

SATISFACTION AND DISCHARGE OF INDENTURE

Section 4.1. Satisfaction and Discharge.

Upon the direction of the Company by a Company Order, this Indenture shall cease to be of further effect with respect to any series of Securities specified in such Company Order and any Coupons appertaining thereto, and the Trustee, on receipt of a Company Order, at the

expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(1) either

(a) all Securities of such series theretofore authenticated and delivered and all Coupons appertaining thereto (other than (i) Coupons appertaining to Bearer Securities of such series surrendered in exchange for Registered Securities of such series and maturing after such exchange whose surrender is not required or has been waived as provided in Section 3.5, (ii) Securities and Coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, (iii) Coupons appertaining to Securities of such series called for redemption and maturing after the relevant Redemption Date whose surrender has been waived as provided in Section 11.7, and (iv) Securities and Coupons of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(b) all Securities of such series and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

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

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

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose, money in the Currency in which such Securities are payable in an amount sufficient to pay and discharge the entire indebtedness on such Securities and any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation, including the principal of, any premium and interest on, and any Additional Amounts with respect to such Securities and any Coupons appertaining thereto, to the date of such deposit (in the case of Securities which have become due and payable) or the Maturity thereof or the date of redemption, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Outstanding Securities of such series and any Coupons appertaining thereto; and

(3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

In the event there are Securities of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Securities of such series as to which it is Trustee and if the other conditions thereto are met.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Company to the Trustee under Section 6.7 and, if money shall have been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section, the obligations of the Company and the Trustee with respect to the Securities of such series under Sections 3.5, 3.6, 4.3, 10.2 and 10.3, with respect to the payment of Additional Amounts, if any, with respect to such Securities as contemplated by Section 10.4 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 4.1(1)(b)), and with respect to any rights to convert or exchange such Securities into Common Stock or other securities shall survive.

Section 4.2. Defeasance and Covenant Defeasance.

(1) Unless pursuant to Section 3.1, either or both of (i) defeasance of the Securities of or within a series under clause (2) of this Section 4.2 shall not be applicable with respect to the Securities of such series or (ii) covenant defeasance of the Securities of or within a series under clause (3) of this Section 4.2 shall not be applicable with respect to the Securities of such series, then such provisions, together with the other provisions of this Section 4.2 (with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities), shall be applicable to such Securities and any Coupons appertaining thereto, and the Company may at its option by Board Resolution, at any time, with respect to such Securities and any Coupons appertaining thereto, elect to have Section 4.2(2) or Section 4.2(3) be applied to such Outstanding Securities and any Coupons appertaining thereto upon compliance with the conditions set forth below in this Section 4.2.

(2) Upon the Company's exercise of the above option applicable to this Section 4.2(2) with respect to any Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Outstanding Securities and any Coupons appertaining thereto on the date the conditions set forth in clause (4) of this Section 4.2 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by such Outstanding Securities and any Coupons appertaining thereto, which shall thereafter be deemed to be "Outstanding" only for the purposes of clause (5) of this Section 4.2 and the other Sections of this Indenture referred to in clauses (i) and (ii) below, and to have satisfied all of its other obligations under such Securities and any Coupons appertaining thereto and this Indenture insofar as such Securities and any Coupons appertaining thereto are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same),

except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Outstanding Securities and any Coupons appertaining thereto to receive, solely from the trust fund described in clause (4) of this Section 4.2 and as more fully set forth in such clause, payments in respect of the principal of (and premium, if any) and interest, if any, on, and Additional Amounts, if any, with respect to, such Securities and any Coupons appertaining thereto when such payments are due, and any rights of such Holder to convert such Securities into Common Stock or exchange such Securities for other securities, (ii) the obligations of the Company and the Trustee with respect to such Securities under Sections 3.5, 3.6, 10.2 and 10.3 and with respect to the payment of Additional Amounts, if any, on such Securities as contemplated by Section 10.4 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 4.2(4)(a) below), and with respect to any rights to convert such Securities into Common Stock or exchange such Securities for other securities, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (iv) this Section 4.2. The Company may exercise its option under this Section 4.2(2) notwithstanding the prior exercise of its option under clause (3) of this Section 4.2 with respect to such Securities and any Coupons appertaining thereto.

(3) Upon the Company's exercise of the option to have this Section 4.2(3) apply with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 10.5 and 10.6, and, to the extent specified pursuant to Section 3.1(19), any other covenant applicable to such Securities, with respect to such Outstanding Securities and any Coupons appertaining thereto on and after the date the conditions set forth in clause (4) of this Section 4.2 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any Coupons appertaining thereto shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with any such covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Outstanding Securities and any Coupons appertaining thereto, the Company may omit to comply with, and shall have no liability in respect of, any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a default or an Event of Default under Section 5.1(4) or 5.1(8) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and Coupons appertaining thereto shall be unaffected thereby.

(4) The following shall be the conditions to application of clause (2) or (3) of this Section 4.2 to any Outstanding Securities of or within a series and any Coupons appertaining thereto:

(a) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 6.8 who shall agree to comply with the provisions of this Section 4.2 applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any Coupons

appertaining thereto, (1) an amount in Dollars in which such Securities and any Coupons appertaining thereto are then specified as payable at Stated Maturity, (2) Government Obligations or (3) a combination thereof, applicable to such Securities and Coupons appertaining thereto (determined on the basis of the Currency in which such Securities and Coupons appertaining thereto are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount, not later than one day before the due date of any payment of principal of (and premium, if any) and interest, if any, on such Securities and any Coupons appertaining thereto, sufficient, without consideration of any reinvestment of such principal and interest, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge the principal of (and premium, if any) and interest, if any, on such Outstanding Securities and any Coupons appertaining thereto at the Stated Maturity of such principal or installment of principal or premium or interest.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to such Securities and any Coupons appertaining thereto shall have occurred and be continuing on the date of such deposit and, with respect to defeasance only, at any time during the period ending on the 123rd day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) In the case of an election under clause (2) of this Section 4.2, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from the Internal Revenue Service a letter ruling, or there has been published by the Internal Revenue Service a revenue ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Outstanding Securities and any Coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(e) In the case of an election under clause (3) of this Section 4.2, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Outstanding Securities and any Coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(f) The Company shall have delivered to the Trustee an Opinion of Counsel to the effect that, after the 123rd day after the date of deposit, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited or caused to be deposited with the Trustee (or other qualifying trustee) pursuant to this clause (4) to be held in trust will not be subject to any case or proceeding (whether voluntary or involuntary) in respect of the Company under any Federal or State bankruptcy, insolvency, reorganization or other similar law, or any decree or order for relief in respect of the Company issued in connection therewith.

(g) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance or covenant defeasance under clause (2) or (3) of this Section 4.2 (as the case may be) have been complied with.

(h) Notwithstanding any other provisions of this Section 4.2(4), such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith pursuant to Section 3.1.

The Company shall pay and indemnify the Trustee (or other qualifying trustee, collectively for purposes of Section 4.3, the "Trustee") against any tax, fee or other charge, imposed on or assessed against the Government Obligations deposited pursuant to this Section 4.2 or the principal or interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities and any Coupons appertaining thereto.

Anything in this Section 4.2 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in clause (4) of this Section 4.2 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect a defeasance or covenant defeasance, as applicable, in accordance with this Section 4.2.

Section 4.3. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.1 or 4.2 in respect of any Outstanding Securities of any series and any Coupons appertaining thereto shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any Coupons appertaining thereto and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any Coupons appertaining thereto of all sums due and to become due thereon in respect of principal (and premium, if any) and interest and Additional Amounts, if any; but such money and Government Obligations need not be segregated from other funds except to the extent required by law.

ARTICLE 5

REMEDIES

Section 5.1. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is specifically deleted or modified in or pursuant to the supplemental indenture or Board Resolution and set forth in an Officer's Certificate establishing the terms of such series pursuant to this Indenture:

(1) default in the payment of any interest on any Security of such series, or any Additional Amounts payable with respect thereto, when such interest becomes or such Additional Amounts become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or any premium, if any, on any Security of such series, or any Additional Amounts payable with respect thereto, when such principal or premium becomes or such Additional Amounts become due and payable at their Maturity; or

(3) [Intentionally Omitted]

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

(5) if any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt of the Company, whether such Debt now exists or shall hereafter be created, shall happen and shall result in such Debt in principal amount in excess of $10,000,000 becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled within a period of 10 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series, a

written notice specifying such event of default and requiring the Company to cause such acceleration to be rescinded or annulled or to cause such Debt to be discharged and stating that such notice is a "Notice of Default" hereunder; or

(6) the Company shall fail within 60 days to pay, bond or otherwise discharge any uninsured judgment or court order for the payment of money in excess of $25,000,000, which is not stayed on appeal or is not otherwise being appropriately contested in good faith; or

(7) the entry by a court having competent jurisdiction of:

(a) a decree or order for relief in respect of the Company in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(b) a decree or order adjudging the Company to be insolvent, or approving a petition seeking reorganization, arrangement, adjustment or composition of the Company and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(c) a final and non-appealable order appointing a custodian, receiver, liquidator, assignee, trustee or other similar official of the Company or of any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company; or

(8) the commencement by the Company of a voluntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or of a voluntary proceeding seeking to be adjudicated insolvent or the consent by the Company to the entry of a decree or order for relief in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any insolvency proceedings against it, or the filing by the Company of a petition or answer or consent seeking reorganization, arrangement, adjustment or composition of the Company or relief under any applicable law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or similar official of the Company or any substantial part of the property of the Company or the making by the Company of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action; or

(9) any other Event of Default provided in or pursuant to this Indenture or established in or pursuant to a Board Resolution and set forth in an Officer's Certificate, or established in one or more indentures supplemental hereto establishing any series of Securities with respect to Securities of such series.

Section 5.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding (other than an Event of Default specified in clause (7) or (8) of Section 5.1) occurs and is continuing, then the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series or set forth in the Board Resolution or any indenture supplemental hereto establishing any series of Securities may declare the principal of all the Securities of such series, or such lesser amount as may be provided for in the Securities of such series, to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders), and upon any such declaration such principal or such lesser amount shall become immediately due and payable.

If an Event of Default specified in clause (7) or (8) of Section 5.1 occurs, all unpaid principal of and accrued interest on the Outstanding Securities of that series shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of any Security of that series.

At any time after a declaration of acceleration with respect to the Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

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

(a) all overdue installments of any interest on and Additional Amounts with respect to all Securities of such series and any Coupon appertaining thereto,

(b) the principal of and any premium on any Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon and any Additional Amounts with respect thereto at the rate or rates borne by or provided for in such Securities,

(c) to the extent that payment of such interest or Additional Amounts is lawful, interest upon overdue installments of any interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and

(d) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.7; and

(2) all Events of Default with respect to Securities of such series, other than the non-payment of the principal of, any premium and interest on, and any Additional Amounts with respect to Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 5.13.

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

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any installment of interest on or any Additional Amounts with respect to any Security or any Coupon appertaining thereto when such interest or Additional Amounts shall have become due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or any premium on any Security or any Additional Amounts with respect thereto at their Maturity,

the Company shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities and any Coupons appertaining thereto, the whole amount of money then due and payable with respect to such Securities and any Coupons appertaining thereto, with interest upon the overdue principal, any premium and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installments of interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and, in addition thereto, such further amount of money as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due to the Trustee under Section 6.7.

