

References to pages in incorporated documents refer to the page numbers in the paper copy of such documents.

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

Form 10-K
ANNUAL REPORT

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended January 1, 1994

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____
Commission file 1-5224

The Stanley Works
(Exact name of registrant as specified in its charter)

CONNECTICUT (State or other jurisdiction of incorporation or organization)	06-0548860 (I.R.S. Employer Identification Number)
1000 Stanley Drive New Britain, Connecticut	06053 (Zip Code)
(Address of principal executive offices)	

(203) 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--Par Value \$2.50 Per Share	New York Stock Exchange Pacific Stock Exchange

9% Notes due 1998
7 3/8% Notes Due December 15, 2002

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 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 [].

The aggregate market value of Common Stock, Par Value \$2.50 Per Share, held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on March 28, 1994 was approximately \$1.75 billion. As of March 28, 1994, there were 44,848,818 shares of Common Stock, Par Value \$2.50 Per Share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to shareholders for the year ended January 1, 1994 are incorporated by reference into Parts I and II.

Portions of the definitive Proxy Statement dated March 9, 1994, filed with the Commission pursuant to Regulation 14A, are incorporated by reference into Part III.

Part I

Item 1. Business

1(a) General Development of Business. During 1993, the company acquired several businesses for a total of \$24.0 million. The most significant of the businesses acquired were Friess & Co. KG, a German manufacturer and marketer of paint rollers and brushes and Rikkoh-Sha Co. Ltd., a mechanics tools distributor in Japan. On June 30, 1993, the company sold all of the stock of Taylor Rental Corporation, franchisor of the nation's largest system of general rental centers for do-it-yourselfers and commercial customers.

1(b) Industry Segment Information. Industry segment information on page 15 of Registrant's Annual Report to shareholders for the year ended January 1, 1994 is incorporated herein by reference.

1(c) Narrative Description of Business. Registrant's operations can be classified into three industry segments: Tools, Hardware and Specialty Hardware.

Tools. The Tools segment consists of consumer, industrial and engineered tools. Consumer tools includes hand tools such as measuring instruments, planes, hammers, knives, wrenches, sockets, screwdrivers, saws, chisels, boring tools, masonry, tile and drywall tools, paint preparation and paint application tools. Industrial tools includes industrial and mechanics hand tools, including STANLEY-PROTO industrial tools and MAC mechanics tools and high-density industrial storage and retrieval systems. Engineered tools includes air tools, hydraulic tools and STANLEY-BOSTITCH fastening tools and fasteners.

Hardware. The hardware segment consists of hardware such as hinges, hasps, brackets, bolts, latches, closet hardware and organizer systems and other shelving, screen and storm door hardware, hardware for sliding, folding and pocket doors, residential door hardware, mirrors and mirrored closet doors.

Specialty Hardware. The specialty hardware segment consists of residential door systems such as original and replacement garage and entry doors, power-operated doors and gates and home automation products, including garage door openers, electronic controls and other similar products.

Competition. The company competes on the basis of its manufacturing capabilities, extensive distribution system and merchandising service, the breadth of its product lines, its

reputation for product quality, its well-known trademarks and its electronic data interchange ("EDI") capabilities. The company believes that its significant long-term investments have made it an industry leader in the utilization of EDI.

The company encounters active competition in all of its activities 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. In 1993, the company's approximately \$70 million investment in new equipment and advanced business systems resulted in improved manufacturing processes and decreased inventories and transaction costs both for the company and its customers.

In the company's consumer hand tool and consumer hardware businesses, a small number of competitors produce a range of products somewhat comparable to the company's, but the majority of its competitors compete only with respect to one or more individual products within a particular line. The company believes that it is the largest manufacturer of consumer hand tools in the world and that it offers the broadest line of such products. The company believes that its market position in the U.S. and Canada for consumer hardware is comparable to or greater than that of its major competitors and that it offers the broadest line of hinges and home hardware, which represents the most important part of its hardware product sales.

In the company's industrial hand tool business in the U.S., the company believes that it is a leading manufacturer of high-density industrial storage cabinets. In the company's engineered hand tool business in the U.S., the company believes that it is the leader in the manufacture and sale of pneumatic fastening tools and related fasteners to professional contractors and to the furniture and pallet industries as well as the leading manufacturer of portable and mounted hydraulic tools.

In the company's non-consumer hardware business in the U.S., the company believes that it is a leading manufacturer of residential and architectural hardware products, mirrored closet doors and hardware for sliding, folding and pocket doors and screen and storm door hardware; and a leading supplier of closet rods, supports, brackets and wall mirrors.

In the company's specialty hardware business, the company believes that it is a leader in the U.S. with respect to the manufacture and sale of insulated steel residential entry doors, garage door openers and automatic sliding and swinging doors and gate openers for commercial and industrial use.

Customers. A substantial portion of the company's products are sold through home centers and mass merchant distribution channels in the U.S. A consolidation of retailers in these

channels 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 geographic 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 certain of the larger home centers as customers could 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. The company has addressed this issue by strategically focusing on excellence in customer service, new product innovations, and distribution channel development.

Raw Materials. The company's products are manufactured primarily of steel and other metals, although some are of wood or plastic. The raw materials required are available from a number of sources at competitive prices. The company does not purchase a significant amount of its supplies under long-term contracts, however, it has relationships of long standing with many of its suppliers. The company has experienced no difficulties in obtaining supplies in recent periods.

Backlog. At February 5, 1994, the company had approximately \$130 million in unfilled orders compared with \$126 million in unfilled orders at February 6, 1993. All 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. No segment of Registrant's business is dependent, to any significant degree, on patents, licenses, franchises or concessions. 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 17 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 17 years.

The company has numerous trademarks that are utilized in its businesses worldwide. The STANLEY and STANLEY (in a notched rectangle) trademarks are material to all three business segments. These well-known trademarks enjoy a reputation for excellence. In addition, in the Tools segment, the Bostitch , Powerlock , Tape Rule Case Design (Powerlock) , MAC Tools , Proto , and Vidmar trademarks are material to the business.

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 involved with remedial and other environmental compliance activities at some of its current and former sites. Additionally, the company, together with other parties, has been named a potentially responsible party ("PRP") with respect to nine 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 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 amounts 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 which becomes available. As of year-end 1993, the company had reserves of \$18 million, primarily for remediation activities associated with company-owned properties as well as for Superfund sites.

Actual costs to be incurred at identified sites 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 financial position, results of operations or liquidity.

Power-generating Subsidiary. Under the General Statutes of Connecticut, the company is deemed to be a "holding company" that controls an electric company as a result of its being the sole shareholder of Farmington River Power Co., a power-generating subsidiary of the company since 1916. Under such statute, no organization or person may take any action to acquire control of such a holding company without the prior approval of the Connecticut Department of Public Utility Control.

Employees. During 1993, the company had an average of 18,988 employees, approximately 12,750 of whom were employed in the U.S. Of these U.S. employees, approximately 23% are covered by collective bargaining agreements with approximately 12 labor unions. The majority of the company's hourly- and weekly-paid employees outside the U.S. are covered by collective bargaining agreements. Approximately 1,200 of the hourly-paid production and maintenance employees who are employed by the company's operations in New Britain, Connecticut are covered by agreements with the International Association of Machinists and Aerospace Workers that expire in May 1994. The balance of the company's labor agreements expire in 1994, 1995 and 1996. 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 foreign and domestic operations and export sales. Geographic area information on page 15 of the Annual Report to shareholders for the year ended January 1, 1994 is incorporated herein by reference.

Item 2. Properties.

As of January 1, 1994, Registrant and its subsidiaries operated facilities for manufacturing and distribution in 22 states and 21 foreign countries. The Registrant believes that its facilities are suitable and adequate for its business. The Registrant utilizes approximately 14,126,100 square feet of floor space in its business, of which approximately 3,972,067 square feet of floor space is leased.

A summary of material locations (over 50,000 square feet) that are owned by the Registrant and its subsidiaries are:

Tools

Phoenix, Arizona; Visalia, California; Clinton and New Britain, Connecticut; Atlanta, Georgia; Shelbyville, Indiana; Kansas City, Kansas; Worcester, Massachusetts; Two Harbors, Minnesota; Hamlet and Sanford, North Carolina; Claremont, New Hampshire; Columbus, Georgetown, Sabina and Washington Court House, Ohio; Allentown and York, Pennsylvania; East Greenwich, Rhode Island; Cheraw, South Carolina; Pulaski and Shelbyville, Tennessee; Dallas and Wichita Falls, Texas; Pittsfield and Shaftsbury, Vermont; Hedelberg West, Ingleburn, Moonah and Wangaratta, Australia; Sao Paulo, Brazil; Smiths Falls, Canada; Pecky, Czech Republic; Ecclesfield, Hellaby and Sheffield, England; Besancon Cedex and Maxonchamp, France; Surabaya, Indonesia; Puebla, Mexico; Taichung Hsien, Taiwan; and Amphur Bangpakong, Thailand.

Hardware

Chatsworth and San Dimas, California; New Britain, Connecticut; Richmond, Virginia; Brampton and New Hamburg, Canada; and Sheffield, England.

Specialty Hardware

Farmington, Connecticut; Birmingham, Novi and Troy, Michigan; and Covington, Ohio.

A summary of material locations (over 50,000 square feet) that are leased by the Registrant and its subsidiaries are:

Tools

Costa Mesa and Rancho Cucamonga, California; Covington, Georgia; Charlotte, North Carolina; Cleveland, Ohio; Milwaukie, Oregon; Carrollton, Texas; Coburg, Australia; Burlington and Mississauga, Canada; Northampton, England; and Saverne, France.

Hardware

Chatsworth, California; Lenexa, Kansas; Tupelo, Mississippi; and Oakville, Ontario.

Specialty Hardware

Rancho Cucamonga, California; Orlando, Florida; Winchester, Virginia; Langley and Montreal, Canada.

Item 3. Legal Proceedings.

3(a) 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 in a number of administrative proceedings for the remediation of various waste sites, including nine Superfund sites. In addition, in the normal course of business, the company is involved in various lawsuits and claims. The company does not expect that the resolution of these matters will have a material adverse effect on the company's consolidated financial position or results of operations.

3(b) (i) On May 22, 1990, a federal grand jury sitting in St. Louis, Missouri indicted four manufacturers and five individuals, charging each with one count of illegal price fixing activities in the sale of architectural hinges. Architectural hinges, which are heavy hinges used for non-residential applications, constitute a small portion of the business of one division of the company and do not involve a substantial portion

of the company's overall business.

In addition to the company, the companies indicted were The Hager Hinge Company, McKinney Products Company, and Lawrence Brothers, Inc. The individuals named in the indictment were John F. Hollfelder (who left the company's employ in 1988), Robert A. Haversat and David B. Gibson of McKinney Products Company, and John A. Lawrence of Lawrence Brothers, Inc. Richard G. Martin (who left the company's employ in 1992) was also indicted. On October 29, 1992, a jury acquitted Mr. Martin. The indictment charged that between 1986 and 1988 the defendants conspired to raise the price of architectural hinges. On May 16, 1991, the company, McKinney Products Company and Lawrence Brothers, Inc. entered pleas of nolo contendere with the U.S. District Court for the Eastern District of Missouri. On October 14, 1992, Mr. Hollfelder and The Hager Hinge Company pled guilty as a part of plea agreements with the government. On July 13, 1993, the company was sentenced to a fine of \$6 million, of which \$1 million was to be given to certain educational institutions for the purpose of establishing courses and seminars on business ethics.

(ii) In July and August 1990, the company was named as a defendant in two class actions filed in the California state court in San Francisco on behalf of a class of indirect purchasers of architectural hinges in California alleging the company and others with violations of the California antitrust statute. On December 18, 1991 and February 18, 1992, the defendants in these California actions entered into a classwide settlement agreement with the plaintiff class representatives. On April 30, 1992, the California state court granted the plaintiff's motion for final approval of the class action settlements and dismissed the two class actions with prejudice. On December 19, 1991, the company was named as a defendant in a third civil action filed in the California state court in Los Angeles purporting to sue on behalf of a class of indirect purchasers of architectural hinges in California for alleged violation of the California antitrust statute. The plaintiff subsequently agreed to participate in, and be bound by, the settlement in the San Francisco actions, and to dismiss the Los Angeles case voluntarily.

3(c) On or about June 21, 1991, a putative class action complaint was filed in the U.S. District Court for the District of Connecticut naming the company and its directors as defendants. On May 14, 1992, the plaintiffs filed an amended complaint, and on or about October 19, 1992, the plaintiffs filed a third amended complaint, alleging that (i) the company's proxy statement for its 1991 annual meeting violated the federal proxy rules by failing to disclose in connection with shareholder approval of the company's 1990 Stock Option Plan (the "Stock Option Plan"), among other things, the existence of Newell Co.'s

("Newell") interest in the company and certain discussions between Newell and the company's representatives, (ii) the director defendants breached their fiduciary duty to the company's shareholders by approving the Stock Option Plan and the transactions announced on June 7, 1991 solely to thwart a combination with Newell, (iii) the director defendants wasted corporate assets by, among other things, authorizing the prosecution of litigation against Newell, (iv) the director defendants wrongfully approved the sale of the company's Common Stock to the Employee Stock Ownership Plans ("ESOPs") on June 7, 1991 without previously disclosing that Newell had made a filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("Hart-Scott") and (v) the director defendants failed to maximize shareholder values by approving transactions that would thwart Newell or any other potential acquiror of the company.

In an opinion and order dated October 26, 1992, the court certified the plaintiffs' federal proxy claims to proceed on behalf of a class composed of (1) all current shareholders of the company, and (2) all company shareholders of record as of February 8, 1991 who were entitled to vote at the 1991 Annual Meeting of Shareholders or their successors in interest. The court declined to certify the plaintiffs' state law claims because these claims were now brought derivatively on behalf of the company.

On June 3, 1993, the court granted final approval to an agreement between the parties to settle the class and derivative action, and the case was dismissed with prejudice.

3(d) From time to time Mac Tools, Inc., a wholly owned subsidiary of the company ("Mac Tools") has been sued by former distributors of Mac Tools alleging breach of contract, breach of fiduciary duty, intentional infliction of emotional distress and fraud, and claims based on state unfair trade practices, business opportunity and franchise laws, and seeking compensatory and punitive damages. In 1991, a jury in such a suit, awarded the plaintiff former distributor compensatory damages of \$40,000 and punitive damages of \$500,000; in 1992, a jury in such a suit, awarded \$129,000 in compensatory damages and \$2.2 million in punitive damages.

As of the end of 1991 there were 22 such cases pending. During 1992, 38 suits were commenced against Mac Tools and 11 suits were terminated by settlement, judgment or otherwise. As of the end of 1992, there were 49 such suits pending. During 1993, 32 suits were commenced against Mac Tools, Inc. and 17 suits were terminated by settlement, judgment or otherwise. As of the end of 1993, there were 64 such suits pending.

The results for 1993 include a fourth quarter charge of \$15 million to reflect both the late January 1994 settlement of

132 filed and threatened lawsuits by former distributors against Mac Tools and the accrual of reserves to cover unsettled and potential claims. After these settlements, there were four claims outstanding. The company has taken steps to improve its relationship with its distributors and an ombudsman program has been established to provide liaison with former distributors. Management believes that these actions will reduce the number and size of future settlements and expenses related to this kind of litigation and that any such expenses will not have a material adverse effect on the company's financial position, results of operations or liquidity.

3(e) In May 1988, the U.S. Customs Service (the "Customs Service") initiated an investigation of possible violations of the country-of-origin marking provisions of the U.S. customs laws by National Hand Tool Corporation (then a wholly owned subsidiary and presently a division of the company) ("NHT"). Section 304 of the Tariff Act of 1930, 19 U.S.C. Section 1304, requires that foreign-made goods be marked with their country of origin.

The investigation focused on two types of alleged activity that they claim began prior to the company's acquisition of NHT in December 1986 and continued until August 1988. One is that NHT personnel are claimed to have removed country-of-origin marks from certain hand tools and components (including screwdriver shanks, mallets and prybars) that had been imported by NHT for assembly and resale. The other is the alleged failure to place foreign origin markings on finished sockets and components for socket wrench sets that NHT made from imported forgings.

On March 2, 1993, the U.S. government instituted an action against the company in the United States Court of International Trade alleging that NHT had engaged in the intentional removal of country-of-origin marks from imported screwdrivers, mallets and prybars and failed to place country-of-origin markings on forgings that it imported for manufacture into sockets and other socket wrench components during the period from December 31, 1986 through August 10, 1988. The suit claimed that by these actions the company perpetrated a fraud and effectuated the illegal entry of the imported articles into the United States in violation of 19 U.S.C. Section 1592, and sought \$7,113,951 in civil penalties and \$592,730 in additional marking duties. At issue were 146 entries, eight of which were of screwdrivers, mallets and prybars and 138 of which were of sockets and socket wrench parts.

The company moved to dismiss this action on various grounds, including a failure by Customs to adhere to statutorily mandated procedures that are preconditions for judicial actions for penalties. On December 20, 1993, the Court granted the company's motion and dismissed the suit, holding that Customs had

failed to exhaust its administrative remedies and had denied the company a reasonable opportunity to be heard at the administrative level. On February 16, 1994 the U.S. government commenced an appeal of this decision.

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

No matter was submitted during the fourth quarter of the Registrant's last fiscal year to a vote of security holders.

Executive Officers. The following is a list of the executive officers of the Registrant:

Name, Age, Birthdate	Office	Elected to Office
J. S. Amtmann (46) (10/10/47)	Vice President, Corporate Marketing Development. Joined Stanley in 1969; 1984 President and General Manager, Home Automation; 1988 President and General Manager, Mac Tools; 1992 Vice President, Corporate Marketing Development.	7/1/93
R. H. Ayers (51) (10/12/42)	Chairman, President and Chief Executive Officer. Joined Stanley in 1972; 1985 Chief Operating Officer and President; 1987 President and Chief Executive Officer.	4/19/89
B. Bennett (50) (6/4/43)	Vice President, Human Resources. Joined Stanley in 1984 as Taylor Rental Training Manager; 1990 Director, Organization Development; 1991 Vice President, Human Resources, Stanley Access Technologies.	7/1/92
J. P. Callahan (48) (12/10/45)	Vice President, Taxes. Joined Stanley in 1978; 1979 Director of Corporate Taxes.	1/1/90
T. K. Clarke (62) (1/21/32)	Vice President, Corporate Development.	5/1/82
J. B. Gustafson (50) (5/10/43)	Vice President, Information Systems. Joined Stanley in 1977; 1986 Director of Information Systems.	1/1/90
R. Huck (49) (2/22/45)	Vice President, Finance and Chief Financial Officer. Joined Stanley in 1970; 1987 Controller, Stanley Tools; 1990 Vice President and Controller.	7/1/93
R. A. Hunter (47) (12/15/46)	President and Chief Operating Officer. Joined Stanley in 1974. 1987 Vice President, Finance and Chief Financial Officer.	7/1/93

Name, Age, Birthdate	Office	Elected to Office
T. F. Prime (38) (9/9/55)	Vice President and Controller. Joined Stanley in 1989 from Ernst & Young, certified public accountants; 1989 Director of Consolidations and Accounting Services; 1990 Director of Accounting and Financial Reporting.	7/1/93
S. S. Weddle (55) (11/9/38)	Vice President, General Counsel and Secretary.	1/1/88

Executive officers serve at the pleasure of the Board of Directors. Unless otherwise indicated, each officer has had the same position with the Registrant for five years.

Part II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters. Registrant incorporates by reference the "Shareholders of record at end of year" from pages 16 and 17 and the "Investor Information" on page 33 of its Annual Report to shareholders for the year ended January 1, 1994.

Item 6. Selected Financial Data. Registrant incorporates by reference pages 16 and 17 of its Annual Report to shareholders for the year ended January 1, 1994.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Registrant incorporates by reference pages 18 through 20 of its Annual Report to shareholders for the year ended January 1, 1994.

Item 8. Financial Statements and Supplementary Data. The consolidated financial statements and report of independent auditors included on pages 21 to 31 and page 14, respectively, of the Annual Report to shareholders for the year ended January 1, 1994 are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure. None.

Part III

Item 10. Directors and Executive Officers of the Registrant. Registrant incorporates by reference pages 2 to 6 of its definitive Proxy Statement, dated March 9, 1994.

Item 11. Executive Compensation. Registrant incorporates by reference the material captioned "Executive Compensation" on pages 6, 8 to 15 of its definitive Proxy Statement, dated March 9, 1994.

Item 12. Security Ownership of Certain Beneficial Owners and Management. Registrant incorporates by reference the material captioned "Security Ownership" on pages 6 and 7 of its definitive Proxy Statement, dated March 9, 1994.

Item 13. Certain Relationships and Related Transactions. None.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

14(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 14 is submitted as a separate section of this report (see page F-1).

3. Exhibits

See Exhibit Index on page E-1.

14(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
1. October 20, 1993	Press release dated October 20, 1993 announcing third quarter results.
2. October 27, 1993	Press release dated October 27, 1993 announcing the election of a new director.
3. November 17, 1993	Press release dated November 17, 1993 announcing fourth quarter dividend.

SIGNATURES

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

THE STANLEY WORKS

By /s/Richard H. Ayers
Richard H. Ayers, Chairman
and Chief Executive Officer

March 2, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 2, 1994 by the following persons on behalf of the Registrant and in the capacities indicated.

/s/Richard H. Ayers
Richard H. Ayers, Chairman,
Chief Executive Officer and
Director

/s/Eileen S. Kraus
Eileen S. Kraus, Director

/s/Gerald A. Lamb
Gerald A. Lamb, Director

/s/Richard Huck
Richard Huck, Vice President,
Finance and Chief Financial
Officer

/s/George A. Lorch
George A. Lorch, Director

/s/Theresa F. Prime
Theresa F. Prime, Vice President
and Controller (Chief Accounting
Officer)

/s/Walter J. McNerney
Walter J. McNerney, Director

/s/Merle H. Banta
Merle H. Banta, Director

/s/Gertrude G. Michelson
Gertrude G. Michelson, Director

/s/Stillman B. Brown
Stillman B. Brown, Director

/s/John S. Scott
John S. Scott, Director

/s/Edgar R. Fiedler
Edgar R. Fiedler, Director

/s/Hugo E. Uytterhoeven
Hugo E. Uytterhoeven, Director

/s/James G. Kaiser
James G. Kaiser, Director

/s/Alfred W. Van Sinderen
Alfred W. Van Sinderen, Director

/s/Walter W. Williams
Walter W. Williams, Director

THE STANLEY WORKS AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements and report of independent auditors of The Stanley Works and subsidiaries, included in the Annual Report of the Registrant to its shareholders for the fiscal year ended January 1, 1994, are incorporated by reference in Item 8:

Report of Independent Auditors

Consolidated Statements of Earnings--fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Consolidated Balance Sheets--January 1, 1994 and January 2, 1993.

Consolidated Statements of Cash Flows--fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Consolidated Statements of Changes in Shareholders' Equity--fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Notes to Consolidated Financial Statements.

The following consolidated financial statement schedules of The Stanley Works and subsidiaries are included in Item 14(d):

- F-4,5 Schedule V--Property, Plant and Equipment
- F-6 Schedule VI--Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment
- F-7 Schedule VIII--Valuation and Qualifying Accounts
- F-8 Schedule IX--Short-Term Borrowings
- F-9 Schedule X--Supplementary Income Statement Information

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 this Annual Report (Form 10-K) of The Stanley Works of our report dated January 31, 1994, included in the 1993 Annual Report to Shareholders of The Stanley Works.

Our audits also included the consolidated financial statement schedules of The Stanley Works listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements of our report dated January 31, 1994, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the consolidated financial statement schedules included in this Annual Report (Form 10-K) of The Stanley Works.

- 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. 33-30623)
- Registration Statement (Form S-8 No. 33-30629)
- Registration Statement (Form S-8 No. 33-39553)
- Registration Statement (Form S-8 No. 33-41611)
- Registration Statement (Form S-8 No. 33-41612)
- Registration Statement (Form S-3 No. 33-46212)
- Registration Statement (Form S-3 No. 33-47889)

ERNST & YOUNG

Hartford, Connecticut
March 29, 1994

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following registration statements pertaining to the Savings Plan for Salaried Employees of The Stanley Works of our report dated March 18, 1994, with respect to the financial statements and schedules of the Savings Plan for Salaried Employees of The Stanley Works for the year ended December 31, 1993 included in this Annual Report (Form 10-K) as Exhibit 99(i) for the fiscal year ended January 1, 1994.

Registration Statement (Form S-8 No. 2-97283)
Registration Statement (Form S-8 No. 33-30629)
Registration Statement (Form S-8 No. 33-41612)

ERNST & YOUNG

Hartford, Connecticut
March 29, 1994

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following registration statements pertaining to the Savings Plan for Hourly Paid Employees of The Stanley Works of our report dated March 18, 1994, with respect to the financial statements and schedules of the Savings Plan for Hourly Paid Employees of The Stanley Works for the year ended December 31, 1993 included in this Annual Report (Form 10-K) as Exhibit 99(ii) for the fiscal year ended January 1, 1994.

Registration Statement (Form S-8 No. 2-96778)
Registration Statement (Form S-8 No. 33-30623)
Registration Statement (Form S-8 No. 33-41611)

ERNST & YOUNG

Hartford, Connecticut
March 29, 1994

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
THE STANLEY WORKS AND SUBSIDIARIES
Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991
(In Millions of Dollars)

COL. A CLASSIFICATION	COL. B Balance at Beginning of Period	COL. C Additions at Cost (2)	COL. D Retirements	COL. E Other Changes Add (Deduct) Describe (1)	COL. F Balance at End of Period
Fiscal year ended January 1, 1994:					
Land	\$ 30.7	\$ 2.7	\$ (0.7)	\$ (0.3)	\$ 32.4
Buildings	221.5	17.2	(3.9)	(3.1)	239.7
Machinery and equipment	828.6	57.6	(33.2)	(3.1)	846.9
	-----	-----	-----	-----	-----
	\$ 1,088.8	\$ 77.5	\$ (37.8)	\$ (9.5)	\$ 1,119.0
	=====	=====	=====	=====	=====
Fiscal year ended January 2, 1993:					
Land	\$ 30.1	\$ 2.3	\$ (1.2)	\$ (0.5)	\$ 30.7
Buildings	217.8	17.8	(2.9)	(3.2)	229.5
Machinery and equipment	797.6	70.4	(20.0)	(19.4)	828.6
	-----	-----	-----	-----	-----
	\$ 1,045.5	\$ 90.5	\$ (24.1)	\$ (23.1)	\$ 1,088.8
	=====	=====	=====	=====	=====
Fiscal year ended December 28, 1991:					
Land	\$ 23.5	\$ 7.2	\$ (0.6)	\$ 0.0	\$ 30.1
Buildings	203.4	16.2	(2.9)	1.1	217.8
Machinery and equipment	752.5	68.7	(22.7)	(0.9)	797.6
	-----	-----	-----	-----	-----
	\$ 979.4	\$ 92.1	\$ (26.2)	\$ 0.2	\$ 1,045.5
	=====	=====	=====	=====	=====

Note: (1) Foreign currency translation adjustments and reclassifications between categories.
(2) Additions in 1993, 1992 and 1991 include \$8.8, \$25.0, and \$28.7 respectively, related to acquisitions described in Note B to the consolidated financial statements. Other additions for the years shown consist principally of expenditures for productivity improvements and expansion for production facilities.