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

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

Section 5.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities of any series or the property of the Company or such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and

irrespective of whether the Trustee shall have made any demand on the Company for the payment of any overdue principal, premium, interest or Additional Amounts) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount, or such lesser amount as may be provided for in the Securities of any applicable series, of the principal and any premium, interest and Additional Amounts owing and unpaid in respect of the Securities and any Coupons appertaining thereto and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents or counsel and any other amounts due the Trustee under Section 6.7) and of the Holders of Securities or any Coupons appertaining thereto allowed in such judicial proceeding, and

(2) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Securities or any Coupons to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities or any Coupons, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 6.7.

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

Section 5.5. Trustee May Enforce Claims Without Possession of Securities or Coupons.

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

Section 5.6. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article or any money or other property otherwise distributable in respect of the Company's obligations under this Indenture shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, or any premium, interest or Additional

Amounts, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.7;

SECOND: To the payment of the amounts then due and unpaid upon the Securities and any Coupons for principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Securities and Coupons for principal and any premium, interest and Additional Amounts, respectively;

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 5.7. Limitations on Suits.

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

(1) an Event of Default shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of such series;

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

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

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

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

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

Section 5.8. Unconditional Right of Holders to Receive Principal and Any Premium, Interest and Additional Amounts.

Notwithstanding any other provision in this Indenture, the Holder of any Security or Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of, any premium and (subject to Sections 3.5 and 3.7) interest on, and any Additional Amounts with respect to such Security or payment of such Coupon, as the case may be, on the respective Stated Maturity or Maturities therefor specified in such Security or Coupon (or, in the case of redemption, on the Redemption Date or, in the case of repayment at the option of such Holder if provided in or pursuant to this Indenture, on the date such repayment is due) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 5.9. Restoration of Rights and Remedies.

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

Section 5.10. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to each and every Holder of a Security or a Coupon is intended to be exclusive of any other right or remedy, and every right and remedy, to the extent permitted by law, shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not, to the extent permitted by law, prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security or Coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to any Holder of a Security or a Coupon may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Holder, as the case may be.

Section 5.12. Control by Holders of Securities.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any

remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series and any Coupons appertaining thereto, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture or with the Securities of such series or involve the Trustee in any personal liability or expense,

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

(3) such direction is not unduly prejudicial to the rights of the other Holders of Securities of such series not joining in such action.

Section 5.13. Waiver of Past Defaults.

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

(1) in the payment of the principal of, any premium or interest on, or any Additional Amounts with respect to, any Security of such series or any Coupons appertaining thereto, or

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

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

Section 5.14. Waiver of Usury, Stay or Extension Laws.

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

Section 5.15. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee

for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.15 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest, if any, on or Additional Amounts, if any, with respect to any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date, and, in the case of repayment, on or after the date for repayment) or for the enforcement of the right, if any, to convert or exchange any Security into Common Stock or other securities in accordance with its terms.

ARTICLE 6

THE TRUSTEE

Section 6.1. Certain Duties and Responsibilities of the Trustee

(1) Except during the continuance of an Event of Default,

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(b) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(2) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(3) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(a) this Subsection shall not be construed to limit the effect of Subsection (1) of this Section;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

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

(4) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(5) No provision of this Indenture shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts, receive or obtain any interest in property or exercise any interest in property, or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, to receive or obtain any such interest in property or to exercise any such right, power, duty or obligation.

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

Section 6.2. Certain Rights of Trustee.

Subject to Section 6.1:

(1) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

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

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence shall be herein specifically

prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate;

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

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by or pursuant to this Indenture at the request or direction of any of the Holders of Securities of any series or any Coupons appertaining thereto pursuant to this Indenture, unless such Holders shall have offered to the Trustee such security or indemnity as is reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

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

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

(8) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken, by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(9) the Trustee shall not be deemed to have or be charged with knowledge of any default (as defined in Section 6.2) or Event of Default with respect to the Securities of any series or any Coupons unless a Responsible Officer of the Trustee has received at the Corporate Trust Office of the Trustee written notice of such default or Event of Default from the Company or any Holder of the Securities of such series, and such notice references the Securities and this Indenture;

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

(11) the Trustee may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be

signed by any persons authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded; and

(12) the permissive right of the Trustee to take action under this Indenture shall not be construed as a duty.

Section 6.3. Notice of Defaults.

Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series entitled to receive reports pursuant to Section 7.3(3), notice of such default hereunder known to a Responsible Officer of the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any), or interest, if any, on, or Additional Amounts with respect to, any Security of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of Securities and Coupons of such series; and provided further that, in the case of any default of the character specified in Section 5.1(5) with respect to Securities of such series, no such notice to Holders shall be given until at least 10 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

The Trustee shall not be deemed to have or be charged with knowledge of a default unless a Responsible Officer receives at the Corporate Trust Office of the Trustee written notice of the default giving rise thereto from the Company or any of the Holders and such notice references the Securities and this Indenture.

Section 6.4. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, and in any Coupons shall be taken as the statements of the Company and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or the Coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in any Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

Section 6.5. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agents, any Security Registrar or any other Person that may be an agent of the Trustee or the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or Coupons and, subject to Sections

310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other Person.

Section 6.6. Money Held in Trust.

Except as provided in Section 4.3 and Section 10.3, money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law and shall be held uninvested. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed to in writing with the Company.

Section 6.7. Compensation and Reimbursement.

The Company agrees:

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

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture or arising out of or in connection with the acceptance or administration of the trust or trusts hereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or willful misconduct; and

(3) to indemnify, defend and hold the Trustee and its directors, officers, employees and agents (collectively with the Trustee, the "Indemnities") harmless from and against every loss, liability or expense, including without limitation damages, fines, suits, actions, demands, penalties, costs, out -of-pocket or incidental expenses, legal fees and expenses, and the costs and expenses of defending or preparing to defend against any claim (collectively, "Losses"), that may be imposed on, incurred by, or asserted against, any Indemnitee for or in respect of the Trustee's (1) execution and delivery of this Indenture, (2) compliance or attempted compliance with or reliance upon any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of this Indenture, and (3) performance under this Indenture, except in the case of such performance only and with respect to any Indemnitee to the extent that the Loss resulted from such Indemnitee's negligence or willful misconduct.

The Trustee's claims under this Section shall have priority over all other claims against the Company under this Indenture.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities of any series upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, and premium or interest on or any Additional Amounts with respect to particular Securities or any Coupons appertaining thereto.

In addition to and without prejudice to its rights hereunder, when the Trustee incurs expenses or renders services in connection with a default specified in Section 5.1, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under applicable Federal or state bankruptcy, insolvency or other similar law. "Trustee" for purposes of this Section 6.7 shall include any predecessor Trustee, but the negligence, willful misconduct or bad faith of any Trustee shall not affect the rights of any other Trustee under this Section 6.7.

The provisions of this Section 6.7, including the lien and claim of the Trustee, shall survive the satisfaction, discharge and termination of this Indenture for any reason of this Indenture, including under Article IV hereof, the resignation or removal of the Trustee and any rejection or termination under any applicable bankruptcy or insolvency law, and shall apply with equal force and effect to the Trustee in each of its capacities hereunder and each agent, custodian and other Person employed to act hereunder.

Section 6.8. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder that is a Corporation organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia, that is eligible under Section 310(a)(1) of the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act and that has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least $50,000,000, and that is subject to supervision or examination by Federal or state authority. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.9. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflict of interest arising from its capacity as trustee in respect of the Securities of any other series.

The Trustee shall comply with Section 310(b) of the Trust Indenture Act; provided, however, that there shall be excluded from the operation of Section 310(b)(1) of the Trust Indenture Act any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in Section 310(b)(1) of the Trust Indenture Act are met.

Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

Section 6.10. Resignation and Removal; Appointment of Successor.

(1) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee pursuant to Section 6.11.

(2) Subject to Section 6.10(1), the Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning or removed Trustee, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

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

(4) If at any time:

(a) the Trustee shall fail to comply with the obligations imposed upon it under Section 310(b) of the Trust Indenture Act with respect to Securities of any series after written request therefor by the Company or any Holder of a Security of such series who has been a bona fide Holder of a Security of such series for at least six months, or

(b) the Trustee shall cease to be eligible under Section 6.8 and shall fail to resign after written request therefor by the Company or any such Holder, or

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

then, in any such case, (i) the Company, by or pursuant to a Board Resolution, may remove the Trustee with respect to all Securities or the Securities of such series, or (ii) subject to Section 5.15, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities of such series and the appointment of a successor Trustee or Trustees.

(5) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of such series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by

Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders of Securities and accepted appointment in the manner required by Section 6.11, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(6) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Securities of such series are issued as Bearer Securities, by publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

(7) In no event shall any retiring Trustee be liable for the acts or omissions of any successor Trustee hereunder.

Section 6.11. Acceptance of Appointment by Successor.

(1) Upon the appointment hereunder of any successor Trustee with respect to all Securities, such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties hereunder of the retiring Trustee; but, on the request of the Company or such successor Trustee, such retiring Trustee, upon payment of its charges, shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and, subject to Section 10.3, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its claim and lien provided for in Section 6.7.

(2) Upon the appointment hereunder of any successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (a) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (b) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be

deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (c) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and that no Trustee shall be responsible for any notice given to, or received by, or any act or failure to act on the part of any other Trustee hereunder, and, upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture with respect to the Securities of that or those series to which the appointment of such successor Trustee relates other than as hereinafter expressly set forth, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or such successor Trustee, such retiring Trustee, upon payment of its charges with respect to the Securities of that or those series to which the appointment of such successor Trustee relates and subject to Section 10.3 shall duly assign, transfer and deliver to such successor Trustee, to the extent contemplated by such supplemental indenture, the property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, subject to its claim and lien provided for in Section 6.7.

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

(4) No Person shall accept its appointment hereunder as a successor Trustee unless at the time of such acceptance such successor Person shall be qualified and eligible under this Article.

Section 6.12. Merger, Conversion, Consolidation or Succession to Business.

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

Section 6.13. Appointment of Authenticating Agent.

The Trustee may appoint one or more Authenticating Agents acceptable to the Company with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of that or those series issued upon original issue, exchange, registration of transfer, partial redemption or partial repayment or pursuant to Section 3.6, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent.

Each Authenticating Agent must be acceptable to the Company and, except as provided in or pursuant to this Indenture, shall at all times be a Corporation that would be permitted by the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act, is authorized under applicable law and by its charter to act as an Authenticating Agent and has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least $50,000,000. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Section.

Any Corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any Corporation succeeding to all or substantially all of the corporate agency or corporate trust business of an Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, provided such Corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall (i) mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent shall serve, as their names and addresses appear in the Security Register, and (ii) if Securities of the series are issued as Bearer Securities, publish notice of such appointment at least once in an Authorized Newspaper in the place where such successor Authenticating Agent has its principal office if such office is located outside the United States. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section. If the Trustee makes such payments, it shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.7.

The provisions of Sections 3.8, 6.4 and 6.5 shall be applicable to each Authenticating Agent.

If an Authenticating Agent is appointed with respect to one or more series of Securities pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

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

[NAME OF TRUSTEE],
as Trustee

By _____
as Authenticating Agent

By _____
Authorized Officer

If all of the Securities of any series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested in writing (which writing need not be accompanied by or contained in an Officer's Certificate by the Company), shall appoint in accordance with this Section an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

Section 6.14. Trustee's Application for Instructions from the Company.

Any application by the Trustee for written instructions from the Company may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 7

HOLDERS LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 7.1. Company to Furnish Trustee Names and Addresses of Holders.

In accordance with Section 312(a) of the Trust Indenture Act, the Company shall furnish or cause to be furnished to the Trustee

(1) semiannually with respect to Securities of each series not later than May 15 and November 15 of the year commencing May 15, 2003 or upon such other dates as are set forth in or pursuant to the Board Resolution or indenture supplemental hereto authorizing such series, a list, in each case in such form as the Trustee may reasonably require, of the names and addresses of Holders as of the applicable date, and

(2) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

provided, however, that so long as the Trustee is the Security Registrar no such list shall be required to be furnished.

Section 7.2. Preservation of Information; Communications to Holders.

The Trustee shall comply with the obligations imposed upon it pursuant to Section 312 of the Trust Indenture Act.

Every Holder of Securities or Coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company, the Trustee, any Paying Agent or any Security Registrar shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 312(c) of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

Section 7.3. Reports by Trustee.

(1) Within 60 days after September 15 of each year commencing with the first September 15 following the first issuance of Securities pursuant to Section 3.3, if and to the extent required by Section 313(a) of the Trust Indenture Act, the Trustee shall transmit, pursuant to Section 313(c) of the Trust Indenture Act, a brief report dated as of such September 15 with respect to any of the events specified in said Section 313(a) which may have occurred since the later of the immediately preceding September 15 and the date of this Indenture.

(2) The Trustee shall transmit the reports required by Section 313(a) of the Trust Indenture Act at the times specified therein.

(3) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and 313(d) of the Trust Indenture Act. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange and of any delisting thereof.

Section 7.4. Reports by Company.

The Company, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company, with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

ARTICLE 8

CONSOLIDATION, MERGER AND SALES

Section 8.1. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee for each series of Securities, in form satisfactory to each such Trustee, the due and punctual payment of the principal of (and premium, if any) and interest, if any, on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default with respect to any series of Securities, and no event which, after notice or lapse of time, or both, would become an Event of Default with respect to any series of Securities, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee for each series of Securities an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 8.2. Successor Person Substituted for Company.

Upon any consolidation by the Company with or merger of the Company into any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety to any Person in accordance with Section 8.1, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and (except in the case of a lease) be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein.

ARTICLE 9

SUPPLEMENTAL INDENTURES

Section 9.1. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders of Securities or Coupons, the Company (when authorized by or pursuant to a Board Resolution) and the Trustee, at any time and from time to

time, may enter into one or more indentures supplemental hereto, for any of the following purposes:

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

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (as shall be specified in such supplemental indenture or indentures) or to surrender any right or power herein conferred upon the Company; or

(3) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of, any premium or interest on or any Additional Amounts with respect to Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be exchanged for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form, provided that any such action shall not adversely affect the interests of the Holders of Outstanding Securities of any series or any Coupons appertaining thereto in any material respect; or

(4) to establish the form or terms of Securities of any series and any Coupons appertaining thereto as permitted by Sections 2.1 and 3.1; or

(5) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11; or

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

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

(8) to add any additional Events of Default with respect to all or any series of Securities (as shall be specified in such supplemental indenture); or

(9) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Article Four, provided that any such action shall not adversely affect the interests of any Holder of an Outstanding Security of such series and any

Coupons appertaining thereto or any other Outstanding Security or Coupon in any material respect; or

(10) to secure the Securities pursuant to Section 10.5, 10.6 or otherwise; or

(11) to make provisions with respect to conversion or exchange rights of Holders of Securities of any series; or

(12) to amend or supplement any provision contained herein or in any supplemental indenture, provided that no such amendment or supplement shall materially adversely affect the interests of the Holders of any Securities then Outstanding.

Section 9.2. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company (when authorized by or pursuant to a Company's Board Resolution) and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture or of the Securities of such series; provided, however, that no such supplemental indenture, without the consent of the Holder of each Outstanding Security affected thereby, shall

(1) change the Stated Maturity of the principal of, or any premium or installment of interest on or any Additional Amounts with respect to, any Security, or reduce the principal amount thereof or the rate (or modify the calculation of such rate) of interest thereon or any Additional Amounts with respect thereto, or any premium payable upon the redemption thereof or otherwise, or change the obligation of the Company to pay Additional Amounts pursuant to Section 10.4 (except as contemplated by Section 8.1(1) and permitted by Section 9.1(1)), or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2 or the amount thereof provable in bankruptcy pursuant to Section 5.4, change the redemption provisions or adversely affect the right of repayment at the option of any Holder as contemplated by Article Thirteen, or change the Place of Payment, Currency in which the principal of, any premium or interest on, or any Additional Amounts with respect to any Security is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date or, in the case of repayment at the option of the Holder, on or after the date for repayment), or

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

provided for in this Indenture, or reduce the requirements of Section 15.4 for quorum or voting, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.8, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby, or

(4) make any change that adversely affects the right to convert or exchange any Security into or for Common Stock or other securities in accordance with its terms.

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

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

Section 9.3. Execution of Supplemental Indentures.

As a condition to executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and an Officer's Certificate stating that all conditions precedent to the execution of such supplemental indenture have been fulfilled. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.4. Effect of Supplemental Indentures.

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

Section 9.5. Reference in Securities to Supplemental Indentures.

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

may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

Section 9.6. Conformity with Trust Indenture Act.

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

Section 9.7. Notice of Supplemental Indenture.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to Section 9.2, the Company shall transmit to the Holders of Outstanding Securities of any series affected thereby a notice setting forth the substance of such supplemental indenture.

ARTICLE 10

COVENANTS

Section 10.1. Payment of Principal, Any Premium, Interest and Additional Amounts.

The Company covenants and agrees for the benefit of the Holders of the Securities of each series that it will duly and punctually pay the principal of, any premium and interest on and any Additional Amounts with respect to the Securities of such series in accordance with the terms thereof, any Coupons appertaining thereto and this Indenture. Any interest due on any Bearer Security on or before the Maturity thereof, and any Additional Amounts payable with respect to such interest, shall be payable only upon presentation and surrender of the Coupons appertaining thereto for such interest as they severally mature.

Section 10.2. Maintenance of Office or Agency.

The Company shall maintain in each Place of Payment for any series of Securities an Office or Agency where Securities of such series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) may be presented or surrendered for payment, where Securities of such series may be surrendered for registration of transfer or exchange, where Securities of such series that are convertible or exchangeable may be surrendered for conversion or exchange, and where notices and demands to or upon the Company in respect of the Securities of such series relating thereto and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company shall maintain, subject to any laws or regulations applicable thereto, an Office or Agency in a Place of Payment for such series which is located outside the United States where Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment; provided, however, that if the Securities of such series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company shall maintain a Paying Agent in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of such series are listed on such exchange. The Company will give prompt written notice to the

Trustee of the location, and any change in the location, of such Office or Agency. If at any time the Company shall fail to maintain any such required Office or Agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment at the place specified for the purpose with respect to such Securities as provided in or pursuant to this Indenture, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Except as otherwise provided in or pursuant to this Indenture, no payment of principal, premium, interest or Additional Amounts with respect to Bearer Securities shall be made at any Office or Agency in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; provided, however, if amounts owing with respect to any Bearer Securities shall be payable in Dollars, payment of principal of, any premium or interest on and any Additional Amounts with respect to any such Security may be made at the Corporate Trust Office of the Trustee or any Office or Agency designated by the Company in the Borough of Manhattan, The City of New York, if (but only if) payment of the full amount of such principal, premium, interest or Additional Amounts at all offices outside the United States maintained for such purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other Offices or Agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an Office or Agency in each Place of Payment for Securities of any series for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other Office or Agency. Unless otherwise provided in or pursuant to this Indenture, the Company hereby designates as the Place of Payment for each series of Securities the Borough of Manhattan, The City of New York, and initially appoints the Corporate Trust Office of the Trustee as the Office or Agency of the Company in the Borough of Manhattan, The City of New York for such purpose. The Company may subsequently appoint a different Office or Agency in the Borough of Manhattan, The City of New York for the Securities of any series.

Section 10.3. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it shall, on or before each due date of the principal of, any premium or interest on or Additional Amounts with respect to any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the currency or currencies, currency unit or units or composite currency or currencies in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.1 for the Securities of such series) sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it shall, on or prior to each due date of the principal of, any premium or interest on or any Additional Amounts with respect to any Securities of such series, deposit with any Paying Agent a sum (in the currency or currencies, currency unit or units or composite currency or currencies described in the preceding paragraph) sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

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

(1) hold all sums held by it for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided in or pursuant to this Indenture;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal, any premium or interest on or any Additional Amounts with respect to the Securities of such series; and

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

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

Except as otherwise provided herein or pursuant hereto, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to any Security of any series or any Coupon appertaining thereto and remaining unclaimed for two years after such principal or any such premium or interest or any such Additional Amounts shall have become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper in each Place of Payment for such series or to be mailed to Holders of

Registered Securities of such series, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing nor shall it be later than two years after such principal and any premium or interest or Additional Amounts shall have become due and payable, any unclaimed balance of such money then remaining will be repaid to the Company. Anything in this Section 10.3 to the contrary notwithstanding, in the absence of a written request from the Company to return unclaimed funds to the Company, the Trustee shall from time to time deliver all unclaimed funds to or as directed by applicable escheat authorities, as determined by the Trustee in its sole discretion, in accordance with the customary practices and procedures of the Trustee. Any unclaimed funds held by the Trustee pursuant to this Section shall be held uninvested and without any liability for interest.

Section 10.4. Additional Amounts.

If any Securities of a series provide for the payment of Additional Amounts, the Company agrees to pay to the Holder of any such Security or any Coupon appertaining thereto Additional Amounts as provided in or pursuant to this Indenture or such Securities. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or any Coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided by the terms of such series established hereby or pursuant hereto to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such terms, and express mention of the payment of Additional Amounts (if applicable) in any provision hereof shall not be construed as excluding the payment of Additional Amounts in those provisions hereof where such express mention is not made.

Except as otherwise provided in or pursuant to this Indenture or the Securities of the applicable series, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to such series of Securities (or if the Securities of such series shall not bear interest prior to Maturity, the first day on which a payment of principal is made), and at least 10 days prior to each date of payment of principal or interest if there has been any change with respect to the matters set forth in the below-mentioned Officer's Certificate, the Company shall furnish to the Trustee and the principal Paying Agent or Paying Agents, if other than the Trustee, an Officer's Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and premium, if any, or interest on the Securities of such series shall be made to Holders of Securities of such series or the Coupons appertaining thereto who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of such series. If any such withholding shall be required, then such Officer's Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or Coupons, and the Company agrees to pay to the Trustee or such Paying Agent the Additional Amounts required by the terms of such Securities. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officer's Certificate furnished pursuant to this Section.

Section 10.5. Limitation on Liens.

(1) The Company will not, and will not permit any Restricted Subsidiary to, issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (herein referred to for purposes of this Section 10.5 and Section 10.6 as "Indebtedness") secured by any mortgage, security interest, pledge or lien (herein referred to for purposes of this Section 10.5 and Section 10.6 as a "Mortgage") of or upon any Principal Property, or shares of capital stock or Indebtedness issued by any Restricted Subsidiary and owned by the Company or any Restricted Subsidiary whether owned at the date of this Indenture or thereafter acquired, without making effective provision, and the Company in each case will make or cause to be made effective provision, whereby the Securities shall be secured by such Mortgage equally and ratably with any and all other Indebtedness thereby secured, so long as such Indebtedness shall be so secured (for the purpose of providing such equal and ratable security the principal amount of the Securities shall mean and shall not be less than that principal amount that could be declared to be due and payable pursuant to Section 5.2 on the date of the making of such effective provision and the extent of such equal and ratable security shall be adjusted as and when said principal amount changes over time pursuant to Section 5.2 and any other provision hereof); provided, however, that the foregoing restriction shall not apply to Indebtedness secured by any of the following:

(a) Mortgages on any property existing at the time of acquisition thereof or at the date of this Indenture;

(b) Mortgages on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Restricted Subsidiary is merged into such corporation or at the time of a sale, lease or other disposition of the properties of such corporation (or a division thereof) as an entirety or substantially as an entirety to the Company or a Restricted Subsidiary, provided that such Mortgage as a result of such merger, consolidation, sale, lease or other disposition is not extended to property owned by the Company or such Restricted Subsidiary immediately prior thereto;

(c) Mortgages on property of a corporation existing at the time such corporation first becomes a Restricted Subsidiary.