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
 THE STANLEY WORKS AND SUBSIDIARIES
 Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CLASSIFICATION	Balance at Beginning of Period	Additions at Cost (2)	Retirements	Other Changes Add(Deduct) Describe (1)	Balance at End of Period

Depreciation rates for financial accounting purposes are based, in general,
 on the following estimated lives:

	United States Companies -----	Foreign Companies -----
Factory buildings	15-50 years	15-50 years
Land and Building improvements	4-40 years	5-50 years
Leasehold improvements	2 years to life of lease	2 years to life of lease
Tools, machinery and equipment	2-30 years	2-25 years
Furniture and office equipment	3-20 years	2-20 years
Automobiles	2- 7 years	2- 7 years
Trucks	3-10 years	3- 7 years
Airplane	7 years	

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
 OF PROPERTY, PLANT AND EQUIPMENT
 THE STANLEY WORKS AND SUBSIDIARIES
 Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991

COL. A CLASSIFICATION	COL. B Balance at Beginning of Period	COL. C Additions Charged to Cost and Expenses	COL. D Retirements	COL. E Other Changes Add(Deduct) Describe (1)	COL. F Balance at End of Period
Fiscal year ended January 1, 1994:					
Buildings	\$ 73.0	\$ 7.1	\$ (0.9)	\$ (0.4)	78.8
Machinery and equipment	449.2	56.0	\$ (27.9)	\$ (3.6)	473.7

	\$ 522.2	\$ 63.1	\$ (28.8)	\$ (4.0)	552.5
	=====				
Fiscal year ended January 2, 1993:					
Buildings	\$ 67.9	\$ 6.4	\$ (1.1)	\$ (0.2)	73.0
Machinery and equipment	415.9	56.0	(15.4)	(7.3)	449.2

	\$ 483.8	\$ 62.4	\$ (16.5)	\$ (7.5)	522.2
	=====				
Fiscal year ended December 28, 1991:					
Buildings	\$ 62.7	\$ 5.7	\$ (1.1)	\$ 0.6	67.9
Machinery and equipment	378.4	55.7	(18.5)	0.3	415.9

	\$ 441.1	\$ 61.4	\$ (19.6)	\$ 0.9	483.8
	=====				

Note: (1) Foreign currency translation adjustments and reclassifications between categories.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
THE STANLEY WORKS AND SUBSIDIARIES
Fiscal years ended January 1, 1994, January 2, 1993, and December 28, 1991
(In Millions of Dollars)

COL. A	COL. B	COL. C ADDITIONS		COL. D	COL. E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions -Describe	Balance at End of Period
Fiscal year ended January 1, 1994:					
Reserves and allowances deducted from asset accounts: Allowance for doubtful accounts:					
Current	\$22.9	\$12.7	\$1.6 (C)	\$18.4 (A)	\$24.8
Noncurrent	0.0	(0.1) (B)	6.1 (D)		0.0
Fiscal year ended January 2, 1993:					
Reserves and allowances deducted from asset accounts: Allowance for doubtful accounts:					
Current	\$17.6	\$12.0	\$1.1 (C)	\$9.5 (A)	\$22.9
Noncurrent	3.8	(0.5) (B)	2.2 (D)	3.8 (D)	0.0
Fiscal year ended December 28, 1991:					
Reserves and allowances deducted from asset accounts: Allowance for doubtful accounts:					
Current	\$14.7	\$7.4	\$1.6 (C)	\$6.0 (A)	\$17.6
Noncurrent	4.9	(0.1) (B)	0.7	0.4 (D)	3.8

Notes: (A) Represents doubtful accounts charged off, less recoveries of accounts previously charged off.
(B) Represents foreign currency translation adjustments.
(C) Represents opening balances related to acquired companies.
(D) Represents net transfers from other accounts.

SCHEDULE IX--SHORT-TERM BORROWINGS
THE STANLEY WORKS AND SUBSIDIARIES
Fiscal years ended January 1, 1994, January 2, 1993, and December 28, 1991
(In Millions of Dollars)

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (2)	Weighted Average Interest rate During the Period (3)
Fiscal year ended January 1, 1994:					
Notes payable to banks (1)	\$42.3	4.6%	\$89.0	\$75.4	4.5%
Fiscal year ended January 2, 1993:					
Notes payable to banks (1)	\$20.2	6.6%	\$98.7	\$62.5	5.0%
Fiscal year ended December 28, 1991:					
Notes payable to banks (1)	\$9.6	13.0%	\$14.8	\$10.3	17.3%

- Notes:
- (1) Notes payable to banks represent borrowings under lines of credit agreements and commercial paper.
 - (2) The average amount outstanding during the period was computed by dividing the total of daily outstanding principal balances during the year by the number of days in the year.
 - (3) The weighted average interest rate during the period was computed by dividing the actual interest expense on short-term notes payable to banks by the average short-term notes payable outstanding.

SCHEDULE X-SUPPLEMENTARY INCOME STATEMENT INFORMATION
 THE STANLEY WORKS AND SUBSIDIARIES
 Fiscal years ended January 1, 1994, January 2, 1993, and December 28, 1991
 (In Millions of Dollars)

COL. A	COL. B		
ITEM	Charged to Costs and Expenses		
	1993	1992	1991
Maintenance and repairs	\$51.9	\$50.7	\$43.8
Advertising costs	52.3	54.2	48.2

Note: Amounts for depreciation and amortization of intangible assets, royalties and the individual components of "taxes, other than payroll and income taxes" are not presented, as such amounts are less than 1% of total sales and revenues.

EXHIBIT LIST

- (3) (i) Restated Certificate of Incorporation
(incorporated by reference to Exhibit (3) (i) to Quarterly Report on Form 10-Q for quarter ended June 30, 1990)
- (ii) By-laws (incorporated by reference to Exhibit (3) (i) to Current Report on Form 8-K dated September 1, 1993)
- (4) (i) Indenture defining the rights of holders of 9-1/4% Sinking Fund Debentures Due 2016, 7-3/8% Notes Due December 15, 2002 and 9% Notes due 1998 (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 Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank) (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 9-1/4% Sinking Fund Debentures (incorporated by reference to Exhibit (a) (4) (ii) to Quarterly Report on Form 10-Q for quarter ended March 29, 1986)
 - (b) Certificate of Designated Officers establishing Terms of 9% Notes (incorporated by reference to Exhibit (4) (i) (c) to Annual Report on Form 10-K for year ended January 2, 1988)
 - (c) Certificate of Designated Officers establishing Terms of 7-3/8% Notes Due December 15, 2002 (incorporated by reference to Exhibit (4) (ii) to Current Report on Form 8-K dated December 7, 1992)
- (iii) (a) Rights Agreement, dated February 26, 1986 (incorporated by reference to Exhibit 1 to Registration Statement on Form 8-A dated March 18, 1986)

- (4) (iii) (b) Rights Agreement Amendment, dated December 16, 1987 to the rights agreement dated February 26, 1986 (incorporated by reference to Exhibit 1 to Registration Statement on Form 8-A dated December 31, 1987)
- (c) Rights Agreement Amendment No. 2, dated July 20, 1990 to the Rights Agreement dated as of February 26, 1986, as amended December 16, 1987 (incorporated by reference to Exhibit (a) (4) (i) to Quarterly Report on Form 10-Q for quarter ended June 30, 1990)
- (d) Rights Agreement Amendment No. 3, dated October 24, 1991 to the Rights Agreement dated as of February 26, 1986, as amended December 16, 1987 and July 20, 1990 (incorporated by reference to Exhibit (4) (i) to Quarterly Report on Form 10-Q for quarter ended September 28, 1991)
- (iv) Facility Agreement providing for the DFL 100,000,000 borrowing by Stanley-Bostitch, S.A., S.I.C.F.O.-Stanley S.A., and Societe de Fabrications Bostitch S.A., guaranteed by The Stanley Works, dated March 22, 1991 (incorporated by reference to Exhibit (4) (i) to Quarterly Report on Form 10-Q for quarter ended June 29, 1991)
- (v) Credit Agreement, effective January 1, 1988, with Shawmut Bank Connecticut, National Association (formerly known as The Connecticut National Bank) (incorporated by reference to Exhibit (4) (v) to Quarterly Report on Form 10-Q for quarter ended June 29, 1991)
- (vi) Credit Agreement, effective June 1, 1991, with Mellon Bank, N.A. (incorporated by reference to Exhibit (4) (vi) to Quarterly Report on Form 10-Q for quarter ended June 29, 1991)
- (vii) Credit Agreements, dated as of April 1, 1992, with seven banks (incorporated by reference to Exhibit (4) to Quarterly Report on Form 10-Q for quarter ended March 28, 1992)
- (a) Agreements extending the termination date of the Credit Agreements to April 1, 1996

- (4) (viii) Credit Agreement, dated August 25, 1993, between Societe de Fabrications Bostitch S.A. and Citibank N.A. guaranteed by The Stanley Works.
- (ix) Credit Agreement, dated August 25, 1993, between Stanley-Bostitch, S.A. and Citibank N.A. guaranteed by The Stanley Works.
- (x) Credit Agreement, dated August 25, 1993, between S.I.C.F.O. - Stanley S.A. and Citibank N.A. guaranteed by The Stanley Works.
- (10) (i) Executive Agreements (incorporated by reference to Exhibit 10(i) to Annual Report on Form 10-K for year ended January 3, 1987)*
- (ii) Deferred Compensation Plan for Non-Employee Directors as amended December 20, 1989 (incorporated by reference to Exhibit 10(ii) to Annual Report on Form 10-K for year ended December 30, 1989)*
- (iii) 1978 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10(iii) to Annual Report on Form 10-K for year ended December 31, 1988)*
- (iv) Deferred Compensation Plan for Participants in Stanley's 1978 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit (10)(iv) to Annual Report on Form 10-K for year ended December 31, 1988)*
- (v) 1988 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10(v) to Annual Report on Form 10-K for year ended December 31, 1988)*
- (vi) Management Incentive Compensation Plan (incorporated by reference to Exhibit 10(vi) to Annual Report on Form 10-K for year ended December 31, 1988)*
- (vii) Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans as amended December 2, 1992 (incorporated by reference to Exhibit 10(vii) to Annual Report on Form 10-K for year ended January 2, 1993)*
- (viii) Restated Supplemental Pension Plan for Salaried Employees of The Stanley Works effective as of January 1, 1993*

* Management contract or compensation plan or arrangement

- (10) (ix) Term Loan Agreement dated as of May 13, 1988 between the Savings and Retirement Trust for Salaried Employees and Wachovia Bank and Trust Company N.A. and related Guaranty dated as of May 13, 1988 from The Stanley Works to Wachovia Bank and Trust Company, N.A. (incorporated by reference to Exhibit 10(x) to Annual Report on Form 10-K for year ended December 31, 1988)
- (x) Loan and Guarantee Agreement dated as of June 6, 1989 among The Stanley Works Savings Trust for Hourly Paid Employees, The Stanley Works and Wachovia Bank and Trust Company, N.A., Massachusetts Mutual Life Insurance Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10(i) to Quarterly Report on Form 10-Q for quarter ended July 1, 1989)
- (xi) Loan and Guarantee Agreement dated as of June 6, 1989 among The Stanley Works Savings and Retirement Trust, The Stanley Works and Wachovia Bank and Trust Company, N.A., Massachusetts Mutual Life Insurance Company, The Lincoln National Life Insurance Company, First Penn-Pacific Life Insurance Company, Security-Connecticut Life Insurance Company- Universal Life, Lincoln National Life Reinsurance Company and American States Life Insurance Company- Universal Life (incorporated by reference to Exhibit (10)(ii) to Quarterly Report on Form 10-Q for quarter ended July 1, 1989)
- (xii) Receivables Purchase Agreement dated as of December 1, 1993, among THE STANLEY WORKS, MAC TOOLS, INC., STANLEY BOSTITCH, INC., the PURCHASERS listed on the signature pages hereof, and WACHOVIA BANK OF GEORGIA, NATIONAL ASSOCIATION, as Agent.
- (xiii) (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 Connecticut National Bank (incorporated by reference to Exhibit (10)(xvii)(a) to Annual Report on Form 10-K for year ended December 29, 1990)

- (10) (xiii) (b) The Stanley Works Employees' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Connecticut National Bank (incorporated by reference to Exhibit (10) (xvii) (b) to Annual Report on Form 10-K for year ended December 29, 1990)
- (xiv) 1990 Stock Option Plan (incorporated by reference to Exhibit (10) (xviii) to Annual Report on Form 10-K for year ended December 29, 1990)*
- (xv) Term Note, dated as of June 7, 1991, by State Street Bank and Trust Company, as Trustee for the Savings Plan for Salaried Employees of The Stanley Works, to Stanley Works Funding Corporation (incorporated by reference to Exhibit (10) (xxi) to Current Report on Form 8-K dated June 7, 1991)
- (xvi) Term Note, dated as of June 7, 1991, by State Street Bank and Trust Company, as Trustee for the Savings Plan for Hourly Paid Employees of The Stanley Works, to Stanley Works Funding Corporation (incorporated by reference to Exhibit (10) (xxii) to Current Report on Form 8-K dated June 7, 1991)
- (xvii) Master Leasing Agreement, dated September 1, 1992 between BLC Corporation and The Stanley Works (incorporated by reference to Exhibit (10) (i) to Quarterly Report on Form 10-Q for quarter ended September 26, 1992)
- (11) Statement re computation of per share earnings
- (12) Statement re computation of ratio of earnings to fixed charges
- (13) Annual Report to shareholders for year ended January 1, 1994
- (21) Subsidiaries of Registrant
- (23) Consents of Independent Auditors (at page F-2, F-3(i) and F-3(ii))

* Management contract or compensation plan or arrangement

- (99) (i) Financial Statements and report of independent auditors for the year ended December 31, 1993, of the Savings Plan for Salaried Employees
- (ii) Financial Statements and report of independent auditors for the year ended December 31, 1993, of the Savings Plan for Hourly Paid Employees
- (iii) 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 Quarterly Report on Form 10-Q for quarter ended September 28, 1991)
- (iv) Description of Capital Stock (incorporated by reference to Exhibit 28(iv) to Annual Report on Form 10-K for the year ended January 2, 1993)

Exhibit (4) (vii) (a)

J.P. MORGAN

Stephen J. Kenneally
Vice President
Morgan Guaranty Trust Company of New York
60 Wall Street
New York, New York 10260-0060
Tel: 212-648-7012

March 5, 1993

Craig A. Douglas
Director, Corporate Finance
The Stanley Works
1000 Stanley Drive
New Britain, Ct. 06053

Dear Craig:

Morgan Guarantee Trust Company of New York ("Morgan") agrees to extend the Termination Date of the Credit Agreement Between The Stanley Works and Morgan dated April 1, 1992 to April 1, 1996.

Sincerely,

/s/ Stephen J. Kenneally

WACHOVIA

Wachovia Bank of Georgia, N.A.
Post Office Box 4148
Atlanta, Georgia 30302

March 8, 1993

Mr. Craig A. Douglas
Director, Corporate Finance
The Stanley Works
1000 Stanley Drive
New Britain, CT 06053

Re: Extension of Termination Date of
the Credit Agreement Between The
Stanley Works as Borrower and
Wachovia Bank of Georgia as
Lender Dated as of April 1, 1992

Dear Craig:

Pursuant to Section 2.14 of the subject credit agreement, Wachovia Bank of Georgia, N.A. agrees to extend by one year to April 1, 1996, the Termination Date of the subject credit agreement.

Sincerely,

/s/ Robert F. Kennedy
Robert F. Kennedy
Assistant Vice President

BNP

BANQUE NATIONALE DE PARIS
499 Park Avenue, New York, N.Y. 10022

Swift Address: BNPAUS3NB
Telephone: (212) 750-1400
Telex: 82759
Fax No: (212) 415-9696

March 19, 1993

The Stanley Works
1000 Stanley Drive
New Britain, CT 06050

Gentlemen:

RE: Amendment #1 to the Credit Agreement Dated 4/1/92

Reference is made to the Credit Agreement dated 4/1/92 between your company, as Borrower, and our bank, as Lender. In this connection we hereby amend the Credit Agreement as follows:

- 1) In the definition "Termination Date" on page 12 of the Credit Agreement the word "third" is hereby changed to read "fourth".
- 2) The Credit Agreement, as hereby amended, remains in full force and effect.

Please sign and return to us a copy of this letter confirming your agreement to this Amendment.

Very truly yours,

AGREED AND ACCEPTED

THE STANLEY WORKS

BANQUE NATIONAL DE PARIS

BY /s/ R. Alan Hunter
Name: R. Alan Hunter
Title: Vice President,
Finance and Chief
Financial Officer

BY /s/ Judith Domkowski
Name: Judith Domkowski
Title: Vice President

BY /s/ Eric Vigne
Name: Eric Vigne
Title: Sr. Vice President

World Headquarters: 16, Boulevard Des Italiens, 75009 Paris,
France

ROYAL BANK
OF CANADA

U.S.A. Headquarters
Financial Square
New York, New York
10005-3531

(212) 428-6200

March 24, 1993

Mr. Craig A. Douglas
Director, Corporate Finance
The Stanley Works
1000 Stanley Drive
New Britain, CT 06053

RE: \$30MM RBC Bi-lateral Facility

Dear Craig:

Please accept this letter as confirmation that the termination date for the above noted facility has been extended for an additional year to April 1, 1996.

Regards,

/s/ Sheryl L. Greenberg
Sheryl L. Greenberg
Manager
Corporate Banking East

Citibank, N.A. 399 Park Avenue
 New York, NY
 10043

CITIBANK

January 3, 1994

Craig Douglas
Director of Corporate Finance
The Stanley Works
1000 Stanley Drive
New Britain, Connecticut 06050

Dear Craig,

This letter is to confirm our understanding and approval that pursuant to section 2.14 of the Credit Agreement dated April 1, 1992 ("Credit Agreement"), the Termination Date of the Credit Agreement has been extended by exactly one year from April 1, 1995 to a new maturity date of April 1, 1996.

All other terms and conditions of the Credit Agreement are the same and remain in full force, unless otherwise amended and approved by The Stanley Works and the The Lenders.

Yours truly,

/s/ Paolo de Alessandrini
Paolo de Alessandrini
Vice President
Citibank, N.A. Attorney-in-fact

BARCLAYS

BARCLAYS BANK PLC
International Corporate Group
P.O. Box No. 544, 54 Lombard Street, London EC3V 9EX
Telephone: 071-621-1888

Mr. C.A. Douglas,
Director,
Corporate Finance
The Stanley Works
1000 Stanley Drive,
New Britain,
CT 06053,
U.S.A.

Your Ref: MJD/TW
Our Ref: 4438
Ext. No.:
Ref: 023417

1 April 1993.

Dear Craig,

CREDIT AGREEMENT BETWEEN THE STANLEY WORKS AND BARCLAYS BANK
PLC DATED 1 APRIL 1992

We are pleased to confirm our earlier verbal approval
(Gray/Cronauer) that we have obtained credit approval to
extend the Termination Date of the above agreement 1 April
1996, pursuant to Section 2.14 of the agreement.

We look forward to continuing to be of service to The Stanely
Works.

Yours sincerely,

/s/ Jonathan L. Gray
JONATHAN L. GRAY
CORPORATE MANAGER
NORTH AMERICAN CORPORATE TEAM
INTERNATIONAL CORPORATE GROUP

Facsimile: 071-626 2145/071-588 8210 Telex: 418139 Answerback
BARCGB G

CREDIT AGREEMENT

Between

Societe de Fabrications Bostitch S.A., a limited liability company with a capital of FRF 6,500,000, having its registered office in Rupt-sur-Moselle, RCS Epinal, represented by Mr. Jean-Claude Reggiani, duly entitled to this effect,

Hereafter called the "Borrower",

And

The branch of Citibank N.A., a corporation based on American law, located at Citicenter, 19 Le Parvis, La Defense 7, 92800 PUTEAUX, represented by Michael M. Roberts, duly entitled to this effect,

Hereafter called the "Bank",

IT IS NOW AGREED THAT

Part I- THE FACILITY

1.1. The Facility (the "Credit Line")

In accordance with the terms and conditions hereafter, the Bank will make available to the Borrower a credit line ("the Credit") in the sum of DFL 7,500,000 (seven million five hundred thousand Dutch Guilders), from 30/08/1993 (hereafter called the "Availability Date") to March 22, 1996 (hereafter called the "Repayment Date"). The Borrower shall draw on the Credit at one and only one time from the Availability date.

The Credit, without prejudice to the provisions of Part II hereafter, shall be automatically reimbursed by the payment of the promissory note created in accordance with article 3.1., whose maturity date shall not be later than the Repayment Date .

1.2 Terms

Terms used in this Agreement and not otherwise defined will have the same definition as those defined in the Syndicated Loan Agreement dated March 22nd, 1991 (hereafter the "Syndicated Loan Agreement").

1.3. Purpose

The Credit will be applied, based on the Borrower's statement, to general corporate purposes, without the Bank being obliged to verify the stated application.

Part II- REPAYMENT & PREPAYMENT

2.1. Repayment

The repayment of the Drawdown (as defined in article 3.1) by the Borrower under this agreement will be made in Dutch Guilders at the latest on the Repayment Date.

2.2. Prepayment

The Borrower may, by giving the Bank not less than thirty day prior notice to that effect, prepay the whole or any part (being an amount or integral multiple of DFL 2,500,000) of the Credit made to such Borrower, at the end of the Interest Period (as defined in article 4.1) in which the notice of prepayment is given; such prepayment being made without prejudice to the Borrower's obligation pursuant to article 4.5., if any. Any repayment so made shall satisfy pro tanto the Borrower's obligations under article 1.1.

Any notice of prepayment given by the Borrower pursuant to the present article shall be irrevocable, shall specify the date upon which such prepayment is to take effect and the amount of such prepayment and shall oblige such Borrower to make such prepayment on such date. After such a notice is sent to the Bank by the Borrower, the latter shall not be entitled to reborrow any amount repaid or to be repaid.

3.1. Availability

The line of credit may be drawn at any time from the Availability Date, in one drawdown, subject to prior notice given to the Bank by letter or by telex and received by the Bank two (2) business days at least before the date of the drawdown. A "business day" is each day during which banks are open all day in Paris.

This prior notice shall oblige the Borrower to borrow the whole amount of the Credit on the date therein stated (hereafter called the "Drawdown") under the terms and conditions contained herein. The Drawdown will be represented by a promissory note issued to the order of the Bank, in the form of Annex A hereto attached (hereafter called the "Note"). The date of issue of the Note will only be a business day; furthermore, if the maturity date of the Note falls on a non-business day, this maturity date will be extended to the first following business day. The Maturity Date of the Note shall not be later than the Repayment Date.

The issuance of the Note will not be considered as a novation of the obligation resulting from the present contract, but will represent the monetary obligation of the Borrower arising from the Drawdown.

3.2. Conditions Precedent

The Drawdown will be conditioned upon:

- i) the signature of a first demand guarantee by THE STANLEY WORKS, covering the obligations of the Borrower under this Agreement;
- ii) the prior remittance to the Bank of certified copies of power of attorney, or board resolutions authorizing the conclusion of the present contract;
- iii) prior remittance to the Bank of all justifications relative to the authorizations or the accomplishment of all formalities that may eventually be imposed by French or foreign regulations;
- iv) the absence of any Event of Default mentioned in article 5.3. hereunder,

v) the accuracy of representations and warranties made by the Borrower in article 5.1.,

vi) the absence of any material adverse change in the financial situation of the Borrower since December 31st, 1992 (date of the most recent audited Financial Statements), which would, in the reasonable judgment of the Bank, prevent it from meeting all obligations under this present agreement.

vii) the receipt of the Note provided for above.

Part IV- INTEREST

4.1. Normal Interest Rate

The Drawdown of the present Credit line will bear interest at an annual rate equal to the offered rate of Citibank N.A. London, one business day before the first day of the Interest Period as hereafter defined, on the London Interbank Market for Dutch Guilder deposits for the period for which such rate is to be determined plus a margin of 0.50 % per annum.

The period starting on the date of the Drawdown and ending on the Repayment Date shall be divided into successive periods each of which (other than the first) shall start on the last day of the preceding period (hereafter called "Interest Period").

The first Interest Period shall start on the Drawdown date and end on September 29, 1993. The duration of this first Interest period, which is only for the purposes of calculating accrued interest, shall be one month. The duration of each subsequent Interest Period shall be determined as referred to the duration of the interest period of the Advances under the Syndicated Loan Agreement, provided that:

i) if the Borrower fails to give notice to the Bank regarding its choice in relation to the Interest Period, the duration of that Interest Period whether under this Agreement or under the Syndicated Loan Agreement shall, subject to ii) below, be three months;

ii) any Interest Period which would otherwise end during the month preceding, or extend beyond, the Repayment Date shall be of such duration that it shall end on the Repayment Date.

The duration of an Interest Period by the Borrower shall be irrevocably binding for the Borrower for that Interest Period.

4.2. Exceptional Interest Rate

In case the Bank considers that circumstances affecting the monetary market prevent the determination of an applicable interest rate, the Bank will notify the Borrower at least one business day before the end of the current Interest Period.

If, within 30 calendar days following this notification, the Borrower and the Bank have not determined a mutually satisfactory interest rate for the concerned Interest Period, the Borrower will be required to repay to the Bank, within a maximum delay of 10 calendar days following the Bank's request by telex or letter, the amount of the outstanding Note, as well as all outstanding interest up to the date of its repayment, at an interest rate equal to the effective cost incurred by the Bank to keep the Credit available to the Borrower, plus a margin of 0.50%. This cost will be determined by the Bank and notified to the Borrower.

4.3. Accrued Interest

On the last day of each Interest Period the Borrower shall pay accrued interest. The accrued interest due will be calculated on the basis of a 360 day-year, and will be debited by the Bank in the Borrower's account with the Bank.

4.4 "Effective Global Rate" (Taux Effectif Global)

The "effective global rate" applicable to the present credit would be 6.90% (6.40% + 0.50%) on the date of signature of this Agreement.

4.5. Late Interest

All amounts of principal, interest, fees, accessories, due but unpaid, will automatically bear interest, in compliance with the law, at a rate which will be equal to the interest rate calculated in articles 4.1. or 4.2. above, depending on the case, but with the substitution of a margin of 1.50 % to that determined in those paragraphs, and as long as the Borrower is in default, without prejudice to all other rights the Bank may be entitled to because of the damages resulting from the default of the Borrower, including the refinancing costs.

The payment of late interest will be made at the Bank's first request, who may debit it immediately from the Borrower's account with the Bank.

Part V REPRESENTATIONS, COVENANTS & EVENTS OF DEFAULT

5.1. Representations and Warranties

The Borrower represents and warrants: (i) that its obligation to pay the principal, the interest, the commitment fee and accessories under the present agreement constitutes a direct, unconditional and general obligation which ranks pari passu with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

(ii) that it will notify the Bank, by remitting to it all its documents relating to any event affecting its legal existence and its legal capacity, and all statutory modifications and changes in persons mandated to represent it; it will also notify the Bank of any change in the capital ownership, which would result in the Borrower not being directly or indirectly wholly-owned by THE STANLEY WORKS;

(iii) that its balance sheet and financials on December 31, 1992 have been established in accordance with current accounting principles and sincerely and faithfully reflects its assets and liabilities, and that since January 1, 1993, there has been no material adverse change in its financial situation;

(iv) that the Borrower is not subject to any kind of legal pursuit that may seriously affect its ability to meet its financial obligations under the present Agreement; that it is not, to the best of its knowledge, threatened by any such procedure.

5.2. Covenants

5.2.1. The Borrower shall:

(i) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of its jurisdiction of incorporation to enable it lawfully to enter into and perform its obligations under this Credit Agreement or to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Credit Agreement;

(ii) the Borrower shall maintain, in full force and effect, prudent insurances on and in relation to its business and assets or self-insure where this is considered appropriate in the opinion of the Borrower;

(iii) promptly inform the Bank of the occurrence of any event which is or is likely, in the reasonable opinion of the Borrower, to become (with the passage of time, the giving of notice, the making of any determination hereunder or any combination thereof) an Event of Default and, upon receipt of a written request to that effect from the Bank, confirm to the Bank that, save as previously notified to the Bank or as notified in such confirmation, no such event has occurred;

(iv) ensure that at all times the claims of the Bank against it under this Credit Agreement rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application;

(v) that it will deliver to the Bank within 95 days after the end of each of its fiscal year its balance sheet, income statement and financial annexes, as well as the auditor's report certifying the conformity of the accounting documents communicated with accounting principles generally accepted in France; that these documents will be completed by a letter confirming that none of the events provided for in article 5.3 have occurred;

(vi) that upon request of the Bank, the latter will receive without delay any additional information concerning the financial situation or the activity of the Borrower, that may be of interest to the Bank;

(vii) that it will immediately inform the Bank of the occurrence of any Event of Default provided for in article 5.3;

5.2.2. The Borrower shall not, without the prior consent of the Bank:

(i) create or permit to subsist any encumbrance over all or any of its present or future Principal Property (unless the Borrower secures the Drawdown made equally and ratably with such encumbrance) other than:

(a) any existing encumbrance which has been disclosed in writing to the Bank prior to the date hereof;

(b) encumbrances on property of any corporation existing at the time such corporation becomes a subsidiary;

(c) encumbrances securing financial indebtedness of one member of the Group to another (save for such mortgages securing financial indebtedness of the Borrower to a member of the Group which is not the Borrower);

(d) any lien arising solely by operation of law in the ordinary course of business or which is contained in a contract for the purchase or sale of goods or services entered into in the ordinary course of business;

(e) encumbrances on any property existing at the time of acquisition but only if the amount outstanding and secured thereby does not exceed the lesser of the fair market value of or the purchase price of the property as purchased;

(f) any encumbrance securing the purchase price of revenues or assets purchased after the date hereof or the cost of repairing or altering, constructing, developing or substantially improving all or any part of such revenues or assets provided that such encumbrance attaches only to such revenues or assets and the financial indebtedness thereby secured does not exceed the lesser of the fair market value or the purchase price of the revenues or assets as purchased;

(g) any other encumbrances securing financial indebtedness, which in aggregate do not exceed 10% of Consolidated Net Tangible Assets; and

(h) any extension, renewal or replacement of any of the encumbrances referred to above provided that the financial indebtedness secured by any such extension, renewal or replacement does not exceed the principal amount of the financial indebtedness originally secured thereby plus any fee incurred in connection with such transaction.