(d) Mortgages securing Indebtedness of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(e) Mortgages on property to secure all or part of the cost of acquiring, substantially repairing or altering, constructing, developing or substantially improving all or any part of such property, or to secure Indebtedness incurred to provide funds for any such purpose or for reimbursement of funds previously expended for any such purpose, provided the commitment of the creditor to extend the credit secured by any such Mortgage shall have been obtained not later than 120 days after the later of (i) the completion of the acquisition, substantial repair or alteration, construction, development or substantial improvement of such property or (ii) the placing in operation of such property or of such property as so substantially repaired or altered, constructed, developed or substantially improved;

(f) mechanic's liens, tax liens, liens in favor of any governmental body to secure progress, advance or other payments or the acquisition of real or personal property from such governmental body pursuant to any contract or provision of any statute, and other liens, charges and encumbrances incidental to construction, to the conduct of business or to the ownership of property of the Company or any Restricted Subsidiary which were not incurred in connection with the borrowing of money or the obtaining of advances or credits or the acquisition of property and do not in the aggregate materially impair the use of any Principal Property for the purposes for which it is held or which are being contested in good faith by the Company or such Restricted Subsidiary; or

(g) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Mortgage referred to in the foregoing Clauses (a) to (f), inclusive; provided, however, that the principal amount of Indebtedness secured thereby and not otherwise authorized by said Clauses (a) to (f), inclusive, shall not exceed the principal amount of Indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of the such extension, renewal or replacement.

(2) Notwithstanding the provisions of Section 10.5(1), the Company or any Restricted Subsidiary may issue, assume or guarantee Indebtedness secured by Mortgages which would otherwise be subject to the restrictions of Section 10.5(1) in an aggregate amount which, together with all Attributable Debt outstanding pursuant to Section 10.6(2) and all Indebtedness outstanding pursuant to this Section 10.5(2), does not exceed, in the aggregate, 10% of Consolidated Net Worth.

Section 10.6. Limitation on Sale and Lease-Back Transactions.

(1) The Company will not, nor will it permit any Restricted Subsidiary to, enter into any Sale and Lease-Back Transaction with respect to any Principal Property (except for a transaction providing for a lease for a term, including any renewal thereof, of not more than three years, except for a transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries and except for any lease of property acquired after the date of this Indenture if the rent payable by the Company or such Restricted Subsidiary thereunder is to be reimbursed under a contract with the government of the United States or any instrumentality or agency thereof), if the commitment by or on behalf of the purchaser is obtained more than 120 days after the later of (i) the completion of the acquisition, substantial repair or alteration, construction, development or substantial improvement of such Principal Property or (ii) the placing in operation of such Principal Property or of such Principal Property as so substantially repaired or altered, constructed, developed or substantially improved, unless either (x) the Company or such Restricted Subsidiary would be entitled pursuant to Section 10.5(1) to issue, assume or guarantee debt secured by a Mortgage on such Principal Property without equally and ratably securing the Securities or (y) the Company shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof (but not in excess of the net book value of such Principal Property at the date of such sale or transfer) and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair value (as determined by the Board of Directors) of the Principal Property so leased to the retirement, within 180 days after the effective date of such Sale and Lease-Back Transaction, of Securities or other Indebtedness

of the Company or a Restricted Subsidiary; provided, however, that any such retirement of Securities shall be in accordance with Section 11.1 and provided further that the amount to be applied to such retirement of Securities or other Indebtedness shall be reduced by an amount equal to the sum of (A) an amount equal to the principal amount of Securities delivered within 180 days after the effective date of such Sale and Lease-Back Transaction to the Trustee for retirement and cancellation and (B) the principal amount, plus any premium or fee paid in connection with any redemption in accordance with the terms, of other Indebtedness voluntarily retired by the Company within such 180-day period, excluding retirements pursuant to prepayment provisions and payments at maturity.

(2) Notwithstanding the provisions of Section 10.6(1), the Company or any Restricted Subsidiary may enter into a Sale and Lease-Back Transaction which would otherwise be subject to the restrictions of Section 10.6(1) so long as all Indebtedness outstanding pursuant to Section 10.5(2), and all Attributable Debt outstanding pursuant to this Section 10.6(2), does not exceed, in the aggregate, 10% of Consolidated Net Worth.

Section 10.7. Corporate Existence.

Subject to Article Eight, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and that of each Restricted Subsidiary and their respective rights (charter and statutory) and franchises; provided, however, that the foregoing shall not obligate the Company or any Restricted Subsidiary to preserve any such right or franchise if the Company or any Restricted Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of its business or the business of such Subsidiary and that the loss thereof is not disadvantageous in any material respect to any Holder.

Section 10.8. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Sections 10.5, 10.6 or 10.7 with respect to the Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series, by Act of such Holders, either shall waive such compliance in such instance or generally shall have waived compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

Section 10.9. Company Statement as to Compliance; Notice of Certain Defaults.

(1) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement (which need not be contained in or accompanied by an Officer's Certificate) signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, stating that

(a) a review of the activities of the Company during such year and of its performance under this Indenture has been made under his or her supervision, and

(b) to the best of his or her knowledge, based on such review, (i) the Company has complied with all the conditions and covenants imposed on it under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such condition or covenant, specifying each such default known to him or her and the nature and status thereof, and (ii) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

(2) The Company shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any Event of Default or any event which after notice or lapse of time or both would become an Event of Default.

(3) The Trustee shall have no duty to monitor the Company's compliance with the covenants contained in this Article 10.

Section 10.10. Calculation of Original Issue Discount.

The Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount, if any, of original issue discount (including daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

ARTICLE 11

REDEMPTION OF SECURITIES

Section 11.1. Applicability of Article.

Redemption of Securities of any series at the option of the Company as permitted or required by the terms of such Securities shall be made in accordance with the terms of such Securities and (except as otherwise provided herein or pursuant hereto) this Article.

Section 11.2. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of (a) less than all of the Securities of any series or (b) all of the Securities of any series, with the same issue date, interest rate or formula, Stated Maturity and other terms, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

Section 11.3. Selection by Trustee of Securities to Be Redeemed.

If less than all of the Securities of any series with the same issue date, interest rate or formula, Stated Maturity and other terms are to be redeemed, the particular Securities to be

redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the Outstanding Securities of such series not previously called for redemption, in compliance with the requirements of the principal national securities exchange, if any, on which the Securities are listed or, if the Securities are not then listed on a national securities exchange, on a pro rata basis or by lot, or, by any other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal amount of Registered Securities of such series; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Registered Security of such series not redeemed to less than the minimum denomination for a Security of such series established herein or pursuant hereto.

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

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

Unless otherwise specified in or pursuant to this Indenture or the Securities of any series, if any Security selected for partial redemption is converted into Common Stock or exchanged for other securities in part before termination of the conversion or exchange right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted or exchanged during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

Section 11.4. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 1.6, not less than 30 nor more than 60 days prior to the Redemption Date, unless a shorter period is specified in the Securities to be redeemed, to the Holders of Securities to be redeemed. Failure to give notice by mailing in the manner herein provided to the Holder of any Registered Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

Any notice that is mailed to the Holder of any Registered Securities in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amount) of the particular Security or Securities to be redeemed,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder of such Security will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that, on the Redemption Date, the Redemption Price shall become due and payable upon each such Security or portion thereof to be redeemed, and, if applicable, that interest thereon shall cease to accrue on and after said date,

(6) the place or places where such Securities, together (in the case of Bearer Securities) with all Coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price and any accrued interest and Additional Amounts pertaining thereto,

(7) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption or the amount of any such missing Coupon or Coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished,

(8) if Bearer Securities of any series are to be redeemed and no Registered Securities of such series are to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on the Redemption Date pursuant to Section 3.5 or otherwise, the last date, as determined by the Company, on which such exchanges may be made,

(9) in the case of Securities of any series that are convertible into Common Stock or exchangeable for other securities, the conversion or exchange price or rate, the date or dates on which the right to convert or exchange the principal of the Securities of such series to be redeemed will commence or terminate and the place or places where such Securities may be surrendered for conversion or exchange, and

(10) the CUSIP numbers or the Euroclear or the Clearstream Banking, societe anonyme reference numbers of such Securities, if any (or any other numbers used by a Depository to identify such Securities).

A notice of redemption published as contemplated by Section 1.6 need not identify particular Registered Securities to be redeemed.

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

Section 11.5. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit, with respect to the Securities of any series called for redemption pursuant to Section 11.4, with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.3) an amount of money in the applicable Currency sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date, unless otherwise specified pursuant to Section 3.1 or in the Securities of such series) any accrued interest on and Additional Amounts with respect thereto, all such Securities or portions thereof which are to be redeemed on that date.

Section 11.6. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with any accrued interest and Additional Amounts to the Redemption Date; provided, however, that, except as otherwise provided in or pursuant to this Indenture or the Bearer Securities of such series, installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of Coupons for such interest (at an Office or Agency located outside the United States except as otherwise provided in Section 10.2), and provided further that, except as otherwise specified in or pursuant to this Indenture or the Registered Securities of such series, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the Regular Record Dates therefor according to their terms and the provisions of Section 3.7.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that any interest or Additional Amounts represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such Security located outside of the United States except as otherwise Provided in Section 10.2.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium, until paid, shall bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 11.7. Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at any Office or Agency for such Security (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities of the same series, containing identical terms and provisions, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Security in global form is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the U.S. Depository or other Depository for such Security in global form as shall be specified in the Company Order with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unredeemed portion of the principal of the Security in global form so surrendered.

ARTICLE 12

[INTENTIONALLY OMITTED]

ARTICLE 13

REPAYMENT AT THE OPTION OF HOLDERS

Section 13.1. Applicability of Article.

Securities of any series which are repayable at the option of the Holders thereof before their Stated Maturity shall be repaid in accordance with the terms of the Securities of such series. The repayment of any principal amount of Securities pursuant to such option of the Holder to require repayment of Securities before their Stated Maturity, for purposes of Section 3.9, shall not operate as a payment, redemption or satisfaction of the Indebtedness represented by such Securities unless and until the Company, at its option, shall deliver or surrender the same to the Trustee with a directive that such Securities be cancelled. Notwithstanding anything to the contrary contained in this Section 13.1, in connection with any repayment of Securities, the Company may arrange for the purchase of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Holders of such Securities on or before the close of business on the repayment date an amount not less than the repayment price payable by the Company on repayment of such Securities, and the obligation of the Company to pay the repayment price of such Securities shall be satisfied and discharged to the extent such payment is so paid by such purchasers.

ARTICLE 14

[INTENTIONALLY OMITTED]

ARTICLE 15

MEETINGS OF HOLDERS OF SECURITIES

Section 15.1. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other Act provided by this Indenture to be made, given or taken by Holders of Securities of such series.

Section 15.2. Call, Notice and Place of Meetings.

(1) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 15.1, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or, if Securities of such series have been issued in whole or in part as Bearer Securities, in London or in such place outside the United States as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 1.6, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(2) In case at any time the Company (by or pursuant to a Board Resolution) or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 15.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed notice of or made the first publication of the notice of such meeting within 21 days after receipt of such request (whichever shall be required pursuant to Section 1.6) or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or, if Securities of such series are to be issued as Bearer Securities, in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in clause (1) of this Section.

Section 15.3. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons

entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 15.4. Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for any meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any reconvened meeting, such reconvened meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such reconvened meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 15.2(1), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 9.2, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that, except as limited by the proviso to Section 9.2, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other Act which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the Coupons appertaining thereto, whether or not such Holders were present or represented at the meeting.

Section 15.5. Determination of Voting Rights; Conduct and Adjournment of Meetings.

(1) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 1.4 and the appointment of any proxy shall be proved in the manner specified in Section 1.4 or by having the signature of the person executing the proxy witnessed

or guaranteed by any trust company, bank or banker authorized by Section 1.4 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 1.4 or other proof.

(2) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 15.2(2), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(3) At any meeting, each Holder of a Security of such series or proxy shall be entitled to one vote for each $1,000 principal amount of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(4) Any meeting of Holders of Securities of any series duly called pursuant to Section 15.2 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 15.6. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 15.2 and, if applicable, Section 15.4. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 15.7. Action Without Meeting

In lieu of a vote of Holders of a meeting as herein above contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action made, may be given or taken by Holders by written instruments as provided in Section 1.4.

* * * * *

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

THE STANLEY WORKS

By: _____
Name: Craig Douglas
Title: Vice President

JPMORGAN CHASE BANK
AS TRUSTEE

By: _____
Name: James P. Freeman
Title: Vice President

EXECUTION COPY

Registration Rights Agreement

Dated as of November 1, 2002

among

THE STANLEY WORKS

and

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Salomon Smith Barney Inc.
BNP Paribas Securities Corp.
Fleet Securities, Inc.

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into November 1, 2002, among THE STANLEY WORKS, a Connecticut corporation (the "Company"), and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, SALOMON SMITH BARNEY INC., BNP PARIBAS CORP. and FLEET SECURITIES, INC. (collectively, the "Purchasers").

This Agreement is made pursuant to the Purchase Agreement dated October 29, 2002 between the Company and the Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Purchasers of $150,000,000 aggregate principal amount of the Company's 31/2% Senior Notes due 2007 and $200,000,000 aggregate principal amount of the Company's 49/10% Senior Notes due 2012 (collectively, the "Securities"). In order to induce the Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Closing Date" shall mean the Closing Time as defined in the Purchase Agreement.

"Company" shall have the meaning set forth in the preamble and also includes the Company's successors.

"Depositary" shall mean The Depository Trust Company, or any other depositary appointed by the Company; provided, however, that such depositary must have an address in the Borough of Manhattan, in the City of New York.

"Exchange Offer" shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2(a) hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchange Securities" shall mean, collectively, (a) the 31/2% Series B Senior Notes due 2007 and (b) the 49/10% Series B Senior Notes due 2012 issued by the Company under the Indenture, each series containing terms identical to the Securities of the series for which it is being exchanged (except that (i) interest thereon shall accrue from the last date on which interest was paid on the Securities or, if no such interest has been paid, from the date of their original issue (ii) the transfer restrictions thereon shall be eliminated and (iii) certain provisions relating to an increase in the stated rate of interest thereon shall be eliminated), to be offered to Holders of Securities in exchange for Registrable Securities pursuant to the Exchange Offer.

"Holders" shall mean any holder from time to time of Registrable Securities (including any of the Purchasers).

"Indenture" shall mean the Indenture relating to the Securities dated as of November 1, 2002 between the Company and JPMorgan Chase Bank, as trustee, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities; provided that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage or amount.

"Participating Broker-Dealer" shall mean any Holder (which may include any of the Purchasers) that is a broker-dealer electing to exchange Securities acquired for its own account as a result of market-making activities or other trading activities for Exchange Securities.

"Person" shall mean an individual, partnership (general or limited), limited liability company, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble.

"Purchasers" shall have the meaning set forth in the preamble.

"Registrable Securities" shall mean the Securities; provided, however, that the Securities shall cease to be Registrable Securities when (i) a Registration Statement with respect to such Securities shall have been declared effective under the 1933 Act and such Securities shall have been disposed of pursuant to such Registration Statement, (ii) such Securities shall have been sold to the public pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the 1933 Act, (iii) such Securities shall have ceased to be outstanding or (iv) such Securities have been exchanged for Exchange Securities upon consummation of the Exchange Offer (except in the case of Securities purchased directly from the Company and continued to be held by the Purchasers).

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including, without limitation: (i) all SEC, stock exchange or National Association of Securities Dealers, Inc. ("NASD") registration and filing fees, including, if applicable, the fees and expenses of any "qualified independent underwriter" (and its counsel) that is required to be retained by any Holder in accordance with the rules and regulations of the NASD, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with blue sky qualification of any of the Exchange Securities or Registrable Securities and any filings with the NASD), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges, (vi) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (vii) the fees and expenses of the Trustee, and any escrow agent or custodian, and (viii) any fees and disbursements of the underwriters customarily required to be paid by issuers or sellers of securities and the reasonable fees and expenses of any special experts retained by the Company in connection with any Registration Statement, but excluding fees of counsel to the underwriters or the Holders and underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a Holder.

"Registration Statement" shall mean any Exchange Offer Registration Statement or Shelf Registration Statement of the Company which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the

Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission.

"Shelf Registration" shall mean a registration effected pursuant to Section 2(b) hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2(b) of this Agreement which covers all of the Registrable Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Special Shelf Counsel" shall have the meaning set forth in Section 2(c) hereof.

"Trustee" shall mean the trustee with respect to the Securities under the Indenture.

2. Registration Under the 1933 Act. (a) Exchange Offer. The Company shall use its best efforts (A) to file within 180 days after the Closing Date an Exchange Offer Registration Statement covering the offer by the Company to the Holders to exchange all of the Registrable Securities of each series for Exchange Securities, (B) to cause such Exchange Offer Registration Statement to be declared effective by the SEC within 270 days after the Closing Date, (C) to cause such Registration Statement to remain effective until the closing of the Exchange Offer and (D) to consummate the Exchange Offer within 300 days following the Closing Date. The Exchange Securities will be issued under the Indenture. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder (other than Participating Broker-Dealers) eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of Rule 405 under the 1933 Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

In connection with the Exchange Offer, the Company shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Exchange Offer open for acceptance for not less than 30 calendar days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(iii) use the services of the Depositary for the Exchange Offer;

(iv) permit Holders to withdraw tendered Registrable Securities at any time prior to 5:00 p.m., New York City time, on the last business day on which the Exchange Offer shall remain open, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing his election to have such Securities exchanged;

(v) notify each Holder that any Registrable Security not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under this Agreement (except in the case of Participating Broker-Dealers as provided herein); and

(vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

The Exchange Securities shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), or is exempt from such qualification and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Securities. The terms of each series of Exchange Securities shall provide that such series of Exchange Securities and the Securities of the corresponding series shall vote and consent together on all matters as one class and that none of the Exchange Securities or the Securities of any corresponding series will have the right to vote or consent as a separate class on any matter.

As soon as practicable after the close of the Exchange Offer, the Company shall:

(i) accept for exchange Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which shall be an exhibit thereto;

(ii) deliver or cause to be delivered to the Trustee for cancellation all Registrable Securities so accepted for exchange; and

(iii) cause the Trustee promptly to authenticate and deliver Exchange Securities of the appropriate series to each Holder of Registrable Securities so accepted for exchange in a principal amount equal to the principal amount of the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security will accrue from the last date on which interest was paid on the Registrable Securities surrendered in exchange therefor or, if no interest has been paid on the Registrable Securities, from the date of its original issue. The Exchange Offer shall not be subject to any conditions, other than (i) that the Exchange Offer or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the staff of the SEC, (ii) the due tendering of Registrable Securities in accordance with the Exchange Offer, (iii) that each Holder of Registrable Securities exchanged in the Exchange Offer shall have represented that (A) all Exchange Securities to be received by it shall be acquired in the course of its business, (B) at the time of the consummation of the Exchange Offer it shall have no arrangement or understanding with any person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities, (C) it is not an "affiliate" of the Company as defined in Rule 405 of the 1933 Act, (D) if it is not a broker-dealer, it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities, (E) if it is a broker-dealer, it will receive Exchange Securities in exchange for Securities that were acquired for its own account as a result of market-making activities or other trading activities, and it acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of those Exchange Securities, and (F) if it is a broker-dealer, it did not purchase the Securities being tendered in the Exchange Offer directly from the Company for resale pursuant to Rule 144A or any other available exemption from registration under the 1933 Act, and shall have made such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to render the use of Form S-4 or other appropriate form under the 1933 Act available and (iv) that no action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency with respect to the Exchange Offer which, in the Company's judgment, would reasonably be expected to impair the ability of the Company to proceed with the Exchange Offer. Upon the written request to the Company by the Purchasers, if practicable and subject to applicable law, the Company shall inform the Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, and the Purchasers shall have the right to contact such Holders to facilitate the tender of Registrable Securities in the Exchange Offer. For purposes hereof, the Exchange Offer as to each series shall be deemed a separate offer, and the failure to satisfy the conditions as to any one offer shall not affect any other offer.

Each Holder hereby acknowledges and agrees that any Participating Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the Exchange Securities: (1) could not under SEC policy as in effect on the date of this Agreement rely on the position of the SEC enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the SEC's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including any no-action letter obtained based on the representations in clause (iii) above), and (2) must comply with the registration and prospectus delivery requirements of the 1933 Act in connection with the secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 and 508, as applicable, of Regulation S-K, and the SEC standard instructions for filing forms under the 1933 Act, if the resales are of Exchange Securities obtained by

such Holder in exchange for Securities acquired by such Holder directly from the Company.