(ii) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person save for:

(a) any loans, credits, guarantees or indemnities which relate directly or indirectly to the carrying on of the business of the Borrower; and

(b) any loans, credits, guarantees and indemnities made to or for the benefit of the Borrower; and

(iii) except for sales, transfers or other disposals of stock in trade, sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not and whether to another member of the Group or not), the whole or any part of its revenues or its assets other than sales, leases, transfers or other disposals in the ordinary course of business or on arms' length terms or which, in any financial year, do not exceed 5% of Consolidated Net Tangible Assets as determined by the most recent financial statements delivered pursuant to article 5.1.(ii) provided that the proceeds thereof are applied only in or towards the satisfaction of any financial indebtedness and/or to the general working capital requirements of the Group except that up to fifty per cent of the proceeds thereof may be applied in or towards the repurchasing of any of THE STANLEY WORKS's common stock or the payment of dividends and distributions thereon, except that not more than 25% (twenty five percent) of such proceeds may be applied in or towards the payment of such dividends and distributions. Furthermore, for the purpose of the calculation of Consolidated Net Tangible Assets, any proceeds from the sale of any Taylor Rental stores owned directly or indirectly by THE STANLEY WORKS will not be taken into account.

5.3. Events of Default

If any of the following events, in addition to those provided for by law, occurs:

(i) the Borrower does not pay within three business days of maturity all amounts, in principal, interest, fees, ancillary expenses, due by virtue of the present contract, or

(ii) the Borrower does not comply with any other obligation resulting from this contract, and does not remedy to it within 30 business days after the summons from the Bank to execute the obligation, or

(iii) the Borrower ceases its activity, defaults, declares bankruptcy, or a resolution is passed or a petition is presented or an order is made for the "liquidation amiable", "reglement judiciaire", "reglement amiable", "redressement judiciaire" or "liquidation judiciaire" of the Borrower, or a petition is presented or an order is made for the appointment of an "administrateur ad hoc" or "administrateur judiciaire" to administer all or part of the assets of the Borrower, or an event analogous to any of the foregoing occurs, or

(iv) there shall occur any material adverse change in the business, assets or conditions of the Group taken as a whole from that existing at the date hereof which, in the reasonable opinion of the Bank, is likely to have a material adverse effect on the ability of the Borrower to comply with any of its obligations hereunder;

(v) any financial indebtedness of the Borrower, in an amount in excess of US \$ 5,000,000 is not paid when due, or any such financial indebtedness of the Borrower is declared to be or otherwise becomes due and payable by reason of default or by reason of the occurrence of an event of default whether as a result of culpability or not prior to its specified maturity or any other creditor or creditors of the Borrower are entitled (and continue to be so entitled) to declare any such financial indebtedness of the Borrower due and payable prior to its specified maturity by reason of the failure of the Borrower to either (i) make any payment in respect of any such financial indebtedness upon its due date, (ii) comply with any financial covenant or (iii) comply with any other financial test in respect of such financial indebtedness, or

(vi) any representation or statement made by the Borrower in this Agreement or in any notice or other document certificate or statement delivered by it pursuant hereto or in connection herewith is, in the reasonable opinion of the Bank, or proves to have been incorrect or misleading in any material respect when made; or

(vii) the Borrower ceases to be a direct or indirect, wholly-owned subsidiary of THE STANLEY WORKS (subject to the ability of directors of such Borrower to hold nominee shares in the capital of the Borrower), or

(viii) more than 15% of the revenues of the Borrower are derived from any business wholly and totally unrelated to any of the businesses, products, distribution channels or services of Borrower at the date hereof, or

(ix) at any time it is or becomes unlawful for the Borrower to perform or comply with any of its obligations hereunder or any of the obligations of the Borrower are not or cease to be legal, valid and binding.

The Bank may then, by written notification to the Borrower and THE STANLEY WORKS, declare immediately due all amounts to be paid with respect to the present contract, in principal, interest, fees, accessories, and the Bank's commitment resulting from the present contract will cease immediately.

Notwithstanding the above provisions, the Borrower will indemnify the Bank for any loss or expense such as but not limited to, refinancing, legal or other expenses, incurred by the Bank as a result of the early termination of the Credit, by reasons of the occurrence of an Event of Default.

Part VI- TAX - RIGHT OF SET-OFF - BANK'S EXPENSES

All payments in principal, interest, fees and accessories in favor of the Bank will be made without set-off with all the amounts that may be due by the Bank to the Borrower, and net of all taxes of any kind, present or future, levied by any fiscal authorities. In the event where a legal text or regulation would require the Borrower to deduct from the amounts due to the Bank taxes of any sort, the Borrower agrees to compensate for the shortfall by way of additional interest, so that after deduction of all taxes including those on the additional interest, the Bank will receive all the amounts due to it under this contract.

More generally, the Borrower agrees to indemnify the Bank, by way of additional interest, for any increase in expenses resulting from a change in banking regulations occurring after the signature of this contract; particularly, if the amount of non-interest bearing reserves required for deposit at the Banque de France are

increased, the Borrower undertakes to negotiate in good faith a new interest rate, which takes into account the aforementioned increased expenses. In the event that no agreement on the modification of the interest rate can be reached between the Borrower and the Bank, the Borrower may terminate the present Agreement at the maturity date of the outstanding Note without penalty, but with the payment of the revised interest rate, as notified in writing to the Borrower by the Bank.

Part VII- MISCELLANEOUS

The fact that the Bank does not exercise action or exercises it with delay against the Borrower, in no way constitutes a waiver of the right to this action nor does it result in the novation of the credit defined in the present contract.

The Bank, with no prejudice to all its other rights, will have the right, at any time, without prior notice, to set off all the amounts due by the Borrower as a result of this contract, with all the amounts the Bank holds in its books on behalf of the Borrower, in any currency and in any location, for any specific purpose, even if the amounts are not yet due. In the event these amounts are in different currencies, the Bank may make all foreign exchange transactions deemed necessary.

Part VIII EXPENSES

The Borrower agrees to reimburse the Bank at its first request for all the expenses which may result from the Bank taking action to defend its rights as described in the present contract, including expenses and fees of consulting and lawyers.

Part IX- ASSIGNMENTS AND TRANSFERS

The Borrower may not transfer in any way any of the rights or obligations resulting from the present contract without prior written approval from the Bank. The Bank may at its sole discretion and without the prior consent of the Borrower, assign part or all of the present contract and resulting rights, benefits, outstanding debt or obligations to any entity it may elect.

This contract is governed by French law. Any dispute arising over or resulting from the present agreement will be within the jurisdiction of the Tribunal de Commerce de Paris, knowing that the Bank may also pursue any action against the Borrower in front of any other competent court.

The Borrower and the Bank irrevocably agree that the courts of the State of New York and the courts of the United States of America in New York may have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts.

Part XI- DISCLOSURE OF INFORMATION

(i) The Bank may disclose to any actual or potential assignee or Transferee or to any person who may otherwise enter into contractual relations with the Bank in relation to this Agreement such information supplied by the Borrower or THE STANLEY WORKS pursuant to the present Agreement, and any other information as the Bank shall consider appropriate. Any information supplied by the Borrower or THE STANLEY WORKS hereunder shall only be disclosed upon the Bank obtaining a confidentiality undertaking, from the person to whom the information is to be disclosed.

(ii) Without prejudice to the above clause, the Bank will treat as confidential information received from the Borrower or THE STANLEY WORKS in relation to the Credit save for that which has been clearly identified by the Borrower as not being confidential, and save to the extent that such information may be publicly available or which the bank may be obliged to disclose by law.

Part XII- NOTICES

(i) Each communication to be made hereunder shall be made in writing but, unless otherwise stated, maybe made by telex or letter.

(ii) Any communication or document to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has by fifteen days' written notice to the other party specified another address) be made or delivered to that other person at the address identified on the first page (or in the case of a transferee, at the end of the Transfer Certificate to which it is a party as Transferee) and, in the case of the

Borrower, with a copy to THE STANLEY WORKS at 1000 Stanley Drive, New Britain, Connecticut 06053, Attn. Craig A. Douglas, and shall be deemed to be have been made or delivered when dispatched (in the case of any communication made by telex) when left at the address or (in the case of any communication made by letter) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address provided that any communication or document to be made or delivered to the Bank shall be effective only when received by the Bank and then only if the same is expressly marked for the attention of the department or officer identified with the Bank's signature below (or such other department or officer as the Bank shall from time to time specify for this purpose).

(iii) Each communication or document made or delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation thereof in English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

Done in Paris in two copies
on 25/08/1993

/s/ Michael M. Roberts

Michael M. Roberts
Vice President
CITIBANK N.A.

/s/ Jean-Claude Reggiani

Mr Jean-Claude Reggiani
SOCIETE de FABRICATIONS
BOSTITCH S.A. ("the Borrower")

GUARANTEE

The undersigned, THE STANLEY WORKS (hereafter the "Guarantor"), whose Head-Office is located at 1000 Stanley Drive, New Britain, CT represented by Mr. Richard Huck, Vice President, Finance, duly authorized to deliver this guarantee, hereby refers to:

- the Credit Agreement in an amount of NLG 15,000,000 (fifteen million of Dutch Guilders) signed on August 26, 1993 between S.I.C.F.O. Stanley S.A. and Citibank N.A. Paris (hereafter called "Citibank");

- the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Societe de Fabrications Bostitch S.A. and Citibank N.A. Paris;

-the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Stanley Bostitch S.A. and Citibank N.A. Paris;

(S.I.C.F.O. Stanley S.A., Societe de Fabrications Bostitch S.A. and Stanley Bostitch S.A. being hereafter called individually the "Borrower" and collectively the "Borrowers," and the Credit Agreements listed hereabove being hereafter called individually the "Agreement" and collectively the "Agreements").

The Guarantor hereby declares being perfectly aware of all the terms and conditions of the Agreements.

The Guarantor hereby unconditionally and irrevocably without being able to demur, undertakes to pay Citibank at its first demand, within two business days following this demand, and in Dutch Guilders, all amounts up to NLG 30,000,000 (thirty million of Dutch Guilders) in principal, plus interest, fees and accessories, payable by the Borrowers under the Agreements.

This guarantee being unconditional, will then remain in full force in any circumstances whatsoever including if any Borrower cannot fulfill its obligations under the respective Agreement because of laws or regulatory measures or any other measures taken by the authorities of such Borrower's country.

This guarantee being unconditional will remain valid in case of extension of maturity or amendment, even tacit or any of the Agreements.

This guarantee will remain in full force until the effective

and complete payment of any sum due to Citibank by the Borrowers under the Agreements.

Any delay between the due date of the amounts owing by the Guarantor by virtue of this guarantee and their effective payment date, without being necessary to summon the Guarantor, will bear interest at a rate per annum equal to the offered rate of Citibank N.A. London on the London Interbank Market for three month Dutch Guilder deposits plus 1.50%.

The Guarantor will indemnify Citibank at its demand and on the view of bills, of any fees including attorney fees that it incurs to obtain the execution of the Guarantor's obligations under this guarantee.

Any amount due by the Guarantor under this guarantee will be free and clear of any taxes, imposts, levies of any nature, whether present or future deducted or withheld by or on behalf of any fiscal authorities.

This guarantee will be governed by French law. Any dispute arising out of or in connection with this guarantee will be within the exclusive jurisdiction of the Tribunal de Commerce de Paris.

New Britain, CT on August 26, 1993

THE STANLEY WORKS

BY: /s/ Richard Huck
Name: Richard Huck
Title: Vice President,
Finance

CREDIT AGREEMENT

Between

Stanley Bostitch S.A., a limited liability company with a capital of FRF 62,112,900, having its registered office in 112, avenue Charle-de Gaulle in Morangis 91423, RCS Corbeil B, represented by Mr. Jean Francois duly entitled to this effect,

Hereafter called the "Borrower",

And

The branch of Citibank N.A., a corporation based on American law, located at Citicenter, 19 Le Parvis, La Defense 7, 92800 PUTEAUX, represented by Michael M. Roberts, duly entitled to this effect,

Hereafter called the "Bank",

IT IS NOW AGREED THAT

Part I- THE FACILITY

1.1. The Facility (the "Credit Line")

In accordance with the terms and conditions hereafter, the Bank will make available to the Borrower a credit line ("the Credit") in the sum of DFL 7,500,000 (seven million five hundred thousand Dutch Guilders), from 30/08/1993 (hereafter called the "Availability Date") to March 22, 1996 (hereafter called the "Repayment Date"). The Borrower shall draw on the Credit at one and only one time from the Availability date.

The Credit, without prejudice to the provisions of Part II hereafter, shall be automatically reimbursed by the payment of the promissory note created in accordance with article 3.1., whose maturity date shall not be later than the Repayment Date .

1.2 Terms

Terms used in this Agreement and not otherwise defined will have the same definition as those defined in the Syndicated Loan Agreement dated March 22nd, 1991 (hereafter the "Syndicated Loan Agreement").

1.3. Purpose

The Credit will be applied, based on the Borrower's statement, to general corporate purposes, without the Bank being obliged to verify the stated application.

Part II- REPAYMENT & PREPAYMENT

2.1. Repayment

The repayment of the Drawdown (as defined in article 3.1) by the Borrower under this agreement will be made in Dutch Guilders at the latest on the Repayment Date.

2.2. Prepayment

The Borrower may, by giving the Bank not less than thirty day prior notice to that effect, prepay the whole or any part (being an amount or integral multiple of DFL 2,500,000) of the Credit made to such Borrower, at the end of the Interest Period (as defined in article 4.1) in which the notice of prepayment is given; such prepayment being made without prejudice to the Borrower's obligation pursuant to article 4.5., if any. Any repayment so made shall satisfy pro tanto the Borrower's obligations under article 1.1.

Any notice of prepayment given by the Borrower pursuant to the present article shall be irrevocable, shall specify the date upon which such prepayment is to take effect and the amount of such prepayment and shall oblige such Borrower to make such prepayment on such date. After such a notice is sent to the Bank by the Borrower, the latter shall not be entitled to reborrow any amount repaid or to be repaid.

3.1. Availability

The line of credit may be drawn at any time from the Availability Date, in one drawdown, subject to prior notice given to the Bank by letter or by telex and received by the Bank two (2) business days at least before the date of the drawdown. A "business day" is each day during which banks are open all day in Paris.

This prior notice shall oblige the Borrower to borrow the whole amount of the Credit on the date therein stated (hereafter called the "Drawdown") under the terms and conditions contained herein. The Drawdown will be represented by a promissory note issued to the order of the Bank, in the form of Annex A hereto attached (hereafter called the "Note"). The date of issue of the Note will only be a business day; furthermore, if the maturity date of the Note falls on a non-business day, this maturity date will be extended to the first following business day. The Maturity Date of the Note shall not be later than the Repayment Date.

The issuance of the Note will not be considered as a novation of the obligation resulting from the present contract, but will represent the monetary obligation of the Borrower arising from the Drawdown.

3.2. Conditions Precedent

The Drawdown will be conditioned upon:

- i) the signature of a first demand guarantee by THE STANLEY WORKS, covering the obligations of the Borrower under this Agreement;
- ii) the prior remittance to the Bank of certified copies of power of attorney, or board resolutions authorizing the conclusion of the present contract;
- iii) prior remittance to the Bank of all justifications relative to the authorizations or the accomplishment of all formalities that may eventually be imposed by French or foreign regulations;
- iv) the absence of any Event of Default mentioned in article 5.3. hereunder,

v) the accuracy of representations and warranties made by the Borrower in article 5.1.,

vi) the absence of any material adverse change in the financial situation of the Borrower since December 31st, 1992 (date of the most recent audited Financial Statements), which would, in the reasonable judgment of the Bank, prevent it from meeting all obligations under this present agreement.

vii) the receipt of the Note provided for above.

Part IV- INTEREST

4.1. Normal Interest Rate

The Drawdown of the present Credit line will bear interest at an annual rate equal to the offered rate of Citibank N.A. London, one business day before the first day of the Interest Period as hereafter defined, on the London Interbank Market for Dutch Guilder deposits for the period for which such rate is to be determined plus a margin of 0.50 % per annum.

The period starting on the date of the Drawdown and ending on the Repayment Date shall be divided into successive periods each of which (other than the first) shall start on the last day of the preceding period (hereafter called "Interest Period").

The first Interest Period shall start on the Drawdown date and end on September 29, 1993. The duration of this first Interest period, which is only for the purposes of calculating accrued interest, shall be one month. The duration of each subsequent Interest Period shall be determined as referred to the duration of the interest period of the Advances under the Syndicated Loan Agreement, provided that:

i) if the Borrower fails to give notice to the Bank regarding its choice in relation to the Interest Period, the duration of that Interest Period whether under this Agreement or under the Syndicated Loan Agreement shall, subject to ii) below, be three months;

ii) any Interest Period which would otherwise end during the month preceding, or extend beyond, the Repayment Date shall be of such duration that it shall end on the Repayment Date.

The duration of an Interest Period by the Borrower shall be irrevocably binding for the Borrower for that Interest Period.

4.2. Exceptional Interest Rate

In case the Bank considers that circumstances affecting the monetary market prevent the determination of an applicable interest rate, the Bank will notify the Borrower at least one business day before the end of the current Interest Period.

If, within 30 calendar days following this notification, the Borrower and the Bank have not determined a mutually satisfactory interest rate for the concerned Interest Period, the Borrower will be required to repay to the Bank, within a maximum delay of 10 calendar days following the Bank's request by telex or letter, the amount of the outstanding Note, as well as all outstanding interest up to the date of its repayment, at an interest rate equal to the effective cost incurred by the Bank to keep the Credit available to the Borrower, plus a margin of 0.50%. This cost will be determined by the Bank and notified to the Borrower.

4.3. Accrued Interest

On the last day of each Interest Period the Borrower shall pay accrued interest. The accrued interest due will be calculated on the basis of a 360 day-year, and will be debited by the Bank in the Borrower's account with the Bank.

4.4 "Effective Global Rate" (Taux Effectif Global)

The "effective global rate" applicable to the present credit would be 6.90% (6.40% + 0.50%) on the date of signature of this Agreement.

4.5. Late Interest

All amounts of principal, interest, fees, accessories, due but unpaid, will automatically bear interest, in compliance with the law, at a rate which will be equal to the interest rate calculated in articles 4.1. or 4.2. above, depending on the case, but with the substitution of a margin of 1.50 % to that determined in those paragraphs, and as long as the Borrower is in default, without prejudice to all other rights the Bank may be entitled to because of the damages resulting from the default of the Borrower, including the refinancing costs.

The payment of late interest will be made at the Bank's first request, who may debit it immediately from the Borrower's account with the Bank.

Part V REPRESENTATIONS, COVENANTS & EVENTS OF DEFAULT

5.1. Representations and Warranties

The Borrower represents and warrants: (i) that its obligation to pay the principal, the interest, the commitment fee and accessories under the present agreement constitutes a direct, unconditional and general obligation which ranks pari passu with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

(ii) that it will notify the Bank, by remitting to it all its documents relating to any event affecting its legal existence and its legal capacity, and all statutory modifications and changes in persons mandated to represent it; it will also notify the Bank of any change in the capital ownership, which would result in the Borrower not being directly or indirectly wholly-owned by THE STANLEY WORKS;

(iii) that its balance sheet and financials on December 31, 1992 have been established in accordance with current accounting principles and sincerely and faithfully reflects its assets and liabilities, and that since January 1, 1993, there has been no material adverse change in its financial situation;

(iv) that the Borrower is not subject to any kind of legal pursuit that may seriously affect its ability to meet its financial obligations under the present Agreement; that it is not, to the best of its knowledge, threatened by any such procedure.

5.2. Covenants

5.2.1. The Borrower shall:

(i) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of its jurisdiction of incorporation to enable it lawfully to enter into and perform its obligations under this Credit Agreement or to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Credit Agreement;

(ii) the Borrower shall maintain, in full force and effect, prudent insurances on and in relation to its business and assets or self-insure where this is considered appropriate in the opinion of the Borrower;

(iii) promptly inform the Bank of the occurrence of any event which is or is likely, in the reasonable opinion of the Borrower, to become (with the passage of time, the giving of notice, the making of any determination hereunder or any combination thereof) an Event of Default and, upon receipt of a written request to that effect from the Bank, confirm to the Bank that, save as previously notified to the Bank or as notified in such confirmation, no such event has occurred;

(iv) ensure that at all times the claims of the Bank against it under this Credit Agreement rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application;

(v) that it will deliver to the Bank within 95 days after the end of each of its fiscal year its balance sheet, income statement and financial annexes, as well as the auditor's report certifying the conformity of the accounting documents communicated with accounting principles generally accepted in France; that these documents will be completed by a letter confirming that none of the events provided for in article 5.3 have occurred;

(vi) that upon request of the Bank, the latter will receive without delay any additional information concerning the financial situation or the activity of the Borrower, that may be of interest to the Bank;

(vii) that it will immediately inform the Bank of the occurrence of any Event of Default provided for in article 5.3;

5.2.2. The Borrower shall not, without the prior consent of the Bank:

(i) create or permit to subsist any encumbrance over all or any of its present or future Principal Property (unless the Borrower secures the Drawdown made equally and ratably with such encumbrance) other than:

(a) any existing encumbrance which has been disclosed in writing to the Bank prior to the date hereof;

(b) encumbrances on property of any corporation existing at the time such corporation becomes a subsidiary;

(c) encumbrances securing financial indebtedness of one member of the Group to another (save for such mortgages securing financial indebtedness of the Borrower to a member of the Group which is not the Borrower);

(d) any lien arising solely by operation of law in the ordinary course of business or which is contained in a contract for the purchase or sale of goods or services entered into in the ordinary course of business;

(e) encumbrances on any property existing at the time of acquisition but only if the amount outstanding and secured thereby does not exceed the lesser of the fair market value of or the purchase price of the property as purchased;

(f) any encumbrance securing the purchase price of revenues or assets purchased after the date hereof or the cost of repairing or altering, constructing, developing or substantially improving all or any part of such revenues or assets provided that such encumbrance attaches only to such revenues or assets and the financial indebtedness thereby secured does not exceed the lesser of the fair market value or the purchase price of the revenues or assets as purchased;

(g) any other encumbrances securing financial indebtedness, which in aggregate do not exceed 10% of Consolidated Net Tangible Assets; and

(h) any extension, renewal or replacement of any of the encumbrances referred to above provided that the financial indebtedness secured by any such extension, renewal or replacement does not exceed the principal amount of the financial indebtedness originally secured thereby plus any fee incurred in connection with such transaction.

(ii) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person save for:

(a) any loans, credits, guarantees or indemnities which relate directly or indirectly to the carrying on of the business of the Borrower; and

(b) any loans, credits, guarantees and indemnities made to or for the benefit of the Borrower; and

(iii) except for sales, transfers or other disposals of stock in trade, sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not and whether to another member of the Group or not), the whole or any part of its revenues or its assets other than sales, leases, transfers or other disposals in the ordinary course of business or on arms' length terms or which, in any financial year, do not exceed 5% of Consolidated Net Tangible Assets as determined by the most recent financial statements delivered pursuant to article 5.1.(ii) provided that the proceeds thereof are applied only in or towards the satisfaction of any financial indebtedness and/or to the general working capital requirements of the Group except that up to fifty per cent of the proceeds thereof may be applied in or towards the repurchasing of any of THE STANLEY WORKS's common stock or the payment of dividends and distributions thereon, except that not more than 25% (twenty five percent) of such proceeds may be applied in or towards the payment of such dividends and distributions. Furthermore, for the purpose of the calculation of Consolidated Net Tangible Assets, any proceeds from the sale of any Taylor Rental stores owned directly or indirectly by THE STANLEY WORKS will not be taken into account.

5.3. Events of Default

If any of the following events, in addition to those provided for by law, occurs:

(i) the Borrower does not pay within three business days of maturity all amounts, in principal, interest, fees, ancillary expenses, due by virtue of the present contract, or

(ii) the Borrower does not comply with any other obligation resulting from this contract, and does not remedy to it within 30 business days after the summons from the Bank to execute the obligation, or

(iii) the Borrower ceases its activity, defaults, declares bankruptcy, or a resolution is passed or a petition is presented or an order is made for the "liquidation amiable", "reglement judiciaire", "reglement amiable", "redressement judiciaire" or "liquidation judiciaire" of the Borrower, or a petition is presented or an order is made for the appointment of an "administrateur ad hoc" or "administrateur judiciaire" to administer all or part of the assets of the Borrower, or an event analogous to any of the foregoing occurs, or

(iv) there shall occur any material adverse change in the business, assets or conditions of the Group taken as a whole from that existing at the date hereof which, in the reasonable opinion of the Bank, is likely to have a material adverse effect on the ability of the Borrower to comply with any of its obligations hereunder;

(v) any financial indebtedness of the Borrower, in an amount in excess of US \$ 5,000,000 is not paid when due, or any such financial indebtedness of the Borrower is declared to be or otherwise becomes due and payable by reason of default or by reason of the occurrence of an event of default whether as a result of culpability or not prior to its specified maturity or any other creditor or creditors of the Borrower are entitled (and continue to be so entitled) to declare any such financial indebtedness of the Borrower due and payable prior to its specified maturity by reason of the failure of the Borrower to either (i) make any payment in respect of any such financial indebtedness upon its due date, (ii) comply with any financial covenant or (iii) comply with any other financial test in respect of such financial indebtedness, or

(vi) any representation or statement made by the Borrower in this Agreement or in any notice or other document certificate or statement delivered by it pursuant hereto or in connection herewith is, in the reasonable opinion of the Bank, or proves to have been incorrect or misleading in any material respect when made; or

(vii) the Borrower ceases to be a direct or indirect, wholly-owned subsidiary of THE STANLEY WORKS (subject to the ability of directors of such Borrower to hold nominee shares in the capital of the Borrower), or

(viii) more than 15% of the revenues of the Borrower are derived from any business wholly and totally unrelated to any of the businesses, products, distribution channels or services of Borrower at the date hereof, or

(ix) at any time it is or becomes unlawful for the Borrower to perform or comply with any of its obligations hereunder or any of the obligations of the Borrower are not or cease to be legal, valid and binding.

The Bank may then, by written notification to the Borrower and THE STANLEY WORKS, declare immediately due all amounts to be paid with respect to the present contract, in principal, interest, fees, accessories, and the Bank's commitment resulting from the present contract will cease immediately.

Notwithstanding the above provisions, the Borrower will indemnify the Bank for any loss or expense such as but not limited to, refinancing, legal or other expenses, incurred by the Bank as a result of the early termination of the Credit, by reasons of the occurrence of an Event of Default.

Part VI- TAX - RIGHT OF SET-OFF - BANK'S EXPENSES

All payments in principal, interest, fees and accessories in favor of the Bank will be made without set-off with all the amounts that may be due by the Bank to the Borrower, and net of all taxes of any kind, present or future, levied by any fiscal authorities. In the event where a legal text or regulation would require the Borrower to deduct from the amounts due to the Bank taxes of any sort, the Borrower agrees to compensate for the shortfall by way of additional interest, so that after deduction of all taxes including those on the additional interest, the Bank will receive all the amounts due to it under this contract.

More generally, the Borrower agrees to indemnify the Bank, by way of additional interest, for any increase in expenses resulting from a change in banking regulations occurring after the signature of this contract; particularly, if the amount of non-interest bearing reserves required for deposit at the Banque de France are

increased, the Borrower undertakes to negotiate in good faith a new interest rate, which takes into account the aforementioned increased expenses. In the event that no agreement on the modification of the interest rate can be reached between the Borrower and the Bank, the Borrower may terminate the present Agreement at the maturity date of the outstanding Note without penalty, but with the payment of the revised interest rate, as notified in writing to the Borrower by the Bank.

Part VII- MISCELLANEOUS

The fact that the Bank does not exercise action or exercises it with delay against the Borrower, in no way constitutes a waiver of the right to this action nor does it result in the novation of the credit defined in the present contract.

The Bank, with no prejudice to all its other rights, will have the right, at any time, without prior notice, to set off all the amounts due by the Borrower as a result of this contract, with all the amounts the Bank holds in its books on behalf of the Borrower, in any currency and in any location, for any specific purpose, even if the amounts are not yet due. In the event these amounts are in different currencies, the Bank may make all foreign exchange transactions deemed necessary.

Part VIII EXPENSES

The Borrower agrees to reimburse the Bank at its first request for all the expenses which may result from the Bank taking action to defend its rights as described in the present contract, including expenses and fees of consulting and lawyers.

Part IX- ASSIGNMENTS AND TRANSFERS

The Borrower may not transfer in any way any of the rights or obligations resulting from the present contract without prior written approval from the Bank. The Bank may at its sole discretion and without the prior consent of the Borrower, assign part or all of the present contract and resulting rights, benefits, outstanding debt or obligations to any entity it may elect.

This contract is governed by French law. Any dispute arising over or resulting from the present agreement will be within the jurisdiction of the Tribunal de Commerce de Paris, knowing that the Bank may also pursue any action against the Borrower in front of any other competent court.

The Borrower and the Bank irrevocably agree that the courts of the State of New York and the courts of the United States of America in New York may have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts.

Part XI- DISCLOSURE OF INFORMATION

(i) The Bank may disclose to any actual or potential assignee or Transferee or to any person who may otherwise enter into contractual relations with the Bank in relation to this Agreement such information supplied by the Borrower or THE STANLEY WORKS pursuant to the present Agreement, and any other information as the Bank shall consider appropriate. Any information supplied by the Borrower or THE STANLEY WORKS hereunder shall only be disclosed upon the Bank obtaining a confidentiality undertaking, from the person to whom the information is to be disclosed.

(ii) Without prejudice to the above clause, the Bank will treat as confidential information received from the Borrower or THE STANLEY WORKS in relation to the Credit save for that which has been clearly identified by the Borrower as not being confidential, and save to the extent that such information may be publicly available or which the bank may be obliged to disclose by law.

Part XII- NOTICES

(i) Each communication to be made hereunder shall be made in writing but, unless otherwise stated, maybe made by telex or letter.

(ii) Any communication or document to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has by fifteen days' written notice to the other party specified another address) be made or delivered to that other person at the address identified on the first page (or in the case of a transferee, at the end of the Transfer Certificate to which it is a party as Transferee) and, in the case of the Borrower, with a copy to THE STANLEY WORKS at 1000 Stanley Drive,

New Britain, Connecticut 06053, Attn. Craig A. Douglas, and shall be deemed to have been made or delivered when dispatched (in the case of any communication made by telex) when left at the address or (in the case of any communication made by letter) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address provided that any communication or document to be made or delivered to the Bank shall be effective only when received by the Bank and then only if the same is expressly marked for the attention of the department or officer identified with the Bank's signature below (or such other department or officer as the Bank shall from time to time specify for this purpose).

(iii) Each communication or document made or delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation thereof in English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

Done in Paris in two copies
on 25/08/1993

/s/ Michael M. Roberts

Michael M. Roberts
Vice President
CITIBANK N.A.

/s/ Jean Francois

Mr. Jean Francois
STANLEY BOSTITCH S.A.
("the Borrower")

GUARANTEE

The undersigned, THE STANLEY WORKS (hereafter the "Guarantor"), whose Head-Office is located at 1000 Stanley Drive, New Britain, CT represented by Mr. Richard Huck, Vice President, Finance, duly authorized to deliver this guarantee, hereby refers to:

- the Credit Agreement in an amount of NLG 15,000,000 (fifteen million of Dutch Guilders) signed on August 26, 1993 between S.I.C.F.O. Stanley S.A. and Citibank N.A. Paris (hereafter called "Citibank");

- the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Societe de Fabrications Bostitch S.A. and Citibank N.A. Paris;

-the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Stanley Bostitch S.A. and Citibank N.A. Paris;

(S.I.C.F.O. Stanley S.A., Societe de Fabrications Bostitch S.A. and Stanley Bostitch S.A. being hereafter called individually the "Borrower" and collectively the "Borrowers," and the Credit Agreements listed hereabove being hereafter called individually the "Agreement" and collectively the "Agreements").

The Guarantor hereby declares being perfectly aware of all the terms and conditions of the Agreements.

The Guarantor hereby unconditionally and irrevocably without being able to demur, undertakes to pay Citibank at its first demand, within two business days following this demand, and in Dutch Guilders, all amounts up to NLG 30,000,000 (thirty million of Dutch Guilders) in principal, plus interest, fees and accessories, payable by the Borrowers under the Agreements.

This guarantee being unconditional, will then remain in full force in any circumstances whatsoever including if any Borrower cannot fulfill its obligations under the respective Agreement because of laws or regulatory measures or any other measures taken by the authorities of such Borrower's country.

This guarantee being unconditional will remain valid in case of extension of maturity or amendment, even tacit or any of the Agreements.

This guarantee will remain in full force until the effective and complete payment of any sum due to Citibank by the Borrowers under the Agreements.

Any delay between the due date of the amounts owing by the Guarantor by virtue of this guarantee and their effective payment date, without being necessary to summon the Guarantor, will bear interest at a rate per annum equal to the offered rate of Citibank N.A. London on the London Interbank Market for three month Dutch Guilder deposits plus 1.50%.

The Guarantor will indemnify Citibank at its demand and on the view of bills, of any fees including attorney fees that it incurs to obtain the execution of the Guarantor's obligations under this guarantee.

Any amount due by the Guarantor under this guarantee will be free and clear of any taxes, imposts, levies of any nature, whether present or future deducted or withheld by or on behalf of any fiscal authorities.

This guarantee will be governed by French law. Any dispute arising out of or in connection with this guarantee will be within the exclusive jurisdiction of the Tribunal de Commerce de Paris.

New Britain, CT on August 26, 1993

THE STANLEY WORKS

BY: /s/ Richard Huck
Name: Richard Huck
Title: Vice President,
Finance

CREDIT AGREEMENT

Between

S.I.C.F.O. Stanley S.A., a limited liability company with a capital of FRF 56,938,000, having its registered office in B.P. 31, Zornhoff 67102 Saverne, RCS Saverne B, represented by Mr. William Moore, duly entitled to this effect),

Hereafter called the "Borrower",

And

The branch of Citibank N.A., a corporation based on American law, located at Citicenter, 19 Le Parvis, La Defense 7, 92800 PUTEAUX, represented by Michael M. Roberts, duly entitled to this effect,

Hereafter called the "Bank",

IT IS NOW AGREED THAT

Part I- THE FACILITY

1.1. The Facility (the "Credit Line")

In accordance with the terms and conditions hereafter, the Bank will make available to the Borrower a credit line ("the Credit") in the sum of DFL 15,000,000 (fifteen million Dutch Guilders), from 30/08/1993 (hereafter called the "Availability Date") to March 22, 1996 (hereafter called the "Repayment Date"). The Borrower shall draw on the Credit at one and only one time from the Availability date.

The Credit, without prejudice to the provisions of Part II hereafter, shall be automatically reimbursed by the payment of the promissory note created in accordance with article 3.1., whose maturity date shall not be later than the Repayment Date .

1.2 Terms

Terms used in this Agreement and not otherwise defined will have the same definition as those defined in the Syndicated Loan Agreement dated March 22nd, 1991 (hereafter the "Syndicated Loan Agreement").

1.3. Purpose

The Credit will be applied, based on the Borrower's statement, to general corporate purposes, without the Bank being obliged to verify the stated application.

Part II- REPAYMENT & PREPAYMENT

2.1. Repayment

The repayment of the Drawdown (as defined in article 3.1) by the Borrower under this agreement will be made in Dutch Guilders at the latest on the Repayment Date.

2.2. Prepayment

The Borrower may, by giving the Bank not less than thirty day prior notice to that effect, prepay the whole or any part (being an amount or integral multiple of DFL 2,500,000) of the Credit made to such Borrower, at the end of the Interest Period (as defined in article 4.1) in which the notice of prepayment is given; such prepayment being made without prejudice to the Borrower's obligation pursuant to article 4.5., if any. Any repayment so made shall satisfy pro tanto the Borrower's obligations under article 1.1.

Any notice of prepayment given by the Borrower pursuant to the present article shall be irrevocable, shall specify the date upon which such prepayment is to take effect and the amount of such prepayment and shall oblige such Borrower to make such prepayment on such date. After such a notice is sent to the Bank by the Borrower, the latter shall not be entitled to reborrow any amount repaid or to be repaid.

3.1. Availability

The line of credit may be drawn at any time from the Availability Date, in one drawdown, subject to prior notice given to the Bank by letter or by telex and received by the Bank two (2) business days at least before the date of the drawdown. A "business day" is each day during which banks are open all day in Paris.

This prior notice shall oblige the Borrower to borrow the whole amount of the Credit on the date therein stated (hereafter called the "Drawdown") under the terms and conditions contained herein. The Drawdown will be represented by a promissory note issued to the order of the Bank, in the form of Annex A hereto attached (hereafter called the "Note"). The date of issue of the Note will only be a business day; furthermore, if the maturity date of the Note falls on a non-business day, this maturity date will be extended to the first following business day. The Maturity Date of the Note shall not be later than the Repayment Date.

The issuance of the Note will not be considered as a novation of the obligation resulting from the present contract, but will represent the monetary obligation of the Borrower arising from the Drawdown.

3.2. Conditions Precedent

The Drawdown will be conditioned upon:

- i) the signature of a first demand guarantee by THE STANLEY WORKS, covering the obligations of the Borrower under this Agreement;
- ii) the prior remittance to the Bank of certified copies of power of attorney, or board resolutions authorizing the conclusion of the present contract;
- iii) prior remittance to the Bank of all justifications relative to the authorizations or the accomplishment of all formalities that may eventually be imposed by French or foreign regulations;
- iv) the absence of any Event of Default mentioned in article 5.3. hereunder,

v) the accuracy of representations and warranties made by the Borrower in article 5.1.,

vi) the absence of any material adverse change in the financial situation of the Borrower since December 31st, 1992 (date of the most recent audited Financial Statements), which would, in the reasonable judgment of the Bank, prevent it from meeting all obligations under this present agreement.

vii) the receipt of the Note provided for above.

Part IV- INTEREST

4.1. Normal Interest Rate

The Drawdown of the present Credit line will bear interest at an annual rate equal to the offered rate of Citibank N.A. London, one business day before the first day of the Interest Period as hereafter defined, on the London Interbank Market for Dutch Guilder deposits for the period for which such rate is to be determined plus a margin of 0.50 % per annum.

The period starting on the date of the Drawdown and ending on the Repayment Date shall be divided into successive periods each of which (other than the first) shall start on the last day of the preceding period (hereafter called "Interest Period").

The first Interest Period shall start on the Drawdown date and end on September 29, 1993. The duration of this first Interest period, which is only for the purposes of calculating accrued interest, shall be one month. The duration of each subsequent Interest Period shall be determined as referred to the duration of the interest period of the Advances under the Syndicated Loan Agreement, provided that:

i) if the Borrower fails to give notice to the Bank regarding its choice in relation to the Interest Period, the duration of that Interest Period whether under this Agreement or under the Syndicated Loan Agreement shall, subject to ii) below, be three months;

ii) any Interest Period which would otherwise end during the month preceding, or extend beyond, the Repayment Date shall be of such duration that it shall end on the Repayment Date.

The duration of an Interest Period by the Borrower shall be irrevocably binding for the Borrower for that Interest Period.

4.2. Exceptional Interest Rate

In case the Bank considers that circumstances affecting the monetary market prevent the determination of an applicable interest rate, the Bank will notify the Borrower at least one business day before the end of the current Interest Period.

If, within 30 calendar days following this notification, the Borrower and the Bank have not determined a mutually satisfactory interest rate for the concerned Interest Period, the Borrower will be required to repay to the Bank, within a maximum delay of 10 calendar days following the Bank's request by telex or letter, the amount of the outstanding Note, as well as all outstanding interest up to the date of its repayment, at an interest rate equal to the effective cost incurred by the Bank to keep the Credit available to the Borrower, plus a margin of 0.50%. This cost will be determined by the Bank and notified to the Borrower.

4.3. Accrued Interest

On the last day of each Interest Period the Borrower shall pay accrued interest. The accrued interest due will be calculated on the basis of a 360 day-year, and will be debited by the Bank in the Borrower's account with the Bank.

4.4 "Effective Global Rate" (Taux Effectif Global)

The "effective global rate" applicable to the present credit would be 6.90% (6.40% + 0.50%) on the date of signature of this Agreement.

4.5. Late Interest

All amounts of principal, interest, fees, accessories, due but unpaid, will automatically bear interest, in compliance with the law, at a rate which will be equal to the interest rate calculated in articles 4.1. or 4.2. above, depending on the case, but with the substitution of a margin of 1.50 % to that determined in those paragraphs, and as long as the Borrower is in default, without prejudice to all other rights the Bank may be entitled to because of the damages resulting from the default of the Borrower, including the refinancing costs.

The payment of late interest will be made at the Bank's first request, who may debit it immediately from the Borrower's account with the Bank.

Part V REPRESENTATIONS, COVENANTS & EVENTS OF DEFAULT

5.1. Representations and Warranties

The Borrower represents and warrants: (i) that its obligation to pay the principal, the interest, the commitment fee and accessories under the present agreement constitutes a direct, unconditional and general obligation which ranks pari passu with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

(ii) that it will notify the Bank, by remitting to it all its documents relating to any event affecting its legal existence and its legal capacity, and all statutory modifications and changes in persons mandated to represent it; it will also notify the Bank of any change in the capital ownership, which would result in the Borrower not being directly or indirectly wholly-owned by THE STANLEY WORKS;

(iii) that its balance sheet and financials on December 31, 1992 have been established in accordance with current accounting principles and sincerely and faithfully reflects its assets and liabilities, and that since January 1, 1993, there has been no material adverse change in its financial situation;

(iv) that the Borrower is not subject to any kind of legal pursuit that may seriously affect its ability to meet its financial obligations under the present Agreement; that it is not, to the best of its knowledge, threatened by any such procedure.

5.2. Covenants

5.2.1. The Borrower shall:

(i) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of its jurisdiction of incorporation to enable it lawfully to enter into and perform its obligations under this Credit Agreement or to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Credit Agreement;

(ii) the Borrower shall maintain, in full force and effect, prudent insurances on and in relation to its business and assets or self-insure where this is considered appropriate in the opinion of the Borrower;

(iii) promptly inform the Bank of the occurrence of any event which is or is likely, in the reasonable opinion of the Borrower, to become (with the passage of time, the giving of notice, the making of any determination hereunder or any combination thereof) an Event of Default and, upon receipt of a written request to that effect from the Bank, confirm to the Bank that, save as previously notified to the Bank or as notified in such confirmation, no such event has occurred;

(iv) ensure that at all times the claims of the Bank against it under this Credit Agreement rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application;

(v) that it will deliver to the Bank within 95 days after the end of each of its fiscal year its balance sheet, income statement and financial annexes, as well as the auditor's report certifying the conformity of the accounting documents communicated with accounting principles generally accepted in France; that these documents will be completed by a letter confirming that none of the events provided for in article 5.3 have occurred;

(vi) that upon request of the Bank, the latter will receive without delay any additional information concerning the financial situation or the activity of the Borrower, that may be of interest to the Bank;

(vii) that it will immediately inform the Bank of the occurrence of any Event of Default provided for in article 5.3;

5.2.2. The Borrower shall not, without the prior consent of the Bank:

(i) create or permit to subsist any encumbrance over all or any of its present or future Principal Property (unless the Borrower secures the Drawdown made equally and ratably with such encumbrance) other than:

(a) any existing encumbrance which has been disclosed in writing to the Bank prior to the date hereof;

(b) encumbrances on property of any corporation existing at the time such corporation becomes a subsidiary;

(c) encumbrances securing financial indebtedness of one member of the Group to another (save for such mortgages securing financial indebtedness of the Borrower to a member of the Group which is not the Borrower);

(d) any lien arising solely by operation of law in the ordinary course of business or which is contained in a contract for the purchase or sale of goods or services entered into in the ordinary course of business;

(e) encumbrances on any property existing at the time of acquisition but only if the amount outstanding and secured thereby does not exceed the lesser of the fair market value of or the purchase price of the property as purchased;

(f) any encumbrance securing the purchase price of revenues or assets purchased after the date hereof or the cost of repairing or altering, constructing, developing or substantially improving all or any part of such revenues or assets provided that such encumbrance attaches only to such revenues or assets and the financial indebtedness thereby secured does not exceed the lesser of the fair market value or the purchase price of the revenues or assets as purchased;

(g) any other encumbrances securing financial indebtedness, which in aggregate do not exceed 10% of Consolidated Net Tangible Assets; and

(h) any extension, renewal or replacement of any of the encumbrances referred to above provided that the financial indebtedness secured by any such extension, renewal or replacement does not exceed the principal amount of the financial indebtedness originally secured thereby plus any fee incurred in connection with such transaction.

(ii) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person save for:

(a) any loans, credits, guarantees or indemnities which relate directly or indirectly to the carrying on of the business of the Borrower; and

(b) any loans, credits, guarantees and indemnities made to or for the benefit of the Borrower; and

(iii) except for sales, transfers or other disposals of stock in trade, sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not and whether to another member of the Group or not), the whole or any part of its revenues or its assets other than sales, leases, transfers or other disposals in the ordinary course of business or on arms' length terms or which, in any financial year, do not exceed 5% of Consolidated Net Tangible Assets as determined by the most recent financial statements delivered pursuant to article 5.1.(ii) provided that the proceeds thereof are applied only in or towards the satisfaction of any financial indebtedness and/or to the general working capital requirements of the Group except that up to fifty per cent of the proceeds thereof may be applied in or towards the repurchasing of any of THE STANLEY WORKS's common stock or the payment of dividends and distributions thereon, except that not more than 25% (twenty five percent) of such proceeds may be applied in or towards the payment of such dividends and distributions. Furthermore, for the purpose of the calculation of Consolidated Net Tangible Assets, any proceeds from the sale of any Taylor Rental stores owned directly or indirectly by THE STANLEY WORKS will not be taken into account.

5.3. Events of Default

If any of the following events, in addition to those provided for by law, occurs:

(i) the Borrower does not pay within three business days of maturity all amounts, in principal, interest, fees, ancillary expenses, due by virtue of the present contract, or

(ii) the Borrower does not comply with any other obligation resulting from this contract, and does not remedy to it within 30 business days after the summons from the Bank to execute the obligation, or

(iii) the Borrower ceases its activity, defaults, declares bankruptcy, or a resolution is passed or a petition is presented or an order is made for the "liquidation amiable", "reglement judiciaire", "reglement amiable", "redressement judiciaire" or "liquidation judiciaire" of the Borrower, or a petition is presented or an order is made for the appointment of an "administrateur ad hoc" or "administrateur judiciaire" to administer all or part of the assets of the Borrower, or an event analogous to any of the foregoing occurs, or

(iv) there shall occur any material adverse change in the business, assets or conditions of the Group taken as a whole from that existing at the date hereof which, in the reasonable opinion of the Bank, is likely to have a material adverse effect on the ability of the Borrower to comply with any of its obligations hereunder;

(v) any financial indebtedness of the Borrower, in an amount in excess of US \$ 5,000,000 is not paid when due, or any such financial indebtedness of the Borrower is declared to be or otherwise becomes due and payable by reason of default or by reason of the occurrence of an event of default whether as a result of culpability or not prior to its specified maturity or any other creditor or creditors of the Borrower are entitled (and continue to be so entitled) to declare any such financial indebtedness of the Borrower due and payable prior to its specified maturity by reason of the failure of the Borrower to either (i) make any payment in respect of any such financial indebtedness upon its due date, (ii) comply with any financial covenant or (iii) comply with any other financial test in respect of such financial indebtedness, or

(vi) any representation or statement made by the Borrower in this Agreement or in any notice or other document certificate or statement delivered by it pursuant hereto or in connection herewith is, in the reasonable opinion of the Bank, or proves to have been incorrect or misleading in any material respect when made; or

(vii) the Borrower ceases to be a direct or indirect, wholly-owned subsidiary of THE STANLEY WORKS (subject to the ability of directors of such Borrower to hold nominee shares in the capital of the Borrower), or

(viii) more than 15% of the revenues of the Borrower are derived from any business wholly and totally unrelated to any of the businesses, products, distribution channels or services of Borrower at the date hereof, or

(ix) at any time it is or becomes unlawful for the Borrower to perform or comply with any of its obligations hereunder or any of the obligations of the Borrower are not or cease to be legal, valid and binding.

The Bank may then, by written notification to the Borrower and THE STANLEY WORKS, declare immediately due all amounts to be paid with respect to the present contract, in principal, interest, fees, accessories, and the Bank's commitment resulting from the present contract will cease immediately.

Notwithstanding the above provisions, the Borrower will indemnify the Bank for any loss or expense such as but not limited to, refinancing, legal or other expenses, incurred by the Bank as a result of the early termination of the Credit, by reasons of the occurrence of an Event of Default.

Part VI- TAX - RIGHT OF SET-OFF - BANK'S EXPENSES

All payments in principal, interest, fees and accessories in favor of the Bank will be made without set-off with all the amounts that may be due by the Bank to the Borrower, and net of all taxes of any kind, present or future, levied by any fiscal authorities. In the event where a legal text or regulation would require the Borrower to deduct from the amounts due to the Bank taxes of any sort, the Borrower agrees to compensate for the shortfall by way of additional interest, so that after deduction of all taxes including those on the additional interest, the Bank will receive all the amounts due to it under this contract.

More generally, the Borrower agrees to indemnify the Bank, by way of additional interest, for any increase in expenses resulting from a change in banking regulations occurring after the signature of this contract; particularly, if the amount of non-interest bearing reserves required for deposit at the Banque de France are

increased, the Borrower undertakes to negotiate in good faith a new interest rate, which takes into account the aforementioned increased expenses. In the event that no agreement on the modification of the interest rate can be reached between the Borrower and the Bank, the Borrower may terminate the present Agreement at the maturity date of the outstanding Note without penalty, but with the payment of the revised interest rate, as notified in writing to the Borrower by the Bank.

Part VII- MISCELLANEOUS

The fact that the Bank does not exercise action or exercises it with delay against the Borrower, in no way constitutes a waiver of the right to this action nor does it result in the novation of the credit defined in the present contract.

The Bank, with no prejudice to all its other rights, will have the right, at any time, without prior notice, to set off all the amounts due by the Borrower as a result of this contract, with all the amounts the Bank holds in its books on behalf of the Borrower, in any currency and in any location, for any specific purpose, even if the amounts are not yet due. In the event these amounts are in different currencies, the Bank may make all foreign exchange transactions deemed necessary.

Part VIII EXPENSES

The Borrower agrees to reimburse the Bank at its first request for all the expenses which may result from the Bank taking action to defend its rights as described in the present contract, including expenses and fees of consulting and lawyers.

Part IX- ASSIGNMENTS AND TRANSFERS

The Borrower may not transfer in any way any of the rights or obligations resulting from the present contract without prior written approval from the Bank. The Bank may at its sole discretion and without the prior consent of the Borrower, assign part or all of the present contract and resulting rights, benefits, outstanding debt or obligations to any entity it may elect.

This contract is governed by French law. Any dispute arising over or resulting from the present agreement will be within the jurisdiction of the Tribunal de Commerce de Paris, knowing that the Bank may also pursue any action against the Borrower in front of any other competent court.

The Borrower and the Bank irrevocably agree that the courts of the State of New York and the courts of the United States of America in New York may have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts.

Part XI- DISCLOSURE OF INFORMATION

(i) The Bank may disclose to any actual or potential assignee or Transferee or to any person who may otherwise enter into contractual relations with the Bank in relation to this Agreement such information supplied by the Borrower or THE STANLEY WORKS pursuant to the present Agreement, and any other information as the Bank shall consider appropriate. Any information supplied by the Borrower or THE STANLEY WORKS hereunder shall only be disclosed upon the Bank obtaining a confidentiality undertaking, from the person to whom the information is to be disclosed.

(ii) Without prejudice to the above clause, the Bank will treat as confidential information received from the Borrower or THE STANLEY WORKS in relation to the Credit save for that which has been clearly identified by the Borrower as not being confidential, and save to the extent that such information may be publicly available or which the bank may be obliged to disclose by law.

Part XII- NOTICES

(i) Each communication to be made hereunder shall be made in writing but, unless otherwise stated, maybe made by telex or letter.

(ii) Any communication or document to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has by fifteen days' written notice to the other party specified another address) be made or delivered to that other person at the address identified on the first page (or in the case of a transferee, at the end of the Transfer Certificate to which it is a party as Transferee) and, in the case of the Borrower, with a copy to THE STANLEY WORKS at 1000 Stanley Drive,

New Britain, Connecticut 06053, Attn. Craig A. Douglas, and shall be deemed to be have been made or delivered when dispatched (in the case of any communication made by telex) when left at the address or (in the case of any communication made by letter) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address provided that any communication or document to be made or delivered to the Bank shall be effective only when received by the Bank and then only if the same is expressly marked for the attention of the department or officer identified with the Bank's signature below (or such other department or officer as the Bank shall from time to time specify for this purpose).

(iii) Each communication or document made or delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation thereof in English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

Done in Paris in two copies
on 25/08/1993

/s/ Michael M. Roberts

Michael M. Roberts
Vice President
CITIBANK N.A.

/s/ William Moore

Mr William Moore
S.I.C.F.O. STANLEY S.A.
(the "Borrower")

GUARANTEE

The undersigned, THE STANLEY WORKS (hereafter the "Guarantor"), whose Head-Office is located at 1000 Stanley Drive, New Britain, CT represented by Mr. Richard Huck, Vice President, Finance, duly authorized to deliver this guarantee, hereby refers to:

- the Credit Agreement in an amount of NLG 15,000,000 (fifteen million of Dutch Guilders) signed on August 26, 1993 between S.I.C.F.O. Stanley S.A. and Citibank N.A. Paris (hereafter called "Citibank");

- the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Societe de Fabrications Bostitch S.A. and Citibank N.A. Paris;

-the Credit Agreement in an amount of NLG 7,500,000 (seven million five hundred thousand of Dutch Guilders) signed on August 26, 1993 between Stanley Bostitch S.A. and Citibank N.A. Paris;

(S.I.C.F.O. Stanley S.A., Societe de Fabrications Bostitch S.A. and Stanley Bostitch S.A. being hereafter called individually the "Borrower" and collectively the "Borrowers," and the Credit Agreements listed hereabove being hereafter called individually the "Agreement" and collectively the "Agreements").

The Guarantor hereby declares being perfectly aware of all the terms and conditions of the Agreements.

The Guarantor hereby unconditionally and irrevocably without being able to demur, undertakes to pay Citibank at its first demand, within two business days following this demand, and in Dutch Guilders, all amounts up to NLG 30,000,000 (thirty million of Dutch Guilders) in principal, plus interest, fees and accessories, payable by the Borrowers under the Agreements.

This guarantee being unconditional, will then remain in full force in any circumstances whatsoever including if any Borrower cannot fulfill its obligations under the respective Agreement because of laws or regulatory measures or any other measures taken by the authorities of such Borrower's country.

This guarantee being unconditional will remain valid in case of extension of maturity or amendment, even tacit or any of the Agreements.

This guarantee will remain in full force until the effective and complete payment of any sum due to Citibank by the Borrowers under the Agreements.

Any delay between the due date of the amounts owing by the Guarantor by virtue of this guarantee and their effective payment date, without being necessary to summon the Guarantor, will bear interest at a rate per annum equal to the offered rate of Citibank N.A. London on the London Interbank Market for three month Dutch Guilder deposits plus 1.50%.