(b) Shelf Registration. (i) If, because of any change in law or applicable interpretations thereof by the staff of the SEC, (a) the Company is not permitted to file the Exchange Offer Registration Statement or to effect the Exchange Offer as contemplated by Section 2(a) hereof or (b) any Holder (other than the Purchasers) is not eligible in the reasonable opinion of counsel acceptable to the Company to participate in the Exchange Offer, or (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 270 days after the Closing Date, or (iii) upon the request of any Purchaser (with respect to any Registrable Securities which it acquired directly from the Company) following the consummation of the Exchange Offer if such Purchaser shall hold Registrable Securities which it acquired directly from the Company and if such Purchaser is not permitted, in the opinion of counsel to such Purchaser, pursuant to applicable law or applicable interpretation of the staff of the SEC to participate in the Exchange Offer, the Company:

(A) shall, at its cost, as promptly as practicable, file with the SEC a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders of such Registrable Securities and set forth in such Shelf Registration Statement, and use its best efforts to cause such Shelf Registration Statement to be declared effective by the SEC by 300 days after the Closing Date. In the event that the Company is required to file a Shelf Registration Statement upon the request of any Holder (other than a Purchaser) not eligible to participate in the Exchange Offer pursuant to clause (i)(b) above or upon the request of any Purchaser pursuant to clause (iii) above, the Company shall file and have declared effective by the SEC both an Exchange Offer Registration Statement pursuant to Section 2(a) with respect to all Registrable Securities and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by such Holder or such Purchaser after completion of the Exchange Offer;

(B) shall, at its cost, use its reasonable efforts to keep the Shelf Registration Statement continuously effective (subject to Section 2(b)(i)(C)) in order to permit the Prospectus forming a part thereof to be usable by Holders for a period of (1) two years from the date the Shelf Registration Statement is declared effective by the SEC plus (2) the number of days during which use of a Prospectus is suspended pursuant to Section 2(b)(i)(C), or for such shorter period that will terminate when all Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or cease to be outstanding or otherwise cease to be Registrable Securities (the "Effectiveness Period"); provided, however, that the Effectiveness Period in respect of the Shelf Registration Statement shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the 1933 Act;

(C) may suspend the use of the Prospectus forming a part of the Shelf Registration Statement for a period not to exceed 30 days in any one instance or an aggregate of 60 days in any twelve-month period for valid business reasons to avoid premature public disclosure of a pending corporate transaction, including, without limitation, pending acquisitions and divestitures; provided that the Company promptly thereafter complies with the requirements of Section 3, as then applicable, and in calculating the length of the suspension period, there shall be included all days from the date of the suspension to the date the Company has complied with Section 3, as then applicable, or has notified each Holder that no action is required of the Company under Section 3, as then applicable; and

(D) notwithstanding any other provisions hereof, shall use its best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

The Company further agrees (i) that it shall not permit any securities similar or substantially similar to the Registrable Securities to be included in the Shelf Registration Statement and (ii) if necessary, to supplement or amend the Shelf Registration Statement if reasonably requested by the Majority Holders with respect to information relating to the Holders and otherwise as required by Section 3(b) below, to use all reasonable efforts to cause any such amendment to become effective and such Shelf Registration to become usable as soon as thereafter practicable and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

(c) Expenses. The Company shall pay all Registration Expenses in connection with the registration pursuant to Section 2(a) or 2(b) and, in the case of any Shelf Registration Statement, will reimburse the Majority Holders for the reasonable fees and disbursements of one firm or counsel designated in writing by the Majority Holders to act as counsel for the Holders of the Registrable Securities in connection therewith ("Special Shelf Counsel"). Each Holder shall pay all expenses of its counsel other than as set forth in the preceding sentence, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(d) Effective Registration Statement. (i) The Company will be deemed not to have used its best efforts to cause the Exchange Offer Registration

Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if it voluntarily takes any action that would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless (A) such action is required by applicable law or (B) such action is taken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including the acquisition or divestiture of assets, so long as the Company promptly complies with the requirements of Section 3(j) hereof, if applicable.

(ii) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; provided, however, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(e) Increase in Interest Rate. In the event that (i) the Exchange Offer Registration Statement is not filed with the SEC on or prior to the 180th calendar day after the Closing Date, (ii) the Exchange Offer Registration Statement is not declared effective on or prior to the 270th calendar day after the Closing Date or (iii) the Exchange Offer is not consummated or a Shelf Registration Statement with respect to the Registrable Securities is not declared effective on or prior to the 300th calendar day after the Closing Date (each, a "Registration Default"), the interest rate borne by the Securities shall be increased ("Additional Interest") by one-quarter of one percent (0.25%) per annum with respect to the first 90-day period (or portion thereof) following such 180-day period in the case of clause (i) above, such 270-day period in the case of clause (ii) above, or such 300-day period in the case of clause (iii) above. The additional interest payable as described in the immediately preceding sentence will increase by an additional one-quarter of one percent (0.25%) per annum for each subsequent 90-day period (or portion thereof); provided that the aggregate increase in such interest rate will in no event exceed one-half of one percent (0.50%) per annum. Upon (x) the filing of the Exchange Offer Registration Statement after the 180-day period described in clause (i) above, (y) the effectiveness of the Exchange Offer Registration Statement after the 270-day period described in clause (ii) above or (z) the consummation of the Exchange Offer or the effectiveness of a Shelf Registration Statement, as the case may be, after the 300-day period described in clause (iii) above, the interest rate borne by the Securities from the date of such filing, effectiveness or consummation, as the case may be, will be reduced to the original interest rate.

The Company shall notify the Trustee within three business days after each and every date on which a Registration Default occurs. Additional Interest shall be paid by depositing with the Trustee, in trust, for the benefit of the Holders of Registrable

Securities, on or before the applicable semiannual interest payment date, immediately available funds in sums sufficient to pay the Additional Interest then due. The Additional Interest due shall be payable on each interest payment date to the record Holder of Securities entitled to receive the interest payment to be paid on such date as set forth in the Indenture. Each obligation to pay Additional Interest shall be deemed to accrue from and including the date on which a Registration Default occurs to but excluding the date on which all Registration Defaults are cured.

(f) Specific Enforcement. Without limiting the remedies available to the Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 2(a) and Section 2(b) hereof may result in material irreparable injury to the Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 2(a) and Section 2(b) hereof.

3. Registration Procedures. In connection with the obligations of the Company with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement, within the time period specified in Section 2, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (iii) shall comply as to form in all material respects with the requirements of the applicable form and include or incorporate by reference all financial statements required by the SEC to be filed therewith and (iv) shall comply in all respects with the requirements of Regulation S-T under the 1933 Act, and use its best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the 1933 Act; and comply with the provisions of the 1933 Act, the 1934 Act and, in each case, the rules and regulations promulgated thereunder with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof (including sales by any Participating Broker-Dealer);

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities, at least seven business days prior to filing, that a Shelf Registration Statement with respect to the Registrable Securities is being filed and advising such Holders that the distribution of Registrable Securities will be made in

accordance with the method elected by the Majority Holders participating in the Shelf Registration; and (ii) furnish to each Holder of Registrable Securities, and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request, including financial statements and schedules and, if the Holder so requests, all exhibits to be filed (including those incorporated by reference) in order to facilitate the public sale or other disposition of the Registrable Securities; and (iii) subject to the last paragraph of Section 3, hereby consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto provided that such use complies with all applicable laws and regulations;

(d) use its best efforts to register or qualify the Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request by the time the applicable Registration Statement is declared effective by the SEC, to cooperate with the Holders in connection with any filings required to be made with the NASD, and do any and all other acts and things which may be reasonably necessary to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder; provided, however, that the Company shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (ii) take any action which would subject it to general service of process or (iii) subject itself to taxation in any such jurisdiction if it is not then so subject;

(e) notify each Holder of Registrable Securities under a Shelf Registration or any Participating Broker-Dealer who has notified the Company that it is using the Exchange Offer Registration Statement as provided in paragraph (f) below and one counsel for the Purchasers promptly and, if requested by such Holder, Participating Broker-Dealer or counsel, confirm such advice in writing promptly (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if, between the effective date of a Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to such offering cease to be true and correct in all material respects, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities or Exchange Securities, as the case may be, for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the happening of any

event or the discovery of any facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein not misleading and (vii) of any determination by the Company that a post-effective amendment to a Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer, (i) include in the Exchange Offer Registration Statement a "Plan of Distribution" section, which section shall be reasonably acceptable to the Representatives (as defined in the Purchase Agreement) covering the use of the Prospectus included in the Exchange Offer Registration Statement by broker-dealers who have exchanged their Registrable Securities for Exchange Securities for the resale of such Exchange Securities, (ii) furnish to each broker-dealer who desires to participate in the Exchange Offer, without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such broker-dealer may reasonably request, (iii) include in the Exchange Offer Registration Statement a statement to the effect that any Participating Broker-Dealer who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (iv) subject to the last paragraph of Section 3, hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any broker-dealer in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (v) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision or one substantially similar:

> "If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Registrable Securities, it represents that the Registrable Securities to be exchanged for Exchange Securities were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities pursuant to the Exchange Offer; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the 1933 Act."

and (y) a statement to the effect that by a broker-dealer making the acknowledgment described in subclause (x) and by delivering a Prospectus in connection with the

exchange of registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act"; and

(B) to the extent any Participating Broker-Dealer participates in the Exchange Offer, the Company shall use its best efforts to maintain the effectiveness of the Exchange Offer Registration Statement for a period of 90 days following the closing of the Exchange Offer; and

(C) the Company shall not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement as would otherwise be contemplated by Section 3(b), or take any other action as a result of this Section 3(f), for a period exceeding 90 days after the last date for which exchanges are accepted pursuant to the Exchange Offer (as such period may be extended by the Company) and Participating Broker-Dealers shall not be authorized by the Company to, and shall not, deliver such Prospectus after such period in connection with resales contemplated by this Section 3(f).

(g) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable and provide immediate notice to each Holder of the withdrawal of any such order;

(h) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities, and each underwriter, if any, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto, including financial statements and schedules (without documents incorporated therein by reference or exhibits thereto, unless requested);

(i) in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates, which may be global certificates, representing Registrable Securities to be sold and not bearing any restrictive legends; and cause such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least two business days prior to the closing of any sale of Registrable Securities;

(j) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Section 3(e)(vi) hereof, use its best efforts to prepare a supplement or post-effective amendment to a Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities or Participating Broker-Dealers, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company agrees to notify each Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Holder hereby agrees to suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission.

At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Company agrees promptly to notify each Holder of such determination and to furnish each Holder such numbers of copies of the Prospectus, as amended or supplemented, as such Holder may reasonably request;

(k) obtain a CUSIP number for all Exchange Securities, or Registrable Securities, as the case may be, not later than the effective date of a Registration Statement, and provide the Trustee with printed certificates for the Exchange Securities or the Registrable Securities, as the case may be, in a form eligible for deposit with the Depositary;

(l) in the case of a Shelf Registration Statement, prior to the completion of the distribution by the Purchasers of the Registrable Securities registered thereunder as evidenced by a notice in writing from the Representatives (as defined in the Purchase Agreement) on behalf of the Purchasers to the Company, the Company will furnish to the Representatives (as defined in the Purchase Agreement) on behalf of the Purchasers, at least 24 hours (or such shorter period as is reasonably required by the circumstances) prior to the filing thereof with the SEC, a draft of each document which is to be filed by the Company with the SEC and, if not otherwise available on the SEC EDGAR retrieval service, incorporated by reference in the Shelf Registration Statement or the Prospectus forming part thereof;

(m) (i) cause the Indenture to be qualified under the TIA in connection with the registration of the Exchange Securities, or Registrable Securities, as the case may be, (ii) cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(n) in the case of a Shelf Registration, enter into agreements (including underwriting agreements) and take all other customary and appropriate actions (including those reasonably requested by the Majority Holders) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and the holders of a majority in

principal amount of the Registrable Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) in the case of an underwritten offering of Registrable Securities only, obtain "cold comfort" letters and updates thereof from the Company's independent certified public accountants addressed to the underwriters, and will use reasonable best efforts to have such letter addressed to the selling Holders of Registrable Securities, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters to underwriters in connection with similar underwritten offerings;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause the same to set forth indemnification provisions and procedures substantially equivalent to the indemnification provisions and procedures set forth in Section 5 hereof with respect to the underwriters and all other parties to be indemnified pursuant to said Section or, at the request of any underwriters, in the form customarily provided to such underwriters in similar types of transactions; and

(vi) deliver such documents and certificates as may be reasonably requested and as are customarily delivered in similar offerings.