The Guarantor will indemnify Citibank at its demand and on the view of bills, of any fees including attorney fees that it incurs to obtain the execution of the Guarantor's obligations under this guarantee.

Any amount due by the Guarantor under this guarantee will be free and clear of any taxes, imposts, levies of any nature, whether present or future deducted or withheld by or on behalf of any fiscal authorities.

This guarantee will be governed by French law. Any dispute arising out of or in connection with this guarantee will be within the exclusive jurisdiction of the Tribunal de Commerce de Paris.

New Britain, CT on August 26, 1993

THE STANLEY WORKS

BY: /s/ Richard Huck
Name: Richard Huck
Title: Vice President,
Finance

RESTATED SUPPLEMENTAL PENSION PLAN FOR SALARIED EMPLOYEES
OF THE STANLEY WORKS

WHEREAS, The Stanley Works maintains for its employees who are employed in salaried positions certain pension, stock bonus and profit sharing plans designed to meet the requirements of Section 401(a) of the Internal Revenue Code of 1986; and

WHEREAS, the benefits and contributions that may be provided under such plans are limited by Sections 401 and 415 of the Internal Revenue Code and other provisions thereof; and

WHEREAS, the Company maintains the Supplemental Pension Plan for Salaried Employees of The Stanley Works to provide for certain employees, in addition to other benefits, benefits that may not be provided under such plans; and

WHEREAS, the Company now desires to amend and restate such Supplemental Plan;

NOW, THEREFORE, the Company has adopted the following Amendment to and Restatement of the Supplemental Plan for Salaried Employees of the Stanley Works:

A R T I C L E 1

Name and Effective Date

Section 1.1 This Plan shall be known as the "Restated Supplemental Pension Plan for Salaried Employees of The Stanley Works".

Section 1.2 This Amendment and Restatement shall be effective as of January 1, 1993, with respect to salaried employees of the Company employed on or after such date.

A R T I C L E 2

Definitions

"Affiliate" means any affiliate or subsidiary of The Stanley Works.

"Applicable Limitation" means each of:

- (i) the limitation on elective contributions under Sections 401(a)(30) and 402(g)(1) of the Code;
- (ii) the limitation set forth in Section 401(a)(17) of the Code on the compensation that may be taken into account under a plan;
- (iii) the limitation on contributions resulting from the application of Section 401(k) or (m) of the Code;
- (iv) the omission from the definition of "Compensation" set forth in Article II of the Pension Plan and Article II of the Retirement Plan of amounts deferred pursuant to Section 3 of the Deferred Compensation Plan for Participants in Stanley's Management Incentive Plans; and
- (v) the limitation on contributions or benefits, as the case may be, set forth in the Savings Plan, the Retirement Plan or the Pension Plan as required by Section 415 of the Code.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation and Organization Committee of The Stanley Works.

"Company" means The Stanley Works and any Affiliate that has adopted the Qualified Plans.

"Eligible Employee" means a Highly Compensated Employee who is a participant in the Management Incentive Plan of The Stanley Works.

"Highly Compensated Employee" means a salaried employee of the Company who during the applicable Plan Year is a highly compensated employee, as defined in Section 414(q) of the Code. For purposes of the preceding sentence, the "applicable Plan Year" means, in the case of deferrals under Section 4.1, the year in which an election is made under Section 4.7 and, in the case of a contribution under Section 4.3, the year for which such contribution is made.

"Pension Plan" means the Pension Plan for Salaried Employees of The Stanley Works.

"Plan Year" means the applicable plan year of each of the Qualified Plans.

"Qualified Plan" means each of the Savings Plan, the Retirement Plan and the Pension Plan.

"Retirement Plan" means the Retirement Plan for Salaried Employees of The Stanley Works.

"Savings Plan" means the Savings Plan for Salaried Employees of The Stanley Works.

"Supplemental Company Contribution Account" means the account established under the Plan to which amounts are credited under Section 4.2.

"Supplemental Employee Contribution Account" means the account established under the Plan to which amounts are credited under Section 4.1.

"Supplemental Pension Account" means the account established under the Plan to which amounts are credited under Section 4.3.

"Unrestricted Qualified Plan Benefit" means the sum of (i) the Participant's Pension Plan Benefit and the Supplemental Pension Account and (ii) the actuarial equivalent, determined as of the date on which distribution commences under the Pension Plan, of the benefit, if any, that would be payable to the Participant under the Retirement Plan if no Applicable Limitation applied.

A R T I C L E 3

Participation in the Plan

Section 3.1 Each Eligible Employee of the Company shall become a participant in the Plan on the date as of which an amount is first credited to an account established under Article 4 in the name of such Eligible Employee. Subject to Section 4.6, an Eligible Employee shall remain a participant until all amounts to which he is entitled hereunder have been distributed.

Section 3.2 Participation in the Plan shall not give a participant any right to remain in the service of the Company or of an Affiliate, and a participant shall remain subject to discharge to the same extent as if the Plan had not been adopted.

A R T I C L E 4

Crediting of Accounts; Election to Defer

Section 4.1 (a) If for a Plan Year an Eligible Employee's contributions under Section 4.2 of the Savings Plan are limited by

reason of the dollar limitation described in paragraph (i) of the definition herein of Applicable Limitation and such Eligible Employee has elected, in the manner described in Section 4.7, to defer a portion of his compensation from the Company (not to exceed, when added to contributions made under Section 4.2 of the Savings Plan, 12% of such compensation), there shall be credited to a Supplemental Employee Contribution Account an amount equal to the excess of the portion of compensation so elected over such dollar limitation.

(b) If for a Plan Year an Eligible Employee's contributions under Section 4.2 of the Savings Plan are limited by reason of an Applicable Limitation, other than as described in subsection (a), and such Eligible Employee has elected, in the manner described in Section 4.7, to defer a portion of his compensation from the Company, there shall be credited to a Supplemental Employee Contribution Account an amount equal to the excess (i) over (ii) where:

- (i) is the amount that would have been contributed under Section 4.2 of the Savings Plan in the absence of the Applicable Limitation, and
- (ii) is the amount actually contributed under Section 4.2 of the Savings Plan.

Section 4.2 (a) If for a Plan Year an amount is credited to a Supplemental Employee Contribution Account under Section 4.1, there shall be credited to a Supplemental Company Contribution Account an amount equal to the excess of (i) over (ii) where:

- (i) is the amount that would have been contributed by the Company under Section 5.2 of the Savings Plan with respect to the sum of the elective contributions made to the Savings Plan and the amount credited under Section 4.1 if all of such amounts had been contributed to the Savings Plan, and
- (ii) is the amount actually contributed by the Company under Section 5.2 of the Savings Plan.

(b) If the amount that may be contributed by the Company under Section 5.2 of the Savings Plan is limited by reason of an Applicable Limitation, otherwise than as described in subsection (a), there shall be credited to a Supplemental Company Contribution Account an amount equal to the excess of (i) over (ii) where:

- (i) is the amount that would have been contributed by the Company under Section 5.2 of the Savings Plan in the absence of the Applicable Limitation, and

- (ii) is the amount actually so contributed by the Company.

Section 4.3 If the contributions made by the Company on behalf of an Eligible Employee under Section 4.2 of the Pension Plan are less than the amount that would have been contributed by the Company if an Applicable Limitation did not apply, there shall be credited to a Supplemental Pension Account an amount equal to the excess of the amount that, in the absence of the Applicable Limitation, would have been contributed under Section 4.2 of the Pension Plan over the amount actually so contributed by the Company.

Section 4.4 If a Participant's Unrestricted Qualified Plan Benefit exceeds the sum of the amount payable to him under the Pension Plan and the actuarial equivalent, determined as of the date on which distribution commences under the Pension Plan, of the amount payable to him under the Retirement Plan, subject to Section 5.1, there shall be payable to him under this Plan such excess.

Section 4.5 (a) A participant's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be adjusted to reflect the rate of return such accounts would have earned if they had been invested in accordance with the provisions of the Savings Plan. Such rate of return shall further reflect any additional amount that would have been payable under the Retirement Plan by reason of the rate of return actually achieved under the Savings Plan.

(b) A participant's Supplemental Pension Account shall be adjusted to reflect the rate of return such account would have earned if it had been invested in the trust fund maintained under the Pension Plan.

(c) For purposes of subsections (a) and (b), the applicable rate of return shall be calculated from the time when the contributions to the applicable Qualified Plan would have been allocated to the participant's account thereunder in the absence of the Applicable Limitation.

Section 4.6 (a) In the event that a participant shall cease to be an Eligible Employee or the Company, in its sole discretion, shall determine that a participant may no longer actively participate in the Plan, any election under Section 4.1 shall be deemed to have been revoked and no election may be made under such section, and no amounts shall be credited under Sections 4.2(b) and 4.3.

(b) If a participant described in subsection (a) later becomes an Eligible Employee or the Company determines that such

participant may recommence active participation in the Plan, as the case may be, such participant shall again become an active participant in the Plan; crediting under Sections 4.2(b) and 4.3 shall recommence; and, upon the filing of an election under Section 4.7, crediting under Section 4.1 shall recommence.

(c) Any amount credited to an account established under Article 4 in the name of a participant who was not an Eligible Employee for the Plan Year with respect to which such amount was credited shall be distributed in a cash lump sum payment upon the first to occur of the participant's death, disability or separation from service with the Company or an Affiliate or the first day of the calendar year in which the participant attains age 60. No further amount shall be credited to any account established in the name of a participant described in this subsection unless and until such participant becomes an Eligible Employee. When such a participant becomes an Eligible Employee, amounts credited to an account established in the name of the participant after he or she becomes an Eligible Employee shall be distributed in accordance with Section 6.1 and amounts to which this subsection applies shall be distributed in accordance with this subsection.

Section 4.7 An election to defer compensation under Section 4.1 shall be made, and may be revoked, in such manner as the Committee may from time to time prescribe. Any such election shall be effective only as to compensation to be earned after the date of the election.

A R T I C L E 5

Vesting

Section 5.1 Subject to Section 4.4, a participant shall be vested in each benefit provided under this Plan in accordance with the vesting provisions of the Qualified Plan to which such benefit relates.

A R T I C L E 6

Distributions

Section 6.1 (a) Except as otherwise provided in Section 4.6, amounts credited to a participant's Supplemental Employee Contribution Account and Supplemental Company Contribution Account shall be distributed upon a participant's retirement, death, disability or other separation from service with the Company or an

Affiliate, or the later date specified in a written election filed by the participant with the Committee under this subsection. Except as otherwise permitted by the Committee in its sole discretion, no election may be filed under this subsection after the beginning of the one-year period ending on the date on which a participant retires, dies, becomes disabled or otherwise separates from service with the Company or an Affiliate. No more than one election may be filed by a participant under this subsection.

(b) Except as otherwise provided in subsection (c), amounts payable under Section 4.4 shall be paid on the date on which distribution commences under the Pension Plan.

Section 6.2 Distributions under the Plan shall be made in the form of a cash lump sum payment.

Section 6.3 If, at the time of any payment hereunder, the Committee determines that a participant to whom or on whose behalf payment is being made is, for any reason, indebted to the Company or an Affiliate, The Stanley Works shall be entitled to offset such indebtedness, including any interest accruing thereon, against the payment otherwise due under the Plan.

Section 6.4 The Stanley Works shall withhold from any payment due under the Plan the amount of any tax required by law to be withheld from compensation paid to an employee.

Section 6.5 Any payment of benefits after a participant's death shall be made to the beneficiary designated by the participant under the Qualified Plan to which the benefit payable relates or to the individual entitled to benefits under such plan in the absence of a beneficiary designation, unless the participant designates, on a form provided by the Committee, another individual or entity to receive benefits payable hereunder after his death.

Section 6.6 No loans shall be permitted under the Plan.

A R T I C L E 7

Miscellaneous

Section 7.1 The Board of Directors of The Stanley Works may, at any time and from time to time, amend or terminate this Plan without the consent of any participant or beneficiary.

Section 7.2 The Plan shall be administered by the Committee. The Committee shall make all determinations as to the right of any person to a benefit and the amount thereof. Any

denial by the Committee of a claim by a participant or beneficiary for benefits under the Plan shall be stated in writing by the Committee and delivered or mailed to the participant or beneficiary. Such notice shall set forth the specific reasons for the denial, written in a manner that may be understood without legal counsel. The Committee shall afford to any participant or beneficiary whose claim for benefits has been denied a reasonable opportunity for a review of the denial of the claim.

Section 7.3 This Plan, including any amendments, shall constitute the entire agreement between the Company and any employee, participant or beneficiary regarding the subject matter of the Plan. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between the Company and any such individual relating to the subject matter hereof, other than those set forth in the Plan. This Plan and any amendment hereto shall be binding on the parties hereto and their respective heirs, administrators, trustees, successors and assigns, and on any beneficiary of a participant.

Section 7.4 If any provision of the Plan shall, to any extent, be invalid or unenforceable, the remainder of the Plan shall not be affected thereby, and each other provision of the Plan shall be valid and enforced to the fullest extent permitted by law.

Section 7.5 The Company may establish a reserve or make any investment for purposes of satisfying its obligation to pay benefits hereunder, and no participant in the Plan shall have any interest in any such investment or reserve. The right of any person to receive benefits under the Plan shall be no greater than the right of any unsecured general creditor of The Stanley Works.

Section 7.6 To the extent permitted by law, the right of any participant or beneficiary to any benefit hereunder shall not be subject to attachment or other legal process for the debts of such participant or beneficiary, and any such benefit shall not be subject to anticipation, alienation, sale, transfer, assignment or encumbrance.

Section 7.7 Whenever, in the opinion of the Committee, a person entitled to receive any benefit hereunder is under a legal disability or is unable to manage his financial affairs, the Committee may direct that payment be made to such person or to his legal representative or to a relative of such person for his benefit, or the Committee may direct that any payment due hereunder be applied for the benefit of such person in such manner as the Committee considers advisable. Any payment in accordance with

this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

Dated this 24th day of March, 1994.

THE STANLEY WORKS

By /s/ Barbara Bennett
Title: Vice President
Human Resources

THE STANLEY WORKS
MAC TOOLS, INC.
and
STANLEY-BOSTITCH, INC.

RECEIVABLES PURCHASE AGREEMENT

dated as of
December 1, 1993

WACHOVIA BANK OF GEORGIA, NATIONAL ASSOCIATION,
as Agent

**

R#95355.6

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

SECTION 1.01.	Definitions.....	1
SECTION 1.02.	Accounting Terms and Determinations.....	14
SECTION 1.03.	References.....	14

ARTICLE II

PURCHASE AND SERVICING OF RECEIVABLES

SECTION 2.01.	Commitments to Purchase Receivables.....	15
SECTION 2.02.	Receivables Schedules; Method of Offer.....	15
SECTION 2.03.	Purchase Price.....	16
SECTION 2.04.	Purchasers' Yield.....	16
SECTION 2.05.	Commitment Reductions	17
SECTION 2.06.	Repurchase of Receivables; Corrections for Errors	17
SECTION 2.07.	Servicing and Collections	18
SECTION 2.08.	Fees	21
SECTION 2.09.	Adjustments and Settlement	22
SECTION 2.10.	General Provisions as to Payments	25
SECTION 2.11.	Computation of Purchasers' Yield and Facility Fees	26
SECTION 2.12.	Financing Statements	26
SECTION 2.13.	Commitment Expiration and Termination	27

ARTICLE III

CONDITIONS TO PURCHASES

SECTION 3.01. Conditions to First Purchase 28
SECTION 3.02. Conditions to All Purchases 30

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Corporate Existence and Power 31
SECTION 4.02. Corporate and Governmental Authorization;
 Contravention 31
SECTION 4.03. Binding Effect 31
SECTION 4.04. Financial Information 32
SECTION 4.05. Litigation 32
SECTION 4.06. Requirements of Law 32
SECTION 4.07. Compliance with ERISA 32
SECTION 4.08. Taxes 33
SECTION 4.09. Subsidiaries 33
SECTION 4.10. Not an Investment Company 33
SECTION 4.11. No Default or Repurchase Event 33
SECTION 4.12. Full Disclosure 33
SECTION 4.13. Environmental Matters 33
SECTION 4.14. Receivables Not Selected for Creditworthiness 34
SECTION 4.15. Eligible Receivables 34

[NOT A PART OF THE AGREEMENT]

ARTICLE V

COVENANTS

SECTION 5.01. Information	34
(a) Annual Financial Statements	
(b) Quarterly Financial Statements	
(c) Officer's Certificate	
(d) Accountants' Certificate	
(e) Receivables Schedule	
(f) Notice of Repurchase Event	
(g) Notice of Debt Rating Change	
(h) SEC Filings	
(i) Notice of ERISA Matters	
(j) Additional Information	
SECTION 5.02. Inspection of Property, Books and Records . . .	36
SECTION 5.03. Maintenance of Existence	36
SECTION 5.04. Dissolution	36
SECTION 5.05. Consolidations, Mergers and Sales of Assets .	37
SECTION 5.06. Ownership of Bostitch and MAC	37
SECTION 5.07. Use of Proceeds	37
SECTION 5.08. Compliance with Laws	38
SECTION 5.09. Payment of Taxes	38
SECTION 5.10. ERISA	38
SECTION 5.11. Cash Flow Coverage	38

ARTICLE VI

REPURCHASE EVENTS

SECTION 6.01. Repurchase Events	39
SECTION 6.02. Purchase or Repurchase Upon a Repurchase Event	41

SECTION 6.03.	Billing and Collection of Receivables	43
SECTION 6.04.	Other Rights and Remedies	43
SECTION 6.05.	Security Interest; Offset	45
SECTION 6.06.	Notice of Repurchase Event	45

ARTICLE VII

THE AGENT

SECTION 7.01.	Appointment, Powers and Immunities	45
SECTION 7.02.	Reliance by Agent	46
SECTION 7.03.	Knowledge of Repurchase Events	46
SECTION 7.04.	Rights of Agent as a Purchaser	46
SECTION 7.05.	Indemnification	47
SECTION 7.06.	Original Purchasers Treated as Owners	47
SECTION 7.07.	Non-Reliance on Agent and Other Purchasers	47
SECTION 7.08.	Failure to Act	48
SECTION 7.09.	Resignation or Removal of Agent	48
SECTION 7.10.	Transmittal of Documents	48

ARTICLE VIII

CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 8.01.	Basis for Determining Euro-Dollar Rate Inadequate or Unfair	48
SECTION 8.02.	Illegality	49
SECTION 8.03.	Increased Cost and Reduced Return	49
SECTION 8.04.	Compensation	51

ARTICLE IX
UNCONDITIONAL GUARANTY

SECTION 9.01.	Guaranty	51
SECTION 9.02.	Absolute, Unconditional Guaranty	52
SECTION 9.03.	Reinstatement	53
SECTION 9.04.	Purchasers' Rights	54
SECTION 9.05.	Information Concerning Bostitch and MAC	54
SECTION 9.06.	Subordination	54
SECTION 9.07.	Subrogation	55
SECTION 9.08.	Continuing Guarantee	55

ARTICLE X
MISCELLANEOUS

SECTION 10.01.	Notices	55
SECTION 10.02.	No Waivers	55
SECTION 10.03.	Expenses; Documentary Taxes; Indemnification	55
SECTION 10.04.	Sharing of Set-Offs	57
SECTION 10.05.	Amendments and Waivers	57
SECTION 10.06.	Margin Stock Collateral	58
SECTION 10.07.	Successors and Assigns	58
SECTION 10.08.	Confidentiality	60
SECTION 10.09.	Substitute Debt Ratings	60

SECTION 10.10. Purchasers' Sales Without Recourse or Warranty	61
SECTION 10.11. Obligations Several	61
SECTION 10.12. Georgia Law	61
SECTION 10.13. No Setoff	61
SECTION 10.14. Consent to Jurisdiction	62
SECTION 10.15. Survival of Obligations	62
SECTION 10.16. Severability	62
SECTION 10.17. Captions	62
SECTION 10.18. Counterparts	62

SCHEDULES

SCHEDULE 2.07: Lockbox Accounts and Depositories

SCHEDULE 2.12: Principal Offices, Location of Records, Etc.

EXHIBITS

EXHIBIT A-1: Specimen Contract - Bostitch

EXHIBIT A-2: Specimen Contract - MAC

EXHIBIT B: Form of Receivables Schedule

EXHIBIT C: Form of Notice to Lockbox Depository

EXHIBIT D-1: Form of Settlement Statement

EXHIBIT D-2: Form of Agent's Settlement Statement

EXHIBIT E: Form of Assignment and Bill of Sale

EXHIBIT F-1: Form of Opinion of Stephen S. Weddle

EXHIBIT F-2: Form of Opinion of Vorys, Sater, Seymour and Pease

EXHIBIT F-3: Form of Opinion of Skadden, Arps, Slate, Meagher
and Flom

EXHIBIT G: Form of Opinion of Agent's Special Counsel

EXHIBIT H: Form of Notice to Obligors

EXHIBIT I: Form of Assignment and Acceptance

RECEIVABLES PURCHASE AGREEMENT

AGREEMENT dated as of December 1, 1993, among THE STANLEY WORKS, MAC TOOLS, INC., STANLEY BOSTITCH, INC., the PURCHASERS listed on the signature pages hereof, and WACHOVIA BANK OF GEORGIA, NATIONAL ASSOCIATION, as Agent.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms as defined in this Section 1.01 shall, for all purposes of this Agreement and any amendment hereto (except as herein or therein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein (terms defined in the singular to have the corresponding meanings when used in the plural, and vice versa):

"Adjusted Base Rate" means, for any day, a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Base Rate Margin for such day, provided that, upon the occurrence and during the continuance of a Repurchase Event, the Adjusted Base Rate for any day means a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Base Rate Margin for such day plus 2.00% per annum. The "Adjusted Base Rate" for any Settlement Period means a rate per annum equal to the weighted average of the Adjusted Base Rate in effect for each day during such Settlement Period.

"Adjusted London Interbank Offered Rate" applicable to any Settlement Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100 of 1%) by dividing (a) the applicable London Interbank Offered Rate for such Settlement Period by (b) 1.00 minus the Euro-Dollar Reserve Percentage.

"Affiliate" shall mean any Person that directly or indirectly controls, or is under common control with, or is controlled by, any Seller and, if such Person is an individual, any member of the immediate family (including parents, spouse, children and siblings) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event, any Person that owns directly or indirectly securities having 5% or more of the voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person. Notwithstanding the foregoing, (a) no individual shall be an Affiliate solely by reason of his or her being a director, officer or employee of a Seller or any of Stanley's Subsidiaries and (b) none of the Subsidiaries of Stanley shall be Affiliates.

"Agent" means Wachovia Bank of Georgia, National Association, a national banking association organized under the laws of the United States of America, in its capacity as agent for the Purchasers hereunder, and its successors and permitted assigns in such capacity.

"Agent's Costs and Expenses" shall have the meaning assigned to such term in Section 2.08(d).

"Agent's Servicing Fee" shall have the meaning assigned to such term in Section 2.08(d).

"Agent's Settlement Statement" shall have the meaning assigned to such term in Section 2.07(b)(iii).

"Agency Fees" shall have the meaning assigned to such term in Section 2.08(b).

"Applicable Base Rate Margin" and "Applicable Euro-Dollar Margin" (collectively referred to herein as the "Applicable Margins") mean, for any day during any period set forth in the following table, those percentages per annum set forth opposite such period in such table, which percentages shall vary from time to time as set forth below depending on whether the Debt Rating of the Unsupported Stanley Debt is High, Medium or Low (the Applicable Margins to change from time to time on any day on which there occurs a change in the Debt Rating of the Unsupported Stanley Debt):

Period	Debt Rating	Applicable Euro-Dollar Margin	Applicable Base Rate Margin
Prior to the Commitment Expiration Date	High	+ 0.2500%	+ 0.0000%
	Medium	+ 0.3750%	+ 0.1250%
	Low	+ 0.5000%	+ 0.2500%
From and after the Commitment Expiration Date	High	+ 1.0000%	+ 0.7500%
	Medium	+ 1.1250%	+ 0.8750%
	Low	+ 1.2500%	+ 1.0000%

"Assignee" shall have the meaning set forth in Section 10.07(c).

"Assignment and Acceptance" shall have the meaning set forth in Section 10.07(c).

"Authority" has the meaning set forth in Section 8.02.

"Base Rate" means, for any day, the rate per annum equal to the higher as of such day of (a) the Prime Rate, and (b) one-half of one percent above the Federal Funds Rate for such day. For purposes of determining the Base Rate for any day, changes in the Prime Rate shall be effective on the date of each such change.

"Beneficial Interest" of any Purchaser means, at any time, such Purchaser's undivided beneficial ownership interest in the Purchased Receivables in an amount equal to such Purchaser's Beneficial Interest Percentage multiplied by the Portfolio Balance.

"Beneficial Interest Percentage" of any Purchaser means, at any date, a percentage obtained by dividing (a) the sum of (i) the aggregate amount funded by such Purchaser hereunder, on or prior to such date, in respect of the Purchase Price for the Initial Offered Receivables and all Portfolio Increases minus (ii) the aggregate amount allocated and paid to such Purchaser pursuant to Section 2.09(c), on or prior to such date, in respect of all Portfolio Decreases by (b) the Portfolio Balance as of the Cutoff Date or, if later, the Domestic Business Day next preceding the Reset Date for the last Settlement Period that shall have ended on or prior to such date. In the event of a permitted assignment by a Purchaser of a portion of its Beneficial Interest, such Purchaser's Beneficial Interest Percentage shall be allocated proportionately between such Purchaser and such Purchaser's Assignee.

"Bostitch" means Stanley-Bostitch, Inc., a Delaware corporation, and its permitted successors and assigns.

"Capital Stock" means any nonredeemable capital stock of Stanley or any Consolidated Subsidiary (to the extent issued to a Person other than Stanley), whether common or preferred.

"Change of Law" shall have the meaning set forth in Section 8.02.

"Charged-Off Receivable" shall mean a Receivable (a) that any Seller or Servicer has charged-off as uncollectible or (b) with respect to which any accounts, debts or other obligations of any Obligor thereon any Seller or Servicer has charged-off as uncollectible.

"Closing Balance" for any Settlement Period means the Portfolio Balance of the Closing Receivables for such Settlement Period as of the Domestic Business Day next preceding the Reset Date for such Settlement Period.

"Closing Date" means the date on which there shall have been satisfied all of the conditions specified in Article IV to the purchase of Receivables on the occasion of the first purchase of Receivables hereunder.

"Closing Receivables" for any Settlement Period shall mean (a) all Receivables constituting Purchased Receivables as of the Ending Date for such Settlement Period, excluding all Opening Receivables for such Settlement Period (i) that any Seller is required to repurchase on such Ending Date pursuant to Section 2.06 or (ii) that have been fully paid by the Obligors thereon and with respect to which there remains no Unpaid Balance, and

(b) all additional Receivables, if any, offered for sale on such Ending Date to the Purchasers pursuant to Section 2.02, but only if such Ending Date is prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code.

"Commission" shall have the meaning set forth in Section 4.05.

"Commitment" means, with respect to each Purchaser, the amount set forth opposite the name of such Purchaser on the signature pages hereof, as such amount may be reduced from time to time pursuant to Section 2.05. The total of the Commitments initially shall be \$80,000,000.

"Commitment Expiration Date" means September 20, 1996 or such later date as the Sellers and all of the Purchasers may agree in to writing.

"Commitment Percentage" of any Purchaser means (a) at any time prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable, a percentage obtained by dividing such Purchaser's Commitment by the total Commitments as at such time and (b) at any time from and after the Commitment Expiration Date or the Commitment Termination Date, as applicable, a percentage obtained by dividing such Purchaser's Commitment by the total Commitments as in effect immediately prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable; provided that in the event of a permitted assignment by a Purchaser of a portion of its Beneficial Interest, such Purchaser's Commitment Percentage shall be allocated proportionately between such Purchaser and such Purchaser's Assignee.

"Commitment Termination Date" shall have the meaning assigned to such term in Section 2.13(a).

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with generally accepted accounting principles consistently applied, would be consolidated with those of Stanley in its consolidated financial statements as of such date.

"Contract" means, with respect to any Receivable, the installment sale or other financing contract or lease under or pursuant to which such Receivable was created or otherwise arose, between and executed by the seller of such Receivable and all Obligor on such Receivable, for the sale or lease of goods by such seller to or for the benefit of such Obligor, and for the performance of related services, if any, together with each other accompanying or related purchase order, guarantee, waiver or other instrument evidencing, securing or otherwise given in connection with such Receivable.