The above shall be done at (i) the effectiveness of such Registration Statement (and, if appropriate, each post-effective amendment thereto) and (ii) each closing under any underwriting or similar agreement as and to the extent required thereunder. In the case of any underwritten offering, the Company shall provide written notice to the Holders of all Registrable Securities of such underwritten offering at least 30 days prior to the filing of a prospectus supplement for such underwritten offering. Such notice shall (x) offer each such Holder the right to participate in such underwritten offering, (y) specify a date, which shall be no earlier than 10 days following the date of such notice, by which such Holder must inform the Company of its intent to participate in such underwritten offering and (z) include the instructions such Holder must follow in order to participate in such underwritten offering;

(o) in the case of a Shelf Registration or if a Prospectus is required to be delivered by any Participating Broker-Dealer in the case of an Exchange Offer, make available for inspection by representatives of the Holders of the Registrable Securities and any underwriters participating in any disposition pursuant to a Shelf Registration Statement, any Participating Broker-Dealer and any one counsel or accountant retained

by any of the foregoing, all financial and other records, pertinent corporate documents and properties of the Company reasonably requested by any such persons, and cause the respective officers, directors, employees, and any other agents of the Company to supply all information reasonably requested by any such representative, underwriter, one special counsel or accountant in connection with a Registration Statement;

(p) (i) in the case of an Exchange Offer Registration Statement, a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to such Prospectus (but not including any amendment to the Exchange Offer Registration Statement or amendment or supplement to such Prospectus through the filing of any document which is to be incorporated by reference therein), provide copies of such document to the Purchasers on behalf of the Holders of Registrable Securities and make such changes in any such document prior to the filing thereof as the Purchasers or their counsel may reasonably request in a timely manner and, except as otherwise required by applicable law, not file any such document in a form of which the Purchasers on behalf of the Holders of Registrable Securities shall not have previously been furnished a copy or to which the Purchasers on behalf of the Holders of Registrable Securities or their counsel shall reasonably object in a timely manner, and make the representatives of the Company available for discussion of such documents as shall be reasonably requested by the Purchasers; and

(ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus (but not including any amendment to the Shelf Registration Statement or amendment or supplement to such Prospectus through the filing of any document which is to be incorporated by reference therein), provide copies of such document to the Holders of Registrable Securities to be included therein, to the Shelf Special Counsel and to the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, make such changes in any such document prior to the filing thereof as the Holders, the Shelf Special Counsel, or the underwriter or underwriters reasonably request in a timely manner and not file any such document in a form of which the Majority Holders, the Shelf Special Counsel or any underwriter or underwriters shall not have previously been furnished a copy or to which any such Person shall reasonably object in a timely manner, and make the representatives of the Company available for discussion of such document as shall be reasonably requested by any such Person.

(q) in the case of a Shelf Registration, if any similar debt securities of the Company are then listed on any securities exchange, use its best efforts to cause all Registrable Securities to be listed on any such securities exchange if requested by the Majority Holders or by the underwriter or underwriters of an underwritten offering of Registrable Securities, if any;

(r) in the case of a Shelf Registration, use its best efforts to cause the Registrable Securities to be rated with the appropriate rating agencies, if so requested by

the Majority Holders or by the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, unless the Registrable Securities are already so rated;

(s) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and make available to its security holders, as soon as reasonably practicable, an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder;

(t) provide reasonable cooperation and assistance in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter and its counsel; and

(u) upon consummation of the Exchange Offer, deliver a customary opinion or opinions of counsel to the Company addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer, and which includes an opinion that (i) the Company has duly authorized, executed and delivered the Exchange Securities, and the related indenture, and (ii) each of the Exchange Securities and related indenture constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its respective terms (with customary exceptions).

In the case of a Shelf Registration Statement, the Company may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Registrable Securities to promptly furnish to the Company such information regarding such Holder and the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request in writing.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Section 3(e)(ii)-(vi) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to a Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(j) hereof, and, if so directed by the Company, such Holder will deliver to the Company (at its expense) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. If the Company shall give any such notice to suspend the disposition of Registrable Securities pursuant to a Shelf Registration Statement as a result of the happening of any event or the discovery of any facts, each of the kind described in Section 3(e)(vi) hereof, the Company shall be deemed to have used its best efforts to keep the Shelf Registration Statement effective during such period of suspension provided that the Company shall use its best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Shelf Registration Statement and shall extend the period during which the Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when

the Holders shall have received copies of the supplemented or amended Prospectus necessary to resume such dispositions.

4. Underwritten Registrations. If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Majority Holders of such Registrable Securities included in such offering and shall be reasonably acceptable to the Company.

No Holder of Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

5. Indemnification and Contribution. (a) The Company shall indemnify and hold harmless each Purchaser, each Holder, including Participating Broker-Dealers, each underwriter who participates in an offering of Registrable Securities, their respective affiliates, and the respective directors, officers, employees, agents and each Person, if any, who controls any of such parties within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all losses, liabilities, claims, damages and expenses whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all losses, liabilities, claims, damages and expenses whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expenses whatsoever, as incurred (including fees and disbursements of counsel chosen by any indemnified party), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any court or governmental agency or body,

commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) of this Section 5(a);

provided, however, that this indemnity does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Purchasers, any Holder, including Participating Broker-Dealers or any underwriter expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto).

(b) In the case of a Shelf Registration, each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, the Purchasers, each underwriter who participates in an offering of Registrable Securities and the other selling Holders and each of their respective directors and officers (including each officer of the Company who signed the Shelf Registration Statement) and each Person, if any, who controls the Company, the Purchasers, any underwriter or any other selling Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all losses, liabilities, claims, damages and expenses described in the indemnity contained in Section 5(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Shelf Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Holder, as the case may be, expressly for use in the Shelf Registration Statement (or any amendment thereto), or the Prospectus (or any amendment or supplement thereto); provided, however, that no such Holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Registrable Securities pursuant to such Shelf Registration Statement.

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have other than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 5 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement,

compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) In order to provide for just and equitable contribution in circumstances in which any of the indemnity provisions set forth in this Section 5 are for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company, the Purchasers and the Holders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company, the Purchasers and the Holders, as incurred; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person that was not guilty of such fraudulent misrepresentation. As between the Company, the Purchasers and the Holders, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect (i) the relative benefits received by the Company on the one hand, the Purchasers on another hand, and the Holders on another hand, from the offering of the Exchange Securities or Registrable Securities included in such offering, and (ii) the relative fault of the Company on the one hand, the Purchasers on another hand, and the Holders on another hand, with respect to the statements or omissions which resulted in such loss, liability, claim, damage or expense, or action in respect thereof, as well as any other relevant equitable considerations. The Company, the Purchasers and the Holders of the Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 5 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the relevant equitable considerations. For purposes of this Section 5, each affiliate of a Purchaser or Holder, and each director, officer, employee, agent and Person, if any, who controls a Purchaser or Holder or such affiliate within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Purchaser or Holder, and each director of the Company, each officer of the Company who signed the Registration Statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The parties hereto agree that any underwriting discount or commission or reimbursement of fees paid to any Purchaser pursuant to the Purchase Agreement shall not be deemed to be a benefit received by any Purchaser in connection with the offering of the Exchange Securities or Registrable Securities included in such offering.

6. Miscellaneous. (a) Rule 144 and Rule 144A. For so long as the Company is subject to the reporting requirements of Section 13 or 15 of the 1934 Act, the Company covenants that it will file the reports required to be filed by it under the 1933 Act and Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder, that if it ceases to be so required to file such reports, it will upon the request of any Holder of Registrable Securities (i) make publicly available such information as is necessary to permit sales

pursuant to Rule 144 under the 1933 Act, (ii) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (iii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (x) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (y) Rule 144A under the 1993 Act, as such Rule may be amended from time to time, or (z) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

(b) No Inconsistent Agreements. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

(c) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Majority Holders affected by such amendment, modification, supplement, waiver or departure; provided, however, that no amendment, modification, supplement or waiver or consent to any departure from the provisions of Section 5 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 6(d), which address initially is, with respect to a Purchaser, the address set forth in the Purchase Agreement; and (ii) if to the Company, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(d).

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the person giving the same to the Trustee, at the address specified in the Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(f) Third Party Beneficiary. The Purchasers shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Holders, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(g) Restriction on Resales. Until the expiration of two years after the original issuance of the Securities, the Company will not, and will cause its "affiliates" (as such term is defined in Rule 144(a)(1) under the 1933 Act) not to, resell any Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act) that have been reacquired by any of them.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

THE STANLEY WORKS

By:

Name:
Title:

Confirmed and accepted as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
SALOMON SMITH BARNEY INC.
BNP PARIBAS SECURITIES CORP.
FLEET SECURITIES, INC.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By:

Name:
Title:

By: SALOMON SMITH BARNEY INC.

By:

Name:
Title:

For themselves and as representatives of the other Purchasers.

August 26, 1999

Mr. Donald R. McIlnay
150 James Way
Advance, NC 27006

Dear Don:

I am pleased to confirm our offer for the position of President Consumer Sales, for The Stanley Works. The position is based in Charlotte, NC and will report to me.

Your base salary will be $300,000 per year, paid monthly. You will also participate in the Corporate Management Incentive Compensation Program with a guaranteed incentive payout of $120,000 for the year 2000, which is payable in February 2001. You will also receive a pro-rated incentive payment for 1999, which is payable in February 2000. An additional payment of up to $70,000 may be made in February 2000 if required, so that the sum of the pro-rated bonus, this additional payment, and the value of the 100,000 share stock option grant above the option purchase price equals $100,000. You will be eligible for four weeks of vacation.

On joining the Company, you will also receive a grant of a 100,000 share stock option under the terms of the Special Stock Option Plan. The Option Purchase Price will be the price of the stock on the date of grant, which will be within 60 days of your first day of work. Fifty-percent of this grant will vest 36 months following the grant date and 50% will vest 60 months following the grant date. Starting in 2000, your stock options will be targeted at the 13,000 level annually. In addition, you will participate in our Long-Term Incentive Plan at the senior level. Payment of this plan will be made in February 2003.

As an Officer of The Stanley Works, you will participate in current and future executive benefit programs including our Financial Planning Service, Executive Life Insurance Program, and the Executive Physical Program. The Company will also lease and insure a car for your use. You may select any make and model up to a Fair Market Value of $60,000.00. Details of the executive benefit programs are attached.

In addition, the Company's Employee Stock Purchase Program (ESPP) allows you to purchase company stock up to 15% of your base pay annually (capped at $25,000), at 15% below the market price. The Company's 401k Plan will match 50% of employee contributions up to 7% of your pay and the Company Defined Contribution Pension Plan contributes either 3%, 5% or 9% of pay each year depending upon your age.

Enclosed is a copy of a Consent Order with the Federal Trade Commission regarding "Made in USA". Please read and sign the attached and return it to the address indicated.

Should a future relocation be required, the Company will cover the standard relocation costs associated with the sale of your current home and the purchase of a home at the new location.

You should be aware that your employment with Stanley will continue as long as mutually acceptable, and as such is terminable by either the Company, or by yourself, at any time and for any reason. Commencing employment is contingent upon our Medical Department determining that you are physically suited for the duties of the position. This includes a drug-screening test. Please contact Skip Proctor at 860-827-3935 to make the necessary arrangements.

The Stanley Works Health Plans become effective on the first of the month following your date of employment. They will be explained to you in detail on your first day of employment. You can usually extend your existing medical coverage for a limited period of time to cover any lapse between the plans.

Don, I am delighted that you will join our team. There's a lot of exciting work to be done and I know that you will make a great contribution to our success. If you have any questions, please give me a call at 860-827-3990 or Mark Mathieu at 860-827-3818.

Please indicate your acceptance by signing below and return a copy to me.

Sincerely,

John M. Trani
Chairman and CEO

Donald McIlnay

Cc: Carol L'Heureux - Executive Compensation & Relocation
Skip Proctor, Director HR - Sales America

Enclosures: Deferred Compensation Plan (December 19, 1995)
1990 Stock Option Plan (April 23, 1997)
Executive life Insurance Program
Financial Planning Service
Executive Physical Program
Employee Benefits Booklet
FTC Consent Order
Executive Car Program

September 12, 2000

Jack Garlock
70 Stonehenge Dr.
Jackson, TN 38305

Dear Jack:

I am pleased to confirm our offer for the position of President Doors, for The Stanley Works. The position is based in New Britain, Connecticut and reports to me.