"Controlled Group" means all members (including Stanley) of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Stanley, are treated as a single employer under Section 414 of the Code.

"Cutoff Date" means the third Euro-Dollar Business Day that next precedes the Closing Date.

"Debt" of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) the principal component of all obligations of such Person as lessee under leases that are accounted for as capital leases, (e) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (f) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (g) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (h) all Debt of others Guaranteed by such Person. For purposes of clause (h) of this definition, the amount of Debt attributable to any Guarantee shall be deemed to be equal to the amount of the Debt so Guaranteed or, if the amount of such Debt may vary from time to time, the maximum amount of such Debt, provided that if the amount or maximum amount of such Debt is not stated or determinable, then the amount of Debt attributable to such Guarantee shall be the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Debt Rating" means, at any time, the rating of the Unsupported Stanley Debt by Standard & Poor's and Moody's (or, in circumstances where Standard & Poor's or Moody's is not providing public ratings of Unsupported Stanley Debt, substitute public ratings or private credit ratings as specified in Section 10.09). The Debt Rating shall be "High" at any time when Unsupported Stanley Debt is rated A minus or higher by Standard & Poor's and A3 or higher by Moody's (or, in either case, the comparable ratings then in existence). The Debt Rating shall be "Medium" at any time when Unsupported Stanley Debt is rated (x) BBB+ or higher, but lower than A minus, by Standard & Poor's and Baal or higher by Moody's, or (y) BBB+ or higher by Standard & Poor's and Baal or higher, but lower than A3, by Moody's (or, in any case, the comparable ratings then in existence). The Debt Rating shall be "Low" at any time when Unsupported Stanley Debt is rated lower than BBB+ by Standard & Poor's or lower than Baal by Moody's (or, in either case, the comparable ratings then in existence). The Debt Rating shall be "Less Than Investment Grade" at any time when Unsupported Stanley Debt is rated lower than BBB- by Standard & Poor's or lower than Baa3 by Moody's (or, in either case, the comparable ratings then in existence).

"Defaulted Receivable" means, at any time, a Purchased Receivable (a) with respect to which any required payment thereon or in respect thereof (including, without limitation, in respect of principal, interest or taxes) is more than 90 days past due, or (b) in respect of which any Obligor thereon (i) has committed any material breach under the Contract giving rise to such Receivable, which breach has not been cured within 60 days after written notice thereof from any Seller, any Servicer, or the Agent (which notice shall be given at the Agent's option or at the direction of any Purchaser), (ii) has ceased doing business as a going concern (if such Obligor is a corporation), or (iii) has become insolvent or bankrupt under any insolvency or bankruptcy law or has made an assignment for the benefit of creditors.

"Dollars" or "\$" means dollars in lawful currency of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Georgia or New York are authorized by law to close.

"Eligible Purchaser" means, at any time, a Purchaser (or an Assignee or potential Assignee) that at such time (a) is a commercial or investment bank, insurance company or other financial institution (but excluding factors) and (b) is not a Seller or a Subsidiary or an Affiliate of any Seller or Subsidiary.

"Eligible Receivable" means, at any time, a Receivable:

(a) as to which (i) at the time of its creation and its conveyance hereunder, the Seller thereof (x) was the true and sole owner thereof, (y) had good, absolute and marketable title thereto free and clear of all Liens of any nature, and (z) had the right to transfer and assign the same without restriction, and (ii) the full Net Balance, as shown on the bill of sale or the Receivables Schedule first identifying the same, is owing;

(b) that was created, and with respect to which at all times thereafter the Seller thereof, the underlying Contract and the related sales and services remain in all material respects, in compliance with all applicable laws, statutes, rules or regulations (including, without limitation, laws pertaining to usury, other limitations on interest, truth in lending, equal credit opportunity, consumer protection and unfair or deceptive trade practice, as any of such laws are applicable);

(c) that (i) is payable in Dollars, (ii) is free from allowances, discounts, credits, adjustments, defenses, set-offs or counterclaims by any Obligor thereon of any kind against the Seller thereof, (iii) is secured by a valid security interest in the goods the sale or lease of which gave rise to such Receivable, (iv) is not evidenced, in whole or in part, by any note, trade acceptance, draft or other instrument constituting an "instrument" or "document" within the meaning of Article 9 of the UCC as enacted and then in effect in the States of Connecticut, Ohio, Rhode Island, Georgia or any other jurisdiction in which any Seller has its principal place of business or maintains any books, records, files or other information concerning any of its Receivables and (v) was created in an created in a country that is a member of the Organization for Economic Cooperation and Development.

(d) with respect to which (i) the right to payment has been fully earned by delivery and acceptance of the goods involved and by the completed performance of all related services, if any, (ii) there has been no denial of liability by any Obligor, and (iii) no Obligor is the United States of America, any State thereof or any political subdivision or agency of the United States of America or any such State, unless the Seller thereof has fully complied with the Assignment of Claims Act or any similar applicable State law with respect to such Receivable;

(e) with respect to which the underlying Contract (i) is substantially in a form as shown in Exhibit A-1 or Exhibit A-2 or

(if Stanley is the Seller of such Receivable) in a form approved by the Purchasers, in each case without material amendments, modifications or supplements thereto, written or otherwise, (ii) has been duly and fully executed by the seller or lessor of the goods sold or leased thereunder and by each Obligor thereon, (iii) constitutes the valid, genuine and binding obligation of each such Obligor, enforceable in accordance with its terms, (iv) constitutes the only Contract with respect to the goods sold or leased thereunder and the services, if any, related thereto, (v) correctly states all names, addresses, amounts and other statements of fact, (vi) has a term no longer than 60 months from the date of such Contract, (vii) contains no provision prohibiting assignment of, or the creation of a security interest in, such Contract or the Receivable arising thereunder, and (viii) is in the possession of either a Servicer or the Agent in originally executed form (and not a copy);

(f)

that is not (i) a Charged-Off Receivable or a Defaulted Receivable, (ii) payable by any Obligor that is an Obligor under a Defaulted Receivable or a Charged-Off Receivable, or (iii) in repossession or litigation; and

(g)

that constitutes either an "account" or "chattel paper" under and as defined in Article 9 of the UCC as enacted and then in effect in the States of Connecticut, Ohio, Rhode Island, Georgia or any other jurisdiction in which any Seller has its principal place of business or maintains any books, records, files or other information concerning any of its Receivables.

"Ending Date" for any Settlement Period means the last day of such Settlement Period.

"Environmental Laws" means any Federal, state or local law, statute, rule or regulation, or any order or decree of any governmental authority or regulatory body, relating to health, safety or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro-Dollar Business Day" means any Domestic Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Euro-Dollar Rate" means, for any day during any Settlement Period, a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Settlement Period plus the Applicable Euro-Dollar Margin for such day, provided that, upon the occurrence and during the continuance of a Repurchase Event, the Euro-Dollar Rate for any day during any Settlement Period means a rate per annum equal to the sum of (x) the Adjusted London Interbank Offered Rate for such Settlement Period plus (y) the Applicable Euro-Dollar Margin for such day plus (z) 2.00% per annum. The "Euro-Dollar Rate" for any Settlement Period means a rate per annum equal to the weighted average of the Euro-Dollar Rate in effect for each day during such Settlement Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities that includes deposits by reference to which the Purchasers' Yield (when calculated by reference to the London Interbank Offered Rate) is determined or any category of extensions of credit or other assets that includes loans by a non-United States office of any Purchaser to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

"Facility Documents" means this Agreement and any other document evidencing or securing any Seller's Obligations.

"Facility Fee" shall have the meaning assigned to such term in Section 2.08(a).

"Facility Fee Rate" means, for any day, a rate per annum equal to (a) to 0.1500% per annum at all times when the Debt Rating of Unsupported Stanley Debt is High, or (b) 0.1875% per annum at all other times.

"Federal Funds Rate" means, for any day, the rate per annum (rounded, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Domestic Business Day, for the next preceding Domestic Business Day) by the Federal Reserve Bank of New York, provided that if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent.

"Fiscal Year" means any fiscal year of Stanley.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guaranteed Obligations" shall have the meaning assigned to such term in Section 9.01.

"Hazardous Materials" means (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, or in any other applicable federal, state or local law, rule or regulation, (b) hazardous substances, as defined in the Comprehensive Environmental Response, Compensation and Liability Act, or in any other applicable federal, state or local law, rule or regulation, (c) gasoline or any other petroleum product or by-product (including but not limited to crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas products, urea formaldehyde, asbestos or polychlorinated biphenyls, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any other applicable federal, state or local law, rule or regulation, (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any other applicable federal, state or local law, rule or regulation, or (f) any other hazardous, toxic or dangerous substance, material, waste, pollutant or contaminant, defined as such in (or for the purposes of) any other applicable federal or state environmental law, rule or regulation, in each case as each such Act, statute, law, rule or regulation may be amended from time to time.

"Initial Offered Receivables" shall have the meaning assigned to such term in Section 2.02(a).

"Lockbox Account" shall have the meaning assigned to such term in Section 2.07(a) (vii).

"Lockbox Depository" shall have the meaning assigned to such term in Section 2.07(a) (vii).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, Stanley or any Subsidiary shall be deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease (to the extent accounted for as a capital lease) or other title retention agreement relating to such asset.

"London Interbank Offered Rate" applicable to any Settlement Period means the rate per annum determined on the basis of the offered rate for deposits in Dollars of amounts equal or comparable to the principal amount of the Opening Balance for such Settlement Period offered for a term of three months, which rates appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, two (2) Euro-Dollar Business Days prior to the first day of such Settlement Period, provided that (a) if more than one such offered rate appears on the Reuters Screen LIBO Page, the "London Interbank Offered Rate" will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of such offered rates; and (b) if no such offered rates appear on such page, the "London Interbank Offered Rate" for such Settlement Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of rates quoted by not less than two major banks in New York City, selected by the Agent, at approximately 10:00 a.m., Atlanta, Georgia time, two (2) Euro-Dollar Business Days prior to the first day of such Settlement Period, for deposits in Dollars offered to leading European banks for a period of three months in an amount comparable to the Opening Balance for such Settlement Period.

"MAC" means Mac Tools, Inc., an Ohio corporation, and its permitted successors and assigns.

"Margin Stock" means "margin stock" as defined in Regulation G, T, U or X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Material Adverse Effect" means a material adverse effect on the business, financial condition or results of operations of Stanley and its Consolidated Subsidiaries taken as a whole.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

"Multiemployer Plan" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"Net Balance" means, with respect to any Receivable at any time, the Unpaid Balance of such Receivable at such time less the Unearned Charges (to the extent such Unearned Charges are included in such Unpaid Balance) with respect to such Receivable at such time.

"Notice to Lockbox Depository" shall have the meaning assigned to such term in Section 2.07(a)(vii).

"Notice to Obligor" shall have the meaning assigned to such term in Section 3.02(b).

"Obligations" of a Seller or the Sellers, as the case may be, means all indebtedness, obligations and liabilities existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, of such Seller or Sellers, as applicable, under this Agreement or any other Facility Document, including, without limitation, all such indebtedness, obligations and liabilities under Article II, Section 6.02 and Article IX.

"Obligor" means, with respect to any Receivable, the Person or Persons obligated to make payments with respect to such Receivable, including any guarantor thereof, and its or their heirs, legal representatives, successors and assigns.

"Office" means, as to each Purchaser, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Office) or such other office as such Purchaser may hereafter designate as its Office by notice to Stanley and the Agent.

"Opening Balance" for any Settlement Period means the Portfolio Balance of the Opening Receivables for such Settlement Period as of the first day of such Settlement Period.

"Opening Receivables" means (a) for the first Settlement Period, the Receivables first purchased by the Purchasers under this Agreement on the Closing Date, and (b) for each other Settlement Period, the Closing Receivables for the next preceding Settlement Period.

"Participant" has the meaning set forth in Section 10.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Portfolio Balance" means, at any time, the aggregate amount of the Net Balances of all Purchased Receivables at such time.

"Portfolio Decrease" means, for any Settlement Period, the positive sum, if any, of the Opening Balance for such Settlement Period minus the Closing Balance for such Settlement Period.

"Portfolio Increase" means, for any Settlement Period, the negative sum, if any, of the Opening Balance for such Settlement Period minus the Closing Balance for such Settlement Period. The Portfolio Increase for any Settlement Period represents the amount of the aggregate Purchase Price for all Subsequently Offered Receivables to be purchased by the Purchasers hereunder on the Ending Date for such Settlement Period, net of the amount by which the Opening Balance for such Settlement Period exceeds the aggregate Net Balance of the Opening Receivables for such Settlement Period as of such Ending Date.

"Potential Repurchase Event" means any act, event, condition or circumstance that with the giving of notice or lapse of time or both would, unless cured or waived, become a Repurchase Event.

"Prime Rate" refers to that interest rate so denominated and set by Wachovia from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by Wachovia. Wachovia lends at interest rates above and below the Prime Rate.

"Principal Subsidiary" means any Subsidiary of Stanley that has net sales that represent 15% or more of the consolidated net sales of Stanley and its Consolidated Subsidiaries taken as a whole.

"Purchase" means a purchase of Receivables hereunder by the Purchasers under the Commitments.

"Purchase Price" shall have the meaning assigned to such term in Section 2.03(a).

"Purchased Receivables" means, at any time, all Receivables that have then or theretofore been sold hereunder to the Purchasers and that continue to be beneficially owned by them.

"Purchaser" means each bank listed on the signature pages hereof as having a Commitment, and its successors and permitted assigns.

"Purchasers' Yield" for any Settlement Period means an amount equal to the product obtained by multiplying (a) the Opening Balance for such Settlement Period times (b) the Yield Rate for such Settlement Period times (c) a fraction, the numerator of which is the number of days in such Settlement Period, including the first but excluding the last, and the denominator of which is 360.

"Receivable" shall mean the right to receive all or any part of the payments made or to be made by or for the benefit of any Obligor under a Contract, which right has been fully earned by delivery and acceptance of goods and by performance in full of all related services, if any, in accordance with the terms of such Contract.

"Receivables Schedule" shall have the meaning assigned to such term in Section 2.02(a).

"Reportable Event" shall have the meaning given such term in Section 4043(b) of Title V of ERISA (other than a Reportable Event as to which the provision of 30 days notice to the PBGC is waived under applicable regulations).

"Repurchase Event" shall have the meaning set forth in Section 6.01.

"Required Purchasers" means at any time Purchasers having Commitments that equal or exceed 66 2/3% of the aggregate amount of the Commitments or, if the Commitments are no longer in effect, Purchasers holding at least 66 2/3% of Beneficial Interests, provided that if any Purchaser's Beneficial Interest shall have been purchased, pursuant to Section 6.02(a) or otherwise, or is otherwise owned or held, legally or beneficially, by any Person that is not an Eligible Purchaser, then so long as such Beneficial Interest shall be owned or held by any such Person, such Purchaser's Commitment and Beneficial Interest shall be zero and shall not be considered for the determination of the Required Purchasers.

"Reset Date" for any Settlement Period means the second Euro-Dollar Business Day next preceding the Ending Date for such Settlement Period.

"Security" shall have the meaning assigned to such term in Section 2(1) of the Securities Act of 1933, as amended.

"Sellers" means Stanley, Bostitch and MAC.

"Sellers' Servicing Fee" shall have the meaning assigned to such term in Section 2.09(f).

"Servicers" means the Sellers in their capacity as servicers of the Purchased Receivables acting on behalf of and as independent contractors of the Purchasers.

"Settlement Period" means each period that (i) in the case of the first Settlement Period, shall commence on Closing Date and shall end March 20, 1994 or (ii) in the case of each Settlement Period thereafter, shall commence on the last day of the immediately preceding Settlement Period and shall end on the 20th day in the third succeeding calendar month (unless such day is not a Euro-Dollar Business Day, in which event such Settlement Period shall end on the next succeeding Euro-Dollar Business Day).

"Settlement Statement" has the meaning assigned to such term in Section 2.09(b).

"Standard & Poor's" means Standard & Poor's Corporation and any successor thereto that is a nationally recognized rating agency.

"Stanley" means The Stanley Works, a Connecticut corporation, and its permitted successors and assigns, and shall be deemed to refer to it in its capacity as a Seller hereunder and as a guarantor of the Guaranteed Obligations pursuant to the provisions of Article IX.

"Subsequently Offered Receivables" means, with respect to the Ending Date for any Settlement Period, in the event that on the Domestic Business Day next preceding the Reset Date for such Settlement Period the Portfolio Balance of the Opening Receivables for such Settlement Period (excluding those, if any, that any Seller is required to repurchase on such Ending Date pursuant to Section 2.06) is less than the total Commitments then in effect, all additional Receivables, if any, offered for sale to the Purchasers on such Ending Date pursuant to Section 2.02(b).

"Subsidiary" of a Person means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person. Unless otherwise indicated, all references herein to Subsidiaries refer to Subsidiaries of Stanley, including, without limitation, Bostitch and MAC.

"Transferee" has the meaning set forth in Section 10.07(d).

"UCC" or "U.C.C." means, at any time, the Uniform Commercial Code as enacted and then in effect in any relevant jurisdiction.

"Unearned Charges" means, with respect to any Receivable at any time, any sales, use or other taxes applicable to such Receivable plus all interest and other charges applicable to such Receivable that have not then been earned or accrued, determined in each case by the terms of the Contract giving rise to such Receivable.

"Unpaid Balance" shall mean, with respect to any Receivable at any time, the aggregate of installments of principal and interest due and to become due on such Receivable at such time, plus any and all sales, use or other taxes applicable to such Receivable.

"Unsupported Stanley Debt" means, at any time (a) the long-term senior, unsecured Debt of Stanley, the creditworthiness of which is not supported through defeasance, guarantees, credit enhancement or otherwise or (b) if at such time no such Debt is outstanding, Stanley's Obligations under this Agreement.

"Voting Stock" means Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of Stanley's corporate directors (or Persons performing similar functions).

"Yield Rate" for any Settlement Period means the Adjusted Base Rate or the Euro-Dollar Rate for such Settlement Period, as Stanley shall select or be deemed to have selected pursuant to Section 2.04.

"Wachovia" means Wachovia Bank of Georgia, National Association, a national banking association and its successors.

"Withdrawal Liability" means a withdrawal liability with respect to a Multiemployer Plan under Title IV of ERISA.

"Wholly Owned Subsidiary" means any Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by Stanley.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by Stanley's independent public accountants) with the most recent audited consolidated financial statements of Stanley and its Consolidated Subsidiaries delivered to the Purchasers.

SECTION 1.03. References. Except as otherwise expressly provided in this Agreement: the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole, including the Schedules and Exhibits hereto, if any, that are a part hereof, and not to any particular Section, Article, paragraph or other subdivision; the singular includes the plural and the plural includes the singular; "or" is not exclusive; the words "include," "includes" and "including" are not limiting; a reference to any agreement or other contract includes past and future permitted supplements, amendments, modifications and restatements thereto or thereof; a reference to an Article, Section, paragraph or other subdivision, Schedule or Exhibit is a reference to an Article, Section, paragraph or other subdivision of, or Schedule or Exhibit to, this Agreement; a reference to any law includes any amendment or modification to such law and any rules and regulations promulgated thereunder; a reference to a Person includes its permitted successors and assigns; any right may be exercised at any time and from time to time; and, except as otherwise expressly provided therein, all

obligations under any agreement or other contract are continuing obligations throughout the term of such agreement or contract.

ARTICLE II

PURCHASE AND SERVICING OF RECEIVABLES

SECTION 2.01. Commitments to Purchase Receivables. Each Purchaser severally agrees, on the terms and conditions set forth herein, to purchase Receivables, up to such Purchaser's Commitment, owned by one or more of the Sellers and offered for sale pursuant to Section 2.02 on the Closing Date and on any Ending Date for any Settlement Period ending prior to the Commitment Expiration Date or the Commitment Termination Date, as applicable; provided that, immediately after each such Purchase the Portfolio Balance shall not exceed the total Commitments; and provided further that the aggregate Net Balances, as of the Cutoff Date, of Receivables so offered for sale on the Closing Date, shall not be less than \$25,000,000. Notwithstanding anything in this Agreement to the contrary, neither the Agent or any Purchaser shall assume or be deemed or considered to have assumed the duties, liabilities or obligations of any Seller or any other Person under any Contract by reason of any Purchase hereunder or otherwise.

SECTION 2.02. Receivables Schedules; Method of Offer. (a) Initial Purchase. Not later than 10:00 a.m. (Atlanta, Georgia time) on the second Euro-Dollar Day next preceding the Closing Date, Stanley shall deliver to the Agent a schedule in the form attached hereto as Exhibit B (a "Receivables Schedule") for the Closing Date, which Receivables Schedule shall be dated as of such second Euro-Dollar Business Day next preceding the Closing Date. Such Schedule so delivered shall identify each Receivable offered for sale to the Purchasers on the Closing Date (the "Initial Offered Receivables").

(b) Subsequent Purchases. Stanley shall deliver to the Agent, for receipt not later than 10:00 a.m. (Atlanta, Georgia time) on the Ending Date for each Settlement Period, a Receivables Schedule for such Settlement Period, dated as of Domestic Business Day next preceding the Reset Date for such Settlement Period, that identifies each Closing Receivable for such Settlement Period, including (in the case of any Settlement Period ending prior to the Commitment Termination Date or the Commitment Expiration Date, as applicable) all Subsequently Offered Receivables, if any, offered for sale on such Ending Date, provided that the aggregate Net Balance of such Subsequently Offered Receivables shall not exceed the amount, if any, by which the total Commitments exceed the Portfolio Balance, as of the Domestic Business Day next preceding such Reset Date, of the Opening Receivables for such Settlement Period (excluding those, if any, that any Seller is required to repurchase on such Ending Date pursuant to Section 2.06). The Closing Balance for such Settlement Period, as reflected in the Settlement Statement for such Settlement Period to be delivered for receipt by the Agent not later than 10:00 a.m. (Atlanta, Georgia) on the Ending Date for such Settlement Period, shall reflect the aggregate Net Balance of such Subsequently Offered Receivables as of the Domestic Business Day next preceding the Reset Date for such Settlement Period.

(c) Contents and Effect of Receivables Schedules. No Receivables Schedule shall list any Receivable that, to the knowledge of any Seller, after reasonable inquiry, is not or may not be an Eligible Receivable. With respect to each Receivable listed on any Receivables Schedule, such Receivables Schedule shall contain such information as to enable the Purchasers to determine, with respect to such Receivable, (i) the name of each Obligor thereon, (ii) the original term (expressed in months) of the Contract giving rise to such Receivable, (iii) the amount and frequency (e.g., monthly or quarterly) of, and due date for, each payment due thereon, (iv) the aggregate number of remaining payments due thereon as of the Closing Date or such Ending Date, as applicable, (v) the Net Balance thereof as of the date of such Receivables Schedule (which, in the case of the Receivables Schedule for the Closing Date shall be the Cutoff Date and in the case of a Receivables Schedule for any Settlement Period shall be the Domestic Business Day next preceding the Reset Date for such Settlement Period), and (vi) an aging of such Receivable. The delivery of each Receivables Schedule shall constitute an offer to sell to the Purchasers hereunder (x) on the Closing Date, each Initial Offered Receivable and (y) on the Ending Date for any Settlement Period, each Subsequently Offered Receivable for such Ending Date.

SECTION 2.03. Purchase Price. (a) The purchase price payable by the Purchasers for the Initial Offered Receivables and for the Subsequently Offered Receivables on the Ending Date for any Settlement Period, as the case may be (the "Purchase Price"), shall be equal to the aggregate Net Balances of all the Initial Offered Receivables as of the Cutoff Date or, in the case of such Subsequently Offered Receivables, the aggregate Net Balances of all such Subsequently Offered Receivables as of the Domestic Business Day next preceding the Reset Date for such Settlement Period.

(b) With respect to the Purchase Price for the Initial Offered Receivables, on the Closing Date, each Purchaser shall make available to the Agent its ratable share (determined on the basis of such Purchaser's Commitment Percentage) of such Purchase Price. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will, subject to Section 2.10(c), make the funds so received from the Purchasers available to Stanley on the Closing Date, on behalf of and for the account of the Sellers, at the Agent's address referred to in Section 10.01.

(c) The Purchase Price for any Subsequently Offered Receivables purchased on the Ending Date for any Settlement Period shall be credited to the Sellers and accounted for as part of the settlement reconciliation for such Settlement Period pursuant to Section 2.09.

SECTION 2.04. Purchasers' Yield. (a) The Sellers hereby guarantee to the Purchasers a yield on the Opening Receivables for each Settlement Period equal to the Purchasers' Yield for such Settlement Period, without regard to the amount of interest on such Opening Receivables collected from the Obligors thereon during such Settlement Period. The Purchasers' Yield for each Settlement Period shall be credited to the Purchasers and accounted for as part of the settlement reconciliation for such Settlement Period pursuant to Section 2.09.

(b) Stanley may select, on behalf of the Sellers, for each Settlement Period whether the Yield Rate for such Settlement Period shall be the Adjusted Base Rate or the Euro-Dollar Rate

for such Settlement Period. Such selection shall be made by written notice from Stanley to the Agent to be received not later than 10:00 a.m. (Atlanta, Georgia time) on the third Euro-Dollar Business Day next preceding the first day of such Settlement Period if Stanley shall elect the Euro-Dollar Rate as the Yield Rate for such Settlement Period; provided that if the Agent shall not have received such a notice from Stanley on or prior to 10:00 a.m. (Atlanta, Georgia time) on the third Euro-Dollar Business day next preceding the first day of such Settlement Period, Stanley shall be deemed to have selected, on behalf of the Sellers, the Euro-Dollar Rate as the Yield Rate for such Settlement Period; and provided further that, upon the occurrence and during the continuance of a Repurchase Event, Stanley may not select the Euro-Dollar Rate as the Yield Rate for any Settlement Period unless all of the Purchasers shall consent thereto in writing.

SECTION 2.05. Commitment Reductions. If on the Ending Date for any Settlement Period the total Commitments shall exceed the Closing Balance for such Settlement Period, Stanley may reduce the Commitments effective as of such Ending Date by the amount of such excess by delivering to the Agent, not less than 5 Domestic Business Days prior to such Ending Date, written notice of such reduction specifying the total amount of such reduction and the Settlement Period Ending Date on which such reduction shall be effective. Any notice of a reduction of the Commitments delivered pursuant to this Section shall be irrevocable, and on the Settlement Period Ending Date so specified in such notice the Commitments shall be reduced, without further action, by the amount of reduction so specified in such notice. Each such reduction shall be applied pro rata to the Commitments of the respective Purchasers based on their respective Commitment Percentages.

SECTION 2.06. Repurchase of Receivables; Corrections for Errors. (a) Each Seller shall repurchase from the Purchasers any Purchased Receivable conveyed hereunder by such Seller (i) that becomes a Defaulted Receivable or a Charged-Off Receivable, (ii) with respect to which any Obligor thereon is also an Obligor on a Defaulted Receivable or a Charged-Off Receivable, (iii) that was not an Eligible Receivable when conveyed to the Purchasers hereunder, or (iv) that at any time after such conveyance ceases to be an Eligible Receivable for any reason (other than solely by reason of its conveyance to the Purchasers hereunder). Such repurchase shall be made as of the Ending Date of any Settlement Period during which any officer or responsible official (including, without limitation, the credit manager) of such Seller or any Servicer obtains knowledge of, or during which the Agent or any Purchaser shall have notified Stanley or such Seller of, any of the foregoing conditions with respect to such Purchased Receivable. The repurchase price for each such Purchased Receivable shall be the Net Balance of such Purchased Receivable as of the Domestic Business Day next preceding the Reset Date for such Settlement Period.

(b) If it shall be determined that, as a result of any error in a Receivables Schedule, a Settlement Statement or otherwise, the amount paid by the Purchasers in respect of the Purchase Price for the Initial Offered Receivables or any Subsequently Offered Receivables exceeded or was less than the Purchase Price required to be paid hereunder, then on the Ending Date of any Settlement Period in which such error shall have been discovered the Sellers and the Purchasers shall make appropriate adjustments to correct such error, which adjustments may include, without limitation, the Sellers' repurchase of Purchased Receivables or a refund of amounts paid in respect of the Purchase Price, as appropriate.

(c) With respect to each Purchased Receivable to be repurchased under this Section on the Ending Date for any Settlement Period, the repurchase price for such Purchased Receivable, together with the Purchasers' Yield allocable to such Purchased Receivable for such Settlement Period shall be credited to the Purchasers and accounted for as part of the settlement reconciliation for such Settlement Period pursuant to Section 2.09.

SECTION 2.07. Servicing and Collections. (a) Until such time as the Agent shall have assumed the responsibility for the billing and collection of the Purchased Receivables pursuant to Section 6.03 or paragraph (b) of this Section, the Sellers, in their capacity as Servicers and acting on behalf of and as independent contractors of the Purchasers, shall bill and service the Purchased Receivables and collect all amounts due from Obligors on the Purchased Receivables. In the performance of such duties, the Sellers shall use such reasonable commercial practices, and exercise such care and diligence, as the Sellers would employ in the billing, servicing and collection of Receivables owned by them. Subject to and in accordance with the provisions of Section 2.09, all amounts collected by the Servicers in respect of the Purchased Receivables during any Settlement Period shall be credited to the Purchasers and accounted for as part of the settlement reconciliation for such Settlement Period pursuant to Section 2.09. As compensation for the Sellers' performance of their duties as Servicers, the Sellers shall be entitled to a Sellers' Servicing Fee for each Settlement Period for which such duties are performed, as provided in Section 2.08(c), but otherwise the Sellers shall perform their duties as Servicers hereunder at their own expense. As part of and included in the Sellers' duties as Servicers, the Sellers agree as follows:

(i) Sellers shall, on behalf of the Purchasers, collect payments and all sales/use and other applicable taxes from Obligors on the Purchased Receivables and will, at their sole cost and expense, diligently perform all billing and collecting for amounts due or to become due with respect to Purchased Receivables. Sellers shall bill Obligors in accordance with their standard billing procedures, provided that each invoice sent to an Obligor with respect to any Purchased Receivable shall separately list the amount due as such Obligor's payment obligation under such Purchased Receivable from any other Receivable that is not a Purchased Receivable.

(ii) Sellers shall maintain books and records pertaining to all Purchased Receivables.

(iii) To the extent the Sellers are responsible therefor, the Sellers will, on behalf of the Purchasers, collect when due, any and all personal property taxes, license fees, sales, use, excise, or similar taxes now or hereafter imposed by any governmental authority or regulatory body on any goods sold or leased, or services performed, under or pursuant to any Contract giving rise to any Purchased Receivable or payments due under such Contract, or such Contract itself or the Purchased Receivable arising thereunder, together with any penalties or interest in connection therewith and remit the same to the appropriate governmental authority or regulatory body. To the extent any Purchaser is directly assessed any taxes, penalties or interest on any such goods or services, on any such payments or on any such Contract or Purchased Receivable, and such Purchaser notifies Stanley of said assessment, then such Purchaser and the Sellers agree to

first attempt (at the Sellers' expense) to have the governmental authority or regulatory body reassess such taxes, penalties or interest against the Sellers on behalf of such Purchaser, failing which, such Purchaser shall pay such taxes to the appropriate governmental authority or regulatory body; provided that such taxes, penalty or interest shall in any event be paid by the Purchasers before they become delinquent or become a Lien upon any Purchased Receivable or any goods sold or leased under any Contract giving rise to any Purchased Receivable. Stanley shall, promptly upon demand, reimburse each Purchaser for all such taxes, penalties and interest so assessed against and paid by such Purchaser. Each Purchaser agrees to cooperate with and provide reasonable assistance to the Sellers, at the Sellers' sole cost and expense, in their efforts to obtain a refund from the appropriate governmental authority or regulatory body for any duplication of any tax payments.

(iv) Sellers shall maintain and preserve the original Contracts giving rise to the Purchased Receivables and shall not permit any other Person to obtain possession thereof, provided that, if the Agent shall have assumed the Sellers' duties for the billing and collection of the Purchased Receivables pursuant to Section 6.03 or paragraph (b) of this Section, then the Sellers shall promptly deliver to the Agent the originals (and all original counterparts in any Seller's possession or control) of all such Contracts. Further, the Sellers shall file proper financing statements or (with respect to financing statements theretofore filed) financing statement amendments under Article 9 of the UCC (as enacted and then in effect in any relevant jurisdiction) with the appropriate recording officers showing the Agent, as assignee of any security interest in the goods sold or leased under any such Contract, provided that no such filing shall be required to be made unless (x) the Sellers shall fail to repurchase the Purchased Receivables or any Purchaser's Beneficial Interest pursuant to Section 6.02 or (y) the Agent shall have assumed the Sellers' duties and responsibilities for the billing and collection of Purchased Receivables pursuant to paragraph (b) of this Section or Section 6.03.

(v) Sellers shall preserve and maintain such records of goods sold or leased under a Contract that are in the possession of any Obligor under a Purchased Receivable in accordance with the Sellers' normal business procedures. Sellers shall give each Purchaser and the Agent, and their respective representatives, at all reasonable times access to such records and shall permit such representatives to inspect, audit and to make extracts therefrom.

(vi) Where required under a Contract giving rise to a Purchased Receivable, Sellers shall obtain evidence of insurance covering the goods sold or leased under such Contract and listing the Seller of such Purchased Receivable and any of its assigns as co-payee.

(vii) Sellers shall direct that all payments made by any Obligor on any Purchased Receivable be deposited into one or more separate lockbox accounts (each a "Lockbox Account") with a depository that is not a Subsidiary or an Affiliate (a "Lockbox Depository") for which each Seller shall have delivered to the Agent, executed in blank, a notice to such Lockbox Depository (a "Notice to Lockbox Depository") substantially in the form of Exhibit C attached hereto. The Sellers warrant and represent that attached hereto as Schedule 2.07 is a true and correct listing of all

Lockbox Accounts and the names and addresses of all Lockbox Depositories. No Seller shall close or make any change of any Lockbox Account or any Lockbox Depository, or authorize or direct any Obligor on any Purchased Receivable to remit its payments to a different Person or account (or, in the case of Stanley, any Person or account), unless, not less than 30 days prior to the date thereof, such Seller shall have delivered written notice thereof to the Agent and shall have executed and delivered to the Agent a new Notice to Lockbox Depository, addressed to such new Lockbox Depository but otherwise executed in blank. Subject to paragraph (b) of this Section and Section 6.04(c), the Sellers may use and withdraw funds from any Lockbox Account without restriction.

(b) Sellers' duties as Servicers of the Purchased Receivables may be terminated unilaterally by the Agent or the Required Purchasers pursuant to Section 6.03 or by a written amendment to this Agreement signed by the Required Purchasers, the Agent and the Sellers. If the servicing arrangement is so terminated, thereupon the Agent shall assume all rights and responsibilities for the billing and collection of the Purchased Receivables, and

(i) from and after such termination (A) Sellers shall not be entitled to the any Sellers' Servicing Fee, (B) if a Repurchase Event has occurred, no Seller shall be entitled to receive or retain any sum collected in respect of any Purchased Receivable until all of the Purchased Receivables shall have been repurchased pursuant to Section 6.02, (C) no Seller shall withdraw or otherwise remove, or permit the removal by any Person other than the Agent or its agents, of any funds in any Lockbox Account (provided that, subject to Section 6.05, the Agent shall pay to a Seller amounts paid into a Lockbox Account on a Receivable, owned by such Seller, that is not a Purchased Receivable (a "Non-Purchased Receivable") so long as, in each instance, such Seller shall have (x) notified the Agent in writing of the amount to be remitted to it and the identity of the applicable Receivable and of the Obligor thereunder and (y) demonstrated to the Agent's reasonable satisfaction that the amount proposed to be removed did not represent any part of a payment made on a Purchased Receivable, and provided further that the Sellers may notify Obligors on any Non-Purchased Receivables to make payments only on such Non-Purchased Receivables as the Sellers may direct), (D) each Seller shall transmit and deliver to the Agent, immediately upon receipt thereof, all payments on account of any Purchased Receivable that such Seller may receive, (E) the Sellers shall pay to the Agent for its own account the Agent's Servicing Fee in accordance with the provisions of Section 2.08(d) and, promptly upon demand from time to time, the Agent's Costs and Expenses, and (F) the Sellers will provide the Agent with an ASCII file containing the names and mailing addresses of the Obligors on the Purchased Receivables;

(ii) the Sellers shall promptly deliver to the Agent all books, records, files and insurance policies referred to in paragraph (a) of this Section and shall execute and deliver to the Agent instruments of assignment, in form and substance satisfactory to the Agent and its counsel, assigning to the Agent all such insurance policies;

(iii) the Agent, in connection with its assumption of the Sellers' rights and duties for the billing and collection of the Purchased Receivables, (A) may contract with third-party independent contractors for the performance

of any or all of such duties, (B) may direct any or all of the Obligors on the Purchased Receivables to remit any and all payments thereon to the Agent or such other Person as the Agent may designate, and for that purpose the Agent may date and deliver to the Obligors on Purchased Receivables the Notices to Obligors delivered to Agent by the Sellers at various times pursuant to Section 3.02, (C) may assume control of and dominion over all funds then on deposit in or thereafter deposited into each Lockbox Account, and for such purpose the Agent may date, otherwise complete and deliver to each Lockbox Depository a Notice to Lockbox Depository delivered to the Agent pursuant to the provisions of clause (a) (vii) of this Section, (D) shall bill for and collect all amounts payable under the Purchased Receivables and (E) shall be responsible for the preparation of a Settlement Statement in the form of Exhibit D-2 hereto (the "Agent's Settlement Statement") on the Ending Date of each Settlement Period ending after the date of such assumption;

(iv) no Seller shall interfere, attempt to interfere, or communicate in any way with any Obligor concerning the notices, billing and collection of payments on Purchased Receivables and other amounts as provided in this Agreement; and

(v) the Agent may, in any Seller's name (and each Seller hereby expressly authorizes the Agent and gives the Agent permission to do so) or in the name of the Purchasers, (A) endorse all remittances received and all notes (if any) evidencing obligations under the Purchased Receivables and any assignments thereof, and (B) release, on terms satisfactory to Agent or by operation of law or otherwise, compromise or adjust any and all rights against, and/or grant extensions of time of payment to, the Obligors on any Purchased Receivable or agree to the substitution of an Obligor, without notice to any Seller and without affecting any Seller's Obligations.

(c) Each Seller does hereby irrevocably constitute and appoint the Agent and its officers its true and lawful attorney with full power of substitution, for such Seller and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compromise, adjust, and give acquittance for any and all amounts due or to become due in respect of any Purchased Receivable, to endorse the name of such Seller on all checks, collection receipts or instruments given in payment or part payment thereof, to sign terminations, amendments and assignments (to the Agent or otherwise) of financing statements referencing such Seller as secured party given to perfect security interests under any such Purchased Receivable, and otherwise to take any and all actions determined by the Agent to be necessary or desirable in the servicing, billing or collection of the Purchased Receivables; provided that the power herein conferred shall be exercisable only if, and from and after such time as, the Agent shall have assumed the responsibilities for the billing and collection of the Purchased Receivables pursuant to paragraph (b) of this Section or under Section 6.03.

SECTION 2.08. Fees. The following fees shall be payable and (except with respect to the Agent's Servicing Fees unless otherwise provided in Section 2.09) shall be credited and accounted for hereunder in accordance with the provisions of Section 2.09:

(a) Facility Fee. The Sellers shall pay to the Agent, for the ratable account of each Purchaser, for each Settlement Period a fee (a "Facility Fee") equal to the product obtained by multiplying (i) such Purchaser's

Commitment as of the first day of such Settlement Period times (ii) the weighted average of the Facility Fee Rate in effect for each day during such Settlement Period times (iii) a fraction, the denominator of which is 360 and the numerator of which is the total number of days (including the first but excluding the last) during such Settlement Period; provided that, if a Purchaser shall have failed to fund its ratable share of the Purchase Price for the Initial Offered Receivables or a Portfolio Increase and such failure

Closing Date or the applicable Ending Date, as the case may be, then the amount of Facility Fees due to such Purchaser shall be subject to adjustment as provided in Section 2.10(c) (ii).

(b) Agency Fees. Stanley shall pay to the Agent, for its own account, the fees provided for in that letter agreement, dated November 4, 1993, between the Agent and Stanley (the "Agency Fees").

(c) Sellers' Servicing Fee. As compensation for the Sellers' performance of their duties as Servicers under Section 2.07(a), for each Settlement Period (or portion thereof) during which the Sellers act as Servicers, the Sellers shall be entitled to the Sellers' Servicing Fee for such Settlement Period; provided that if, pursuant to Section 2.07(b) or Section 6.03, the Agent shall have assumed the Sellers' duties for the billing and collection of the Purchased Receivables, the Sellers' right to receive any Sellers' Servicing Fee shall terminate as of the date of such assumption, and if such assumption shall occur on a date other than the first day of a Settlement Period, the Sellers' Servicing Fee for the Settlement Period during which such assumption shall occur shall be pro-rated as of the date of such assumption.

(d) Agent's Servicing Fee. In the event that, pursuant to Section 2.07(b) or Section 6.03, the Agent shall have assumed the Sellers' duties for the billing and collection of the Purchased Receivables, the Sellers shall pay a monthly fee of \$25,000 to the Agent, for its own account, on the date of such assumption and on the first day of each month thereafter (an "Agent's Servicing Fee"). The Agent's Servicing Fee shall be pro-rated for any partial month. In addition, upon demand from time to time the Sellers shall also pay to the Agent, and reimburse it for, all reasonable costs and expenses incurred by the Agent in connection with the performance of such duties, including, without limitation, the fees, costs and expenses charged to the Agent by any third Person engaged to perform all or any part of such billing and collection tasks (the "Agent's Costs and Expenses"). The Sellers shall be obligated to pay the Agent's Servicing Fees and the Agent's Costs and Expenses until all of the Purchased Receivables have been sold to one or more third parties or all of the Purchased Receivables have been finally and indefeasibly paid in full by the Obligor thereon.

SECTION 2.09. Adjustments and Settlement. (a) The balances owed to the Sellers on the one hand and to the Purchasers on the other hand in respect of collections of amounts due from Obligor in respect of Purchased Receivables, the sale of Subsequently Offered Receivables, the repurchase of Purchased Receivables pursuant to Section 2.06, the Facility Fees, the Agency Fees, the Sellers' Servicing Fees and (to the extent herein provided) the Agent's Servicing Fees and Agent's Costs and Expenses, if applicable, shall be evidenced by a mutual open account that shall be reconciled and settled for each Settlement Period as of the Ending Date thereof as provided in this Section.

(b) Prior to 10:00 a.m. (Atlanta, Georgia time) on the Reset Date for each Settlement Period, the Servicers shall submit to the Agent a settlement statement, bill of sale and assignment, substantially in the form attached hereto as Exhibit D-1 (each a "Settlement Statement"), dated the Ending Date for such Settlement Period and specifying among other things (i) the Opening Balance and the Closing Balance for such Settlement Period, (ii) the Portfolio Decrease, if any, for such Settlement Period, (iii) the Portfolio Increase, if any, for such Settlement Period, (iv) the amount and computation of the Purchasers' Yield for such Settlement Period, (v) the amount and computation of the Facility Fee for such Settlement Period, and (vi) the amount of all Agent's Servicing Fees and Agent's Costs and Expenses, if any, that became due to the Agent on or before, but remain unpaid as of, such Ending Date. In connection with the Settlement Statement for each Settlement Period, Stanley shall deliver to the Agent, for receipt not later than 10:00 a.m. (Atlanta, Georgia time) on the Ending Date for such Settlement Period, a Receivables Schedule for such Settlement Period, dated as of the Domestic Business Day next preceding the Reset Date for such Settlement Period, conforming to the requirements of Section 2.02. Notwithstanding the foregoing, in the event the Agent shall have assumed the Sellers' responsibilities for the billing and collection of Purchased Receivables, such Settlement Statements shall be prepared by the Agent (with copies furnished to the Sellers and the Purchasers) and the calculations and information therein shall be conclusive, absent manifest error.

(c) On the Ending Date for each Settlement Period, the Sellers shall pay (without regard to the aggregate amount or sufficiency of collections received by the Sellers during such Settlement Period of payments made on the Opening Receivables for such Settlement Period) to the Agent an amount equal to the sum of (i) the Portfolio Decrease, if any, for such Settlement Period (subject to adjustment as provided in Section 2.10(c) (i) (B)), (ii) the Purchasers' Yield for such Settlement Period (subject to adjustment as provided in Section 2.10(c) (i) (A)), (iii) the Facility Fees for such Settlement Period (subject to adjustment as provided in Section 2.10(c) (ii)), and (iv) the amount of all Agent's Servicing Fees and Agent's Costs and Expenses, if any, that became due to the Agent on or before, but remain unpaid as of, the Ending Date for such Settlement Period; provided that, if as a consequence of a Repurchase Event the Agent shall have established a date, that is within 5 Domestic Business Days following such Ending Date, for the repurchase of all of the Purchased Receivables pursuant to Section 6.02(c), then such payment otherwise due on such Ending Date shall be deferred until and shall be due on the date so established for such repurchase, except that nothing in this proviso shall relieve the Sellers of their obligation to prepare and deliver a Settlement Statement for such Settlement Period. Promptly upon receipt of any amount so paid by the Sellers, the Agent shall apply the same first to the items identified in clause (iv) of this paragraph (b) and to any the Agency Fees that shall have become due but which then remain unpaid by the Sellers, and from the balance, if any, remaining after such application the Agent shall remit to each Purchaser (by a credit to an account of such Purchaser maintained with the Agent for such purpose or by the delivery of Federal or other funds immediately available to such Purchaser in accordance with written wiring instructions delivered to the Agent by such Purchaser) such Purchaser's ratable share of the Portfolio Decrease (if any), the Purchasers' Yield and the Facility Fees for such Settlement Period, in each case subject to any necessary adjustment required by Section 2.10(c). Notwithstanding the foregoing, if the Agent shall have assumed the Sellers' responsibilities for the billing and collection of the Purchased Receivables pursuant to Section 2.07(b) or Section 6.03, then the amount to be so paid by the Sellers on the Ending Date for any Settlement Period shall be reduced by the amount of collected funds in the Agent's possession, as of the Domestic Business Day next preceding the Reset Date for such Settlement Period, representing payments made by Obligors in respect of the Opening Receivables for such Settlement Period and received by the Agent from and after the Reset Date for the next preceding Settlement Period. The Sellers' repurchase of any Purchased Receivables on

the Ending Date of any Settlement Period, under Section 2.06, Section 2.13, Section 6.02 or otherwise, shall not relieve the Sellers of their obligation to pay to the Agent any amounts required to be paid hereunder on such Ending Date.

(d) Subject to Section 3.02, on the Ending Date for each Settlement Period each Purchaser shall make available to the Agent, in accordance with the provisions of Section 2.10(c), its ratable share of the Portfolio Increase, if any, for such Settlement Period. Subject to Section 2.10(c), the Agent will make the funds so received from the Purchasers available to Stanley, on behalf of and for the account of the Sellers, at the Agent's aforesaid address.

(e) Notwithstanding any provision herein to the contrary, if on the Ending Date for any Settlement Period any Purchaser's Commitment or Beneficial Interest shall be held by a Person that is not an Eligible Purchaser (by reason of a purchase of such Beneficial Interest pursuant to Section 6.02 or otherwise), then (i) the amount of the Portfolio Increase, if any, to be paid to the Sellers for such Settlement Period, and the amount of the Portfolio Decrease, if any, Purchasers' Yield and Facility Fees to be so credited for payment to the Agent for such Settlement Period, each shall be reduced by a percentage equal to the Beneficial Interest Percentage attributable to the Person that is not an Eligible Purchaser, (ii) such Person shall account directly to the Sellers in respect of the amount of such Person's pro rata share of the Portfolio Increase, if any, that otherwise would have been so credited for payment to the Sellers (and the Agent and the Eligible Purchasers shall be relieved of any obligation to do so), (iii) the Sellers shall account directly to such Person for the amount of such Person's pro rata share (based on the Beneficial Interest Percentages) of the Portfolio Decrease, if any, Purchasers' Yield and Facility Fees that otherwise would have been so credited for payment to the Agent for the account of such Person (and the Agent shall be relieved of any obligation to do so), and (iv) after giving effect to such reductions, those amounts to be remitted by the Agent to the Purchasers shall be allocated to the Eligible Purchasers on a pro rata basis in accordance with the portion of the total Beneficial Interest Percentage of each such Eligible Purchaser.

(f) Without in any way limiting the obligation to account for or pay the amounts required to be paid to the Agent pursuant to paragraph (c) of this Section, until such time as the Agent have shall assumed, pursuant to Section 2.07(b) or Section 6.03, the Sellers' duties for the billing and collection of the Purchased Receivables, to the extent that the collections during any Settlement Period (or part thereof prior to the date of such assumption by the Agent) in respect of the Opening Receivables therefor exceed the sum of (i) the amount by which the Opening Balance for such Settlement Period exceeds the aggregate Net Balance of such Opening Receivables as of the Domestic Business Day next preceding the Reset Date for such Settlement Period, plus (ii) the Purchasers' Yield for such Settlement Period, plus (iii) the Facility Fees and Agency Fees for such Settlement Period, the Sellers may retain such excess collections (herein, the "Sellers' Servicing Fee" for such Settlement Period) for their own account as compensation for such Settlement Period (or portion thereof) in respect of such servicing. In the event the Agent shall so assume the Sellers' duties for the billing and collection of the Purchased Receivables, such excess shall be retained by the Agent, for the ratable benefit of the Purchasers,

as collateral security for Sellers' Obligations (and for such purpose and to such extent, each Seller hereby grants to the Agent, as security for the Sellers' Obligations, a security interest in such funds).

SECTION 2.10. General Provisions as to Payments. (a) Each Seller shall make all payments required to be made by it under this Agreement (including, without limitation, payments of

amounts required under Section 2.09, Section 2.13, Section 6.02 or Article IX) not later than 11:00 A.M. (Atlanta, Georgia time) on the date when due, in Federal or other funds immediately available in Atlanta, Georgia, to the Agent at its address referred to in Section 10.01. To the extent required by this Agreement, the Agent will promptly distribute to each Purchaser its share, determined in accordance with the provisions of this Agreement, of each such payment received by the Agent for the account of the Purchasers.

(b) Payment of any amount due from any Seller hereunder (including, without limitation, pursuant to any provision of Article II, Article VI, Article IX or Article X) that is not paid when due in accordance with the provisions hereof shall bear interest, payable upon demand, for each day until paid at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Base Rate Margin for such day plus 2.0% per annum.

(c) Not later than 11:00 A.M. (Atlanta, Georgia time) on the Closing Date each Purchaser shall make available its ratable share of the Purchase Price for the Initial Offered Receivables, and not later than 11:00 A.M. (Atlanta, Georgia time) on each Ending Date each Purchaser shall make available its ratable share of the Portfolio Increase, if any, due on such date, in each case in Federal or other funds immediately available in Atlanta, Georgia, to the Agent at its address referred to in Section 10.01. Subject to the terms and conditions of this Agreement, the Agent will promptly distribute to Stanley, for the account of the Purchasers, such Purchase Price or Portfolio Increase, as applicable. Unless the Agent receives notice to the contrary from a Purchaser, at the Agent's address referred to in Section 10.01, no later than 4:00 P.M. (local time at such address) on the Domestic Business Day next preceding the Closing Date or an Ending Date, as applicable, the Agent shall be entitled to assume that such Purchaser will make available to the Agent, not later than 11:00 A.M. (Atlanta, Georgia time) on the Closing Date or such Ending Date, as applicable, such Purchaser's ratable share of such Purchase Price or Portfolio Increase (if any), as applicable, to be paid to the Sellers on such date and, in reliance on such assumption, the Agent may (but shall not be obligated to) make available such Purchaser's ratable share of such Purchase Price or Portfolio Increase, as applicable, to Stanley for the account of such Purchaser. If the Agent makes such Purchaser's ratable share of such Purchase Price or Portfolio Increase, as applicable, available to Stanley and such Purchaser does not in fact make available such ratable share of such Purchase Price or Portfolio Increase, as applicable, as and when required hereunder, the Agent shall be entitled to recover such Purchaser's ratable share of such Purchase Price or Portfolio Increase from such Purchaser or the Sellers (and for such purpose shall be entitled to charge such amount to any account of any Seller maintained with the Agent), together with interest thereon for each day during the period from the Closing Date or such Ending Date, as applicable, until such sum shall be repaid to the Agent in full at a rate per annum equal to the Federal Funds Rate for each such day during such period, provided that (x) any such payment by the Sellers of such Purchaser's ratable share shall be without prejudice to any rights that the Sellers may have against such Purchaser and shall not affect in any manner such Purchaser's obligation to fund its ratable share of such Purchase Price or Portfolio Increase and (y) payments of

interest for any period to the Agent by the Sellers on any amounts recovered by the Agent from the Sellers under this Section 2.10(c) shall be made in lieu of any Purchasers' Yield (or, in the case of a required purchase of a Purchaser's Beneficial Interest or required repurchase of the Purchased Receivables pursuant to Section 6.02, that component of the purchase price or repurchase price determined by reference to the Yield Rate) for such period on such recovered amount. If the Agent does not exercise its option to advance funds for the account of such Purchaser, it shall forthwith notify Stanley of such decision. In addition, if on the Closing Date or any Ending Date a Purchaser shall be required but shall fail to fund its ratable share of the Purchase Price for the Initial Offered Receivables or a Portfolio Increase, then in such event

(i) if the Agent does not advance funds for the account of such Purchaser, or if the Agent advances such funds to, and thereafter recovers such funds from, the Sellers, then (A) for each day of any Settlement Period on which such ratable share remains unfunded, the amount of Purchasers' Yield for such day otherwise payable by the Sellers for the account of such Purchaser shall be reduced to an amount equal to the total Purchasers' Yield for such day multiplied by such Purchaser's Beneficial Interest Percentage and (B) for any Settlement Period that shall end after such failure without such failure having been remedied, the amount of the Portfolio Decrease (if any) for such Settlement Period otherwise payable by the Sellers for the account of such Purchaser shall be reduced to an amount equal to the Portfolio Decrease for such Settlement Period multiplied by such Purchaser's Beneficial Interest Percentage; and

(ii) notwithstanding Section 2.08(a), if such failure was for a reason within such Purchaser's control and shall remain unremedied for a period of five (5) Domestic Business Days, then the amount of the Facility Fee for the Settlement Period in which such failure occurs otherwise payable by the Sellers for the account of such Purchaser shall be reduced to an amount equal to the total Facility Fees of all of the Purchasers for such Settlement Period (calculated as set forth in Section 2.08(a)) multiplied by such Purchaser's Beneficial Interest Percentage.

Notwithstanding clauses (i) and (ii) of this paragraph (c), a failure by a Purchaser to fund its ratable share of the Purchase Price on the occasion of the initial Purchase hereunder, or of a Portfolio Increase on the occasion of any other Purchase hereunder, shall not be deemed to affect in any manner the number or amount of Initial Offered Receivables or Subsequently Offered Receivables sold to the Purchasers hereunder, the Sellers' sole remedy being to recover from such Purchaser the amount such Purchaser has failed to fund.

SECTION 2.11. Computation of Purchasers' Yield and Facility Fees. Purchasers' Yield and Facility Fees hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.12. Financing Statements. In order to evidence the sale of Receivables under this Agreement, each Seller shall, from time to time as requested by Required Purchasers or the

Agent, take such action, and execute and deliver such instruments (including, without limitation, financing statements under the UCC as enacted and then in effect in the States of Connecticut, Ohio, Rhode Island, Georgia or any other jurisdiction in which any Seller has its principal place of business or maintains any books, records, files or other information concerning any of its Receivables) in order to evidence the sale of Receivables under this Agreement or to record notice of the Purchasers' interest in the Purchased Receivables. Each Seller represents and warrants to the Purchasers that Schedule 2.12 attached hereto accurately sets forth such Seller's federal employment identification number, the address of such Seller's principal place of business and the address of each location where such Seller maintains any books, records, files or other information concerning any of its Receivables or the Purchased Receivables. No Seller shall change the location of its principal place of business, the location of any such books, records files or information, its name, its identity or its corporate structure unless, in each case, not less than 30 days prior to such change, such Seller shall have notified the Agent in writing of the proposed change and shall have executed, delivered and/or recorded such instruments as the Agent may determine shall be necessary in order to continue the effectiveness of any notice of the Purchasers' interest in the Purchased Receivables.