Your base salary will be $275,000 per year, paid monthly. You will also participate in the Corporate Management Incentive Compensation Program with a target annual bonus for 2001 of $175,000 payable in February 2002. You will be eligible for four weeks of vacation.

You will participate in our Long Term Performance Award Plan (see attached). Payment of the plan will be made on a pro-rated basis in February, 2003 based on actual earnings for the 3-year measurement period beginning January 1, 2000 and ending December 31, 2002.

On joining the company, you will also receive a grant of a 50,000 share stock option under the terms of The Stanley Works 1997 Long-Term Incentive Plan. Fifty-percent (50%) of this stock grant will vest in 24 months following the grant date and 50% will vest in 48 months following the grant date. The Option Purchase Price will be the price of the stock on the date of grant, which will be within 60 days of your first day of work. Starting in 2001 your stock options will be targeted at the 15,000 level annually.

You will also participate in current and future executive benefit programs including our Financial Planning Service, Executive Life Insurance Program, and the Executive Physical Program. The Company will also lease and insure a car for your use. You may select any make and model up to a Fair Market Value of $60,000. Details of the executive benefit programs are attached.

In addition, the Company's Employee Stock Purchase Program (ESPP) allows you to purchase company stock up to 15% of your base pay annually (capped at $25,000), at 15% below the market price. The Company's 401k Plan will match 50% of employee contributions up to 7% of your pay and the Company Defined Contribution Pension Plan contributes either 3%, 5% or 9% of pay each year depending upon your age. Furthermore, provided your employment service with Stanley continues until you reach age 62, Stanley will pay you a lump sum benefit of $2.9 million upon your retirement.

The Company will cover the Enhanced Relocation costs associated with the sale of your current home and the purchase of your new home in Connecticut. You will be eligible for the services of our Third Party Relocation Vendor. In addition, you will receive a moving allowance of $8,000 to cover incidental moving expenses once you

have moved. This allowance will be treated as salary for tax purposes. In order to be eligible for any relocation benefit you must first sign the Relocation Expense Agreement, which can be found on the last page of the enclosed Relocation Policy. No relocation benefit will be provided until the Company has received your signed Relocation Expense Agreement.

Enclosed is a copy of a Consent Order with the Federal Trade Commission regarding "Made in USA". Please read and sign the attached and return it to the address indicated.

You should be aware that your employment with Stanley will continue as long as mutually acceptable, and as such is terminable by either the Company, or by yourself, at any time and for any reason. Commencing employment is contingent upon our Medical Department determining that you are physically suited for the duties of the position. This includes a drug-screening test. Please contact Claudia Mackiewicz at 860-827-3880 to make the necessary arrangements.

The Stanley Works Health Plans become effective on the first of the month following your date of employment. They will be explained to you in detail on your first day of employment. You can usually extend your existing medical coverage for a limited period of time to cover any lapse between the plans.

Jack, you will play a key role in driving growth in our Doors business. I am delighted that you are considering joining our team. There is a lot of exciting work to be done and I know that you will make a great contribution to our success. If you have any questions, please call me.

Please indicate your acceptance by signing below and return a copy to me.

Sincerely,

John Trani
Chairman and CEO

Jack Garlock

Cc: Carol L'Heureux - Executive Compensation & Relocation

Enclosures: Enhanced Relocation Program
Benefits Booklet
FTC Consent Order
Long Term Performance Award Plan
Executive life Insurance Program
Financial Planning Service
Executive Physical Program
Smith Kline Testing Program
Stanley Choice Account
Executive Auto Program
Stanley Employment Application

EXHIBIT 12

THE STANLEY WORKS AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the fiscal years ended December 28, 2002, December 29, 2001,
December 30, 2000, January 1, 2000 and January 2, 1999
(in millions of dollars)

	FISCAL YEARS				
	2002	2001	2000	1999	1998
Earnings (loss) before income taxes	$272.5	$236.7	$293.7	$230.8	$215.4
Add:					
Interest expense	28.5	31.9	34.3	32.9	30.5
Portion of rents representative of interest factor	12.1	12.5	15.4	14.2	15.0
Amortization of expense on long-term debt	0.1	0.4	0.2	0.2	0.3
Amortization of capitalized interest	-	-	0.1	0.2	0.2
Deduct:					
Capitalized Interest	-	(0.1)	-	-	-
Income as adjusted	$313.2	$281.4	$343.7	$278.3	$261.4
Fixed charges:					
Interest expense	$28.5	$31.9	$34.3	$32.9	$30.5
Portion of rents representative of interest factor	12.1	12.5	15.4	14.2	15.0
Amortization of expense on long-term debt	0.1	0.4	0.2	0.2	0.3
Capitalized interest	-	0.1	-	-	-
Fixed charges	$40.7	$44.9	$49.9	$47.3	$45.8
Ratio of earnings to fixed charges	7.70	6.27	6.89	5.88	5.71

EXHIBIT 21

THE STANLEY WORKS AND SUBSIDIARIES

(All subsidiaries are included in the Consolidated Financial Statements of The Stanley Works)

CORPORATE NAME	JURISDICTION OF INCORPORATION/ ORGANIZATION
The Stanley Works	Connecticut
The Farmington River Power Company	Connecticut
Contact East, Inc.	Massachusetts
Stanley-Bostitch Holding Corporation	Delaware
Stanley Logistics, Inc.	Delaware
Stanley Fastening Systems, L.P.	Delaware
Stanley de Chihuahua S.de R.L. de C.V.	Mexico
Stanley Receivables Corporation	Delaware
Stanley Funding Corporation	Delaware
The Stanley Works C.V.	Netherlands
Gregory Smith Corporation	Texas
Senior Technologies, Inc.	Nebraska
Stanley Canada Inc.	Ontario, Canada
Mac Tools Canada Inc.	Ontario, Canada
Charge Industries, Inc.	Nova Scotia, Canada
Best Lock Corporation	Indiana
Integrator.com, Inc.	Indiana
First Thoroughbred LTD	Indiana
Best Access Systems Co.	Nova Scotia, Canada
Best International Holdings, Inc.	Indiana
Best Systems Corporation Pte. Ltd.	Singapore
Best Access Sytems Limited	Hong Kong
Southeast Energy Management Corporation	Florida
BAI, Inc.	Indiana
Stanley Tools (N.Z.) Ltd.	New Zealand
Stanley do Brasil Ltda.	Brazil

Herramientas Stanley S.A. de C.V.	Mexico
Stanley-Bostitch, S.A. de C.V.	Mexico
Stanley Finance Hungary Kft.	Hungary
Stanley Atlantic, Inc.	Delaware
Stanley Israel Investments, Inc.	Delaware
Stanley Israel Investments B.V.	Netherlands
T.S.W. Israel Investments Ltd.	Israel
ZAG Industries Ltd. (93.8%)	Israel
ZAG Industries U.S.A. Inc.	Delaware
Design and Shoot LTD	Israel
ZAG Operation (Assets) LTD	Israel
RGTI	Island of Nevis
ZAG Latin America LTD	Brazil
ZAG Israel Marketing LTD	Israel
ZAG U.K.	U.K.
A.M.T.Y. Vermogensverwoltan	Island of Nevis
Stanley International Holdings, Inc.	Delaware
Stanley Pacific Inc.	Delaware
Stanley Svenska A.B.	Sweden
Stanley Works (Europe) A.G.	Switzerland
Stanley European Holdings, L.L.C.	Delaware
Stanley Europe B.V.B.A.	Belgium
Stanley European Holdings B.V.	Netherlands
Stanley Tools Poland Sp.zo.o.	Poland
Stanley Fastening Systems Poland Sp.zo.o.	Poland
Stanley Sales and Marketing Poland, Sp.Z.o.o	Poland
S.A. Stanley Works (Belgium) B.V.B.A.	Belgium
Stanley Bostitch G.m.b.H.	Germany
Friess G.m.b.H.	Germany
Stanley Doors France, S.A.S.	France
Stanley France Services, S.A.S.	France

Stanley Tools, S.A.S.	France
Stanley France, S.A.S.	France
Stanley Nordic ApS	Denmark
Stanley Works (Nederland) B.V.	Netherlands
Stanley Iberia S.L.	Spain
Suomen Stanley O.Y.	Finland
Stanley Italia S.r.l.	Italy
Stanley Tools S.r.l.	Italy
F.I.P.A. Due S.r.l.	Italy
Stanley U.K. Holding Ltd.	U.K.
Stanley U.K. Limited	U.K.
The Stanley Works Limited	U.K.
Stanley U.K. Sales Limited	U.K.
Stanley U.K. Services Limited	U.K.
The Stanley Works Pty. Ltd.	Australia
Stanley Works Asia Pacific Pte. Ltd.	Singapore
The Stanley Works Sales (Philippines), Inc.	Philippines
The Stanley Works (Bermuda) Ltd.	Bermuda
The Stanley Works Japan K.K.	Japan
Stanley Works (Thailand) Ltd.	Thailand
TONA a.s. (LTD) (93.9%)	Czech Republic
Stanley Works Malaysia Sdn. Bhd.	Malaysia
Stanley Works China Investments Ltd. (80%)	Virgin Islands
Stanley (Zhongshan) Hardware Co. Ltd.(65%)	China
Chiro Tools Holdings B.V.	Netherlands
Stanley Chiro International Ltd.	Taiwan
Beijing Daxing Stanley-Bostitch Metal Industries Company Limited (98%)	China
Stanley (Tianjin) International Trading Company, Ltd.	China
The Stanley Works (Zhongshan) Tool Company Ltd.	China

POWER OF ATTORNEY

We, the undersigned officers and directors of The Stanley Works, a Connecticut corporation (the "Corporation"), hereby severally constitute Bruce H. Beatt, David S. Winakor, and Kathryn Partridge our true and lawful attorneys with full power of substitution, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K for the year ended December 28, 2002 of the Corporation filed herewith (the "Form 10-K"), and any and all amendments thereof, and generally to do all such things in our name and on our behalf in our capacities as officers and directors to enable the Corporation to comply with the annual filing requirements under the Securities Act of 1934, as amended, including, all requirements of the Securities and Exchange Commission, and all requirements of any other applicable law or regulation, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to such Form 10-K and any and all amendments thereto.

SIGNATURE	TITLE	DATE
/s/ John M. Trani John M. Trani	Chairman, Chief Executive Officer and Director	January 24, 2003
John G. Breen	Director	January 24, 2003
/s/ Robert G. Britz Robert G. Britz	Director	January 24, 2003
/s/ Stillman B. Brown Stillman B. Brown	Director	January 24, 2003
Emmanuel A. Kampouris	Director	January 24, 2003
/s/ Eileen S. Kraus Eileen S. Kraus	Director	January 24, 2003
/s/ John D. Opie John D. Opie	Director	January 24, 2003
Derek V. Smith	Director	January 24, 2003

/s/ Kathryn D. Wriston - ---------- Kathryn D. Wriston	Director	January 24, 2003

THE STANLEY WORKS

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Stanley Works (the "Company") on Form 10-K for the period ending December December 28, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Trani, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John M. Trani
- ----------------------------------
John M. Trani
Chaiman and Chief Executive Officer
December 28, 2003

THE STANLEY WORKS

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Stanley Works (the "Company") on Form 10-K for the period ending December December 28, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Loree, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James M. Loree
- ----------
James M. Loree
Executive Vice President and Chief Financial Officer
December 28, 2003