SECTION 2.13. Commitment Expiration and Termination. (a) The Commitments shall expire on the Commitment Expiration Date unless earlier terminated at the Sellers' election. The effective date of any such termination (the "Commitment Termination Date") shall be the Ending Date of the Settlement Period in which the Sellers have notified the Purchasers of their exercise of such election, which notice to be effective on such Ending Date shall be given not less than three Euro-Dollar Business Days prior to such Ending Date. Upon the expiration or termination of the Commitments (other than a termination resulting from the occurrence of a Repurchase Event):

(i) The Sellers, upon 30 days prior notice, may at any time require each of the Purchasers to sell all of its right, title and interest in all the Purchased Receivables to a third party or third parties designated in such notice on the Ending Date of any Settlement Period ending on or after the Commitment Expiration Date or Commitment Termination Date, as applicable. The purchase price, which shall be paid on such Ending Date, shall be equal to the sum of (A) for each Purchaser, the product obtained by multiplying such Purchaser's Beneficial Interest Percentage by the Portfolio Balance on the Domestic Business Day next preceding the Reset Date for such Settlement Period plus (B) to the extent not otherwise accounted for and paid pursuant to Section 2.09, all Purchasers' Yield accrued to such Ending Date and all Facility Fees for such Settlement Period, subject to any necessary adjustment required by Section 2.10(c)(i)(A) and Section 2.10(c)(ii), respectively, plus (C) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents; or

(ii) If upon the expiration or termination of the Commitments, the Sellers do not require the sale of the Purchased Receivables to a designated third party, the Purchasers shall have the right, in addition to and without waiving all other rights they may have under applicable law:

(A) to sell or otherwise transfer the Purchased Receivables in any lawful manner that may be

expeditious or economically advantageous to the Purchasers, provided that, the Purchased Receivables must be conveyed as a whole to a purchaser or group of purchasers acceptable to the Sellers; or

(B) to retain the Purchased Receivables, in which event, (1) the Sellers shall continue to act as Servicers and to receive the Sellers' Servicing Fee for so acting (unless the Agent have shall assumed, pursuant to Section 2.07(b) or Section 6.03, the Sellers' duties for the billing and collection of the Purchased Receivables), (2) the Purchasers shall be entitled to receive and the Sellers shall be obligated to pay the Purchasers' Yield and (3) the Agent shall be entitled to receive and the Sellers shall be obligated to pay the Agent's Fee. Such obligations shall continue until (x) there are no longer any amounts owing on the Purchased Receivables, (y) the remaining Purchased Receivables have been sold to a third party (pursuant to clause (i) or clause (ii)(A) above) or (z) the Sellers shall have repurchased all of the Purchased Receivables pursuant paragraph (b) of this Section.

(b) If on the Domestic Business Day next preceding the Reset Date for any Settlement Period ending on or after the Commitment Termination Date or the Commitment Expiration Date, as applicable, the Portfolio Balance is less than \$12,000,000, the Sellers shall have the right on the Ending Date for such Settlement Period, upon notice delivered to the Agent not less than 5 Domestic Business Days prior to such Ending Date, to repurchase from the Purchasers all of the Purchased Receivables for a repurchase price equal to the sum of (i) for each Purchaser, the product obtained by multiplying such Purchaser's Beneficial Interest Percentage by the Portfolio Balance on the Domestic Business Day next preceding such Reset Date, plus (ii) to the extent not otherwise accounted for and paid pursuant to Section 2.09, all Purchasers' Yield accrued to such Ending Date and all Facility Fees for such Settlement Period, subject to any necessary adjustment required by Section 2.10(c) (i) (A) and Section 2.10(c) (ii), respectively, plus (iii) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents. Any notice of repurchase delivered pursuant to this Section shall be irrevocable.

(c) Any conveyance of the Purchased Receivables by the Purchasers pursuant to paragraph (a) (i) or paragraph (b) of this Section shall be made without recourse to or warranty by any Purchaser and shall be free of all liens, claims, encumbrances and assignments created by the Purchasers.

ARTICLE III

CONDITIONS TO PURCHASES

SECTION 3.01. Conditions to First Purchase. The obligation of each Purchaser to purchase Receivables on the occasion of the first Purchase is subject to the satisfaction of the conditions set forth in Section 3.02 and the following additional conditions:

(a) receipt by the Agent from each of the parties hereto of either (i) a duly executed counterpart of this Agreement, or a facsimile transmission of a duly executed

signature page from a counterpart of this Agreement, signed by such party or (ii) if such party is a Purchaser, a telex or facsimile transmission stating that such party has duly executed a counterpart of this Agreement and sent such counterpart to the Agent;

(b) receipt by the Agent from each Seller of financing statements under the UCC as enacted and then in effect in the States of Connecticut and Georgia (with respect to those to be executed by Stanley), the States of Georgia and Rhode Island (with respect to those to be executed by Bostitch) and in the States of Ohio and Georgia (with respect to those to be executed by MAC) or any other jurisdiction in which such Seller has its principal place of business, identifying the Agent as secured party and signed by such Seller, evidencing the sale of Purchased Receivables to the Purchasers (or, in the event any sale of Receivables hereunder is considered as or determined to be a secured transaction, the security interest in the Purchased Receivables in favor of the Agent for the ratable benefit of the Purchasers);

(c) receipt by the Agent of an assignment and bill of sale, substantially in the form attached hereto as Exhibit E, to which shall be attached a Receivables Schedule, conforming to the requirements of Section 2.02, setting forth all Receivables to be sold to the Purchasers on the occasion of the first Purchase;

(d) receipt by the Agent of a duly executed Notice to Lockbox Depository from each Seller with respect to each Lockbox Account;

(e) receipt by the Agent of an opinion of Stephen S. Weddle, Vice President and General Counsel of Stanley, substantially in the form of Exhibit F-1 hereto and covering such additional matters relating to the transactions contemplated hereby as any Purchaser may reasonably request;

(f) receipt by the Agent of an opinion of Vorys, Sater, Seymour and Pease, special counsel to MAC, covering matters of Ohio law, substantially in the form of Exhibit F-2 hereto;

(g) receipt by the Agent of an opinion of Skadden, Arps, Slate, Meagher and Flom, special counsel to Bostitch, covering matters of Delaware law, substantially in the form of Exhibit F-3 hereto;

(h) receipt by the Agent of an opinion of Womble Carlyle Sandridge & Rice, special counsel for the Purchasers and the Agent, substantially in the form of Exhibit G hereto and covering such additional matters relating to the transactions contemplated hereby as any Purchaser may reasonably request;

(i) receipt by the Agent of a certificate, dated the date of the first Purchase, signed by a principal financial officer of the Sellers, to the effect that (i) no Potential Repurchase Event or Repurchase Event has occurred and is continuing on such date and (ii) the representations and warranties of the Sellers contained in Article IV hereof are true on and as of such date; and

(j) with respect to each Seller, receipt by the Agent of all documents that the Agent may reasonably request relating to the existence of such Seller, the corporate authority for and the validity of this Agreement, and any other matters relevant hereto, all in form and substance satisfactory to the Agent, including without limitation a certificate of incumbency of such Seller, signed by the Secretary or an Assistant Secretary of such Seller, certifying as to the names, true signatures and incumbency of the officer or officers of such Seller authorized to execute and deliver the Facility Documents, and certified copies of the following items:

(i) such Seller's Certificate of Incorporation and Bylaws, certified by the Secretary or any Assistant Secretary of such Seller,

(ii) a certificate of the Secretary of State (or equivalent authority) of the jurisdiction of such Seller's incorporation confirming as to the existence and the good standing of such Seller as a corporation of such jurisdiction,

(iii) a certificate of the taxing authority of the State (or equivalent authority) of the jurisdiction of such Seller's incorporation confirming that such Seller has filed all applicable tax returns and filings then required to have been filed and paid all taxes then required to have been paid, and

(iv) the action taken by the Board of Directors of such Seller authorizing such Seller's execution, delivery and performance of this Agreement and the other Facility Documents to which such Seller is a party.

SECTION 3.02. Conditions to All Purchases. The obligation of each Purchaser to purchase Receivables on the occasion of each Purchase is subject to the satisfaction of the conditions:

(a) except in the case of the Purchase on the Closing Date, receipt by the Agent, not later than 10:00 a.m. (Atlanta, Georgia time) on the Ending Date on which such Purchase is to be made, of (i) a Settlement Statement for the Settlement Period ending on such Ending Date and (ii) a Receivables Schedule for such Settlement Period, conforming to the requirements of Section 2.02 and setting forth all Receivables proposed to be sold to the Purchasers on such Ending Date;

(b) receipt by the Agent, from each Seller that is selling Receivables as a part of such Purchase, of a notice to Obligor in the form attached hereto as Exhibit H (each a "Notice to Obligor"), duly executed by such Seller in blank with respect to each Initial Offered Receivable or each Subsequently Offered Receivable that is the subject of such Purchase (provided that no Notice to Obligor shall be delivered to any Obligor unless and until the Agent shall have assumed, pursuant to Section 2.07(b) or Section 6.03, the Sellers' duties for the billing and collection of the Purchased Receivables);

(c) the fact that, immediately after such Purchase, no Potential Repurchase Event or Repurchase Event shall have occurred and be continuing;

(d) the fact that the representations and warranties of the Sellers contained in Article IV of this Agreement shall be true and correct in all material respects on and as of the date of such Purchase, both before and after giving effect to such Purchase; and

(e) the fact that, immediately after such Purchase, the Portfolio Balance will not exceed the aggregate amount of the Commitments as then in effect.

Each sale of Receivables hereunder by any Seller shall be deemed to be a representation and warranty by all of the Sellers on the date of such sale as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Each Seller represents and warrants that:

SECTION 4.01. Corporate Existence and Power. Each Seller (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) is duly qualified to transact business in every jurisdiction wherein the failure to be so qualified could reasonably be expected to have a Material Adverse Effect and (c) has the corporate power and authority, the legal right and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted except where, with respect to governmental licenses, authorizations, consents and approvals only, the absence thereof would not have a Material Adverse Effect.

SECTION 4.02. Corporate and Governmental Authorization; Contravention. The execution, delivery and performance by each Seller of this Agreement, and the other Facility Documents (a) are within such Seller's corporate powers, (b) have been duly authorized by all necessary corporate action, (c) require no action by or in respect of, or notice to, filing with or consent of, any governmental authority or regulatory body, (d) do not contravene such Seller's charter or bylaws, (e) do not constitute a material default under any law, statute, rule or regulation applicable to such Seller or any of the Principal Subsidiaries or any agreement, judgment, injunction, order, decree or other instrument binding upon such Seller or any Principal Subsidiary, and (f) do not result in the creation or imposition of any material Lien on any asset of such Seller or any Principal Subsidiary.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of each Seller, enforceable in accordance with its terms, and the other Facility Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of each Seller party thereto, enforceable in accordance with their respective terms, except to the extent the enforcement hereof or thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect regarding the enforcement of creditors' rights generally and general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

SECTION 4.04. Financial Information. (a) The consolidated balance sheet of Stanley and its Consolidated Subsidiaries as of January 2, 1993, and the related consolidated statements of earnings, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Ernst & Young, copies of which have been delivered to each of the Purchasers, and the unaudited consolidated financial statements of Stanley for the interim period ended October 2, 1993, copies of which have been delivered to each of the Purchasers, fairly present in all material respects, in conformity with generally accepted accounting principles, the consolidated financial position of Stanley and its Consolidated Subsidiaries as of such dates and their consolidated results of operations and cash flows for such periods stated.

(b) Since January 2, 1993, there has been no material adverse change in the business, financial condition, assets, nature of the assets or operations of Stanley and its Subsidiaries, taken as a whole.

SECTION 4.05. Litigation. There is no action, suit or proceeding pending, or to the knowledge of any Seller threatened, against or affecting any Seller or any of the Subsidiaries before any court or arbitrator or any governmental authority or regulatory body that (a) is reasonably likely to result in a Material Adverse Effect, except as disclosed or otherwise reflected in Stanley's Annual Report on Form 10-K for the Fiscal Year ended January 2, 1993, filed with the Securities and Exchange Commission (the "Commission") or in any quarterly report on Form 10-Q or current report on Form 8-K subsequently (but before the date hereof) filed with the Commission, or (b) purports to affect the validity of this Agreement or any of the other Facility Documents.

SECTION 4.06. Requirements of Law. Each of the Sellers and the Subsidiaries is in compliance with all laws, statutes, rules and regulations (including, without limitation, Environmental Laws), and all orders, awards, judgments, decrees, writs or determinations of any arbitrator or a court or other governmental authority or regulatory body, applicable to it and its business, where the failure to so comply would have, or could reasonably be expected to have, a Material Adverse Effect or to affect the validity of, or to impair the ability of any Seller to perform, pay or satisfy its Obligations under, this Agreement or any of the other Facility Documents.

SECTION 4.07. Compliance with ERISA. (a) Stanley and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(b) Except as reflected in Stanley's annual audited or quarterly unaudited consolidated financial statements identified in Section 4.04, neither Stanley nor any member of the Controlled Group has been assessed any Withdrawal Liability in an amount that is reasonably likely to result in a Material Adverse Effect, and neither Stanley or any member of the Controlled Group has taken, nor does it intend to take, any action that it reasonably anticipates will result in the assessment of Withdrawal Liability in an amount that would have a Material Adverse Effect.

SECTION 4.08. Taxes. Stanley and its Subsidiaries have filed all United States income tax returns and all other tax returns material to Stanley and its Consolidated Subsidiaries, considered as a whole, that are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by Stanley or any Subsidiary, except for (a) taxes in immaterial amounts and (b) such taxes as are being contested in good faith by appropriate proceedings and for which adequate reserves have been recorded on the books of Stanley and its Subsidiaries in accordance with generally accepted accounting principles. United States income tax returns of Stanley and its Subsidiaries have been examined by the appropriate taxing authorities, or closed by the applicable statutes of limitations, and satisfied for all Fiscal Years ending prior to and including the Fiscal Year ended December 29, 1984, and no claims have been assessed and are unpaid with respect to such returns, except as shown in the financial statements identified in Section 4.04(a).

SECTION 4.09. Subsidiaries. Each of the Principal Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) is duly qualified to transact business in each jurisdiction wherein the failure to be so qualified could reasonably be expected to have a Material Adverse Effect and (iii) has the corporate power and authority, the legal right and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted except where, with respect to governmental licenses, authorizations, consents and approvals only, the absence thereof would not have a Material Adverse Effect.

SECTION 4.10. Not an Investment Company. None of the Sellers is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11. No Default or Repurchase Event. No Seller nor any Subsidiary is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which default could have a Material Adverse Effect or that will materially adversely affect the ability of any Seller to perform, pay or satisfy its Obligations hereunder or under any of the other Facility Documents. No Potential Repurchase Event or Repurchase Event has occurred and is continuing.

SECTION 4.12. Full Disclosure. No information furnished in writing by or on behalf of any Seller to the Agent or any Purchaser in connection with the negotiation, execution and delivery of this Agreement contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.13. Environmental Matters. Except as disclosed or otherwise reflected in Stanley's Annual Report on Form 10-K for the Fiscal Year ended January 2, 1993, filed with the Commission, or in any quarterly report on Form 10-Q or current report on Form 8-K subsequently (but before the date hereof) filed with the Commission, neither Stanley nor any Subsidiary has received notice or otherwise obtained knowledge of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability that, individually or in the aggregate, is reasonably likely to result in a Material Adverse Effect arising in connection with (a) any non-compliance with or violation of the requirements of any

Environmental Law or (b) the release or threatened release of any Hazardous Materials.

SECTION 4.14. Receivables Not Selected for Creditworthiness. No Receivable sold to or proposed for sale by any Seller to the Purchasers hereunder has been or will be selected for sale or repurchase on any basis indicative of the lack of creditworthiness of any Obligor in respect thereof.

SECTION 4.15. Eligible Receivables. To the best of each Seller's knowledge and belief as at the date of such Purchase, each Purchased Receivable is or shall be, as of the date of the Receivables Schedule that first identifies such Receivable as a Purchased Receivable, an Eligible Receivable.

ARTICLE V

COVENANTS

Each Seller agrees that, so long as any Purchaser has any Commitment hereunder or any amount payable by any Obligor under any Purchased Receivable, or any amount payable by any Seller hereunder or under any other Facility Document, remains unpaid:

SECTION 5.01. Information. The Sellers will deliver to each of the Purchasers and the Agent:

(a) Annual Financial Statements. As soon as available and in any event within 95 days after the end of each Fiscal Year, a consolidated balance sheet of Stanley and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of earnings, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all certified by Ernst & Young or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Required Purchasers.

(b) Quarterly Financial Statements. As soon as available and in any event within 50 days after the end of each of the first three quarters of each Fiscal Year, a consolidated balance sheet of Stanley and its Consolidated Subsidiaries as of the end of such quarter and the related statement of earnings and statement of cash flows for such quarter and for the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous Fiscal Year.

(c) Officer's Certificate. Simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer or the chief accounting officer of Stanley (i) stating whether the Debt Rating was High, Medium, Low or Below Investment Grade on the date of either of such

financial statements or such certificate, (ii) certifying (x) that such financial statements fairly present the financial condition and the results of operations of Stanley and its Consolidated Subsidiaries on the dates and for the periods indicated, and (y) that such officer has reviewed the terms of this Agreement and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of Stanley and its Consolidated Subsidiaries during, and matters relevant to this Agreement for, the accounting period covered by such financial statements, and that as a result of such review such officer has concluded that no Repurchase Event or Potential Repurchase Event has occurred during the period commencing at the beginning of the accounting period covered by the financial statements accompanied by such certificate and ending on the date of such certificate or, if any Repurchase Event or Potential Repurchase Event has occurred or is otherwise known to such officer, specifying the nature and extent thereof and, if continuing, the action the Sellers propose to take in respect thereof.

(d) Accountants' Certificate. Simultaneously with the delivery of each set of annual financial statements referred to in clause (a) above, a statement of the firm of independent public accountants that reported on such statements to the effect that nothing has come to their attention to cause them to believe that any Potential Repurchase Event or Repurchase Event existed on the date of such financial statements.

(e) Receivables Schedule. As soon as available and in any event within 20 days after the 20th day of each calendar month, a Receivables Schedule dated as of the Domestic Business Day next preceding the 20th day of such calendar month.

(f) Notice of Repurchase Event. Promptly, and in any event within five Domestic Business Days after any Seller becomes aware of the occurrence of any Potential Repurchase Event or Repurchase Event, a certificate of the chief financial officer, the chief accounting officer or the Director, Corporate Finance of such Seller setting forth the details thereof and the action that the Sellers are taking or propose to take with respect thereto.

(g) Notice of Debt Rating Change. Promptly upon, and in any event within five Domestic Business Days after, any change in the Debt Rating by Moody's, Standard & Poor's or a substitute rating agency designated pursuant to Section 10.09, a certificate of the chief financial officer, the chief accounting officer or the Director, Corporate Finance of Stanley specifying the new Debt Rating, as so changed, of Moody's, Standard & Poor's or such rating agency together, in the case of any such change, with a statement of the date of such change and a reasonably detailed description of the facts and circumstances underlying such change known to any Seller.

(h) SEC Filings. Promptly upon the transmission thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent), periodic financial information, proxy materials and other information and reports, if any, that Stanley shall have filed with the Securities and Exchange Commission or that Stanley shall have sent to its shareholders.

(i) Notice of ERISA Matters. Promptly, and in any event within 30 days, after any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any Reportable Event with respect to any Plan that might constitute grounds for a termination of such Plan under Title IV of ERISA, which termination could result in a liability of \$1,000,000 or more to any member of the Controlled Group, or knows that the plan administrator of any Plan has given or is required to give notice of any such Reportable Event, a copy of the notice of such Reportable Event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA equal to or in excess of (or that could reasonably be expected to equal or exceed) \$1,000,000, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice.

(j) Additional Information. From time to time such additional information regarding the financial position or business of Stanley and its Subsidiaries as the Agent, at the request of any Purchaser, may reasonably request.

SECTION 5.02. Inspection of Property, Books and Records. Each Seller will maintain financial records in accordance with generally accepted accounting principles consistently applied, and will permit representatives of any Purchaser at such Purchaser's or (after the occurrence of a Repurchase Event) Stanley's expense to visit the offices where books and records relating to this Agreement are maintained and, as they relate directly or indirectly to this Agreement, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. Each Seller agrees to cooperate and assist in such visits and examinations, in each case at such reasonable times and intervals as may be reasonably requested.

SECTION 5.03. Maintenance of Existence. (a) Except as permitted in Section 5.05, each Seller shall maintain its corporate existence.

(b) Except as permitted in Section 5.05, Stanley shall cause each Principal Subsidiary to maintain its corporate existence.

(c) Except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, each Seller shall, and Stanley shall cause each Principal Subsidiary to, do all things necessary to preserve, renew and keep in full force and effect the licenses, permits, rights and franchises necessary to the proper conduct of its business. Neither Stanley or any of its Subsidiaries shall engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by Stanley and its Subsidiaries would be substantially changed from the general nature of the business engaged in by Stanley and its Subsidiaries on the date of this Agreement.

SECTION 5.04. Dissolution. No Seller shall, nor shall Stanley permit any Principal Subsidiary to, suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock or that of any Principal Subsidiary, except through corporate reorganization to the extent permitted by Section 5.05.

SECTION 5.05. Consolidations, Mergers and Sales of Assets.

(a) No Seller shall, in a single transaction or series of related transactions consolidate or merge with or into, or convey, sell, lease, transfer or otherwise dispose of all or any substantial part of its business, provided that, in each case, if immediately after giving effect to such transaction or transactions, no Repurchase Event or Potential Repurchase Event shall have occurred and be continuing,

(i) Stanley may merge with another Person (including its Subsidiaries) if Stanley is the corporation surviving such merger,

(ii) Bostitch or MAC may merge with another Person (other than Stanley) if Bostitch or MAC, as the case may be, is the corporation surviving such merger, and

(iii) Bostitch or MAC may merge into or convey, sell, lease or transfer all or substantially all of its assets to, Stanley or to a Wholly Owned Subsidiary so long as (A) Stanley or such Wholly Owned Subsidiary shall assume the Obligations of Bostitch or MAC, as the case may be, under this Agreement by an agreement reasonably satisfactory to the Purchasers, and (B) the Purchasers shall receive a written legal opinion confirming the validity and legality of such assumption and that, in the case of a merger into or transfer to a Wholly Owned Subsidiary, this Agreement constitutes the legal, valid, binding and enforceable obligation of such Wholly Owned Subsidiary, subject to normal reasonable exceptions.

(b) Stanley will not permit or suffer any Subsidiary (other than Bostitch or MAC) to enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation, wind-up or dissolution), discontinue its business or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of its business or property, whether now or hereafter acquired, unless such action could not reasonably be expected to have a Material Adverse Effect, provided that, in each case so long as immediately after giving effect to such transaction or transactions, no Repurchase Event or Potential Repurchase Event shall have occurred and be continuing,

(i) any Wholly Owned Subsidiary (other than Bostitch or MAC) may merge into or convey, sell, lease or transfer all or substantially all of its assets to, a Seller or any other Wholly Owned Subsidiary, and

(ii) any Subsidiary (other than Bostitch or MAC) may enter into any merger or consolidation with another Person (other than a Seller) if a Subsidiary (other than Bostitch or MAC) or a Person that, as a result of such transaction or transactions, becomes a Subsidiary is the corporation surviving such merger.

SECTION 5.06. Ownership of Bostitch and MAC. Stanley shall at all times cause each of Bostitch and MAC to be a Wholly Owned Subsidiary.

SECTION 5.07. Use of Proceeds. No portion of the purchase price proceeds for Receivables purchased by the Purchasers hereunder will be used by any Seller (i) in connection with any tender offer for, or other acquisition of, stock of any

corporation with a view towards obtaining control of such other corporation, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law, statute, rule or regulation, or order, award, judgment, decree, writ or determination of an arbitrator or a court or other governmental authority or regulatory body.

SECTION 5.08. Compliance with Laws. Each of the Sellers shall, and Stanley shall cause each of its Subsidiaries to, comply with all applicable laws, statutes, rules and regulations (including, without limitation, Environmental Laws), and all orders, awards, judgments, decrees, writs or determinations of any arbitrator or a court or other governmental authority or regulatory body (domestic or foreign) applicable to it, except such non-compliance that could not reasonably be expected to result in a Material Adverse Effect or a material adverse effect on any Seller's ability to perform its obligations hereunder, in each case at the time of such non-compliance or in the foreseeable future.

SECTION 5.09. Payment of Taxes. Each of the Sellers shall, and Stanley shall cause its Subsidiaries to, pay or cause to be paid, when due, all taxes, charges and assessments and all other lawful claims required to be paid by such Seller or such Subsidiary except (a) as contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves have been established with respect thereto in conformity with generally accepted accounting principles and (b) where such nonpayment could not reasonably be expected to result in a Material Adverse Effect or a material adverse effect on any Seller's ability to perform its obligations hereunder.

SECTION 5.10. ERISA. (a) Each Seller will, and Stanley will cause each member of the Controlled Group to, comply with ERISA and all rules and regulations thereunder in all material respects with respect to each Plan.

(b) Stanley shall not, and shall not permit any of its Subsidiaries to, take any action that it reasonably anticipates will result in the assessment of a Withdrawal Liability upon Stanley and members of the Controlled Group that would have a Material Adverse Effect. For purposes of this Section 5.10(b), the amount of Withdrawal Liability of Stanley and members of the Controlled Group at any date shall be the aggregate present value of the amount claimed to have been incurred less any portion thereof that Stanley and members of the Controlled Group have paid or as to which Stanley reasonably believes, after appropriate consideration of possible adjustments arising under Sections 4219 and 4221 of ERISA, it and members of the Controlled Group will have no liability, provided that Stanley shall obtain prompt written advice from independent actuarial consultants supporting such determination. Stanley agrees once in each calendar year, beginning with December 1994, to deliver to the Agent the most currently available estimate of the Withdrawal Liability of Stanley and members of the Controlled Group with respect to each Multiemployer Plan, if any, in which they participate.

SECTION 5.11. Cash Flow Coverage. Stanley shall cause Consolidated Cash Flow to equal or exceed 125% of Consolidated Cash Expenditures at the end of each fiscal quarter for the twelve-month period then ended. The defined terms used in this Section shall be construed in accordance with generally accepted accounting principles consistently applied and as follows:

(a) "Consolidated Cash Flow" means for any fiscal period the sum of (i) consolidated earnings before income taxes of Stanley and its Consolidated Subsidiaries for such fiscal period (including any earnings representing net gain on disposition of assets) before extraordinary items and their tax effects and before income from discontinued operations; (ii) to the extent such amount is greater than zero, (x) consolidated interest expense for Stanley and its Consolidated Subsidiaries for such fiscal period, minus (y) consolidated interest earnings for Stanley and its Consolidated Subsidiaries for such fiscal period; and (iii) consolidated depreciation and amortization for Stanley and its Consolidated Subsidiaries for such fiscal period; and

(b) "Consolidated Cash Expenditures" means for any fiscal period the sum of (i) consolidated interest expense of Stanley and its Consolidated Subsidiaries, (ii) consolidated capital expenditures of Stanley and its Consolidated Subsidiaries and (iii) the aggregate amount of all dividends paid or declared by Stanley on any of its capital stock during such fiscal period.

ARTICLE VI

REPURCHASE EVENTS

SECTION 6.01. Repurchase Events. The occurrence of any one or more of the following events shall constitute a "Repurchase Event" under this Agreement:

(a) any Seller or Stanley shall fail to pay any amount due and owing by such Seller under this Agreement (other than an amount referred to in clause (b) below) within 5 Domestic Business Days after the same becomes due; or

(b) any Seller or Stanley shall fail to repurchase any Purchased Receivable that such Seller is required to repurchase hereunder and to pay the full Repurchase Price therefor, in each case when and as required by Section 2.06; or

(c) Any Seller shall fail to observe or perform any covenant contained in Section 5.03(a), Section 5.04 (as to any Seller), Section 5.05(a) or Section 5.11; or

(d) any Seller shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a), (b), or (c) above) required to be performed or observed by such Seller for thirty days after written notice thereof has been given to Stanley by the Agent at the request of any Purchaser; or

(e) any representation, warranty, certification or statement made by any Seller in Article IV (other than the representation and warranty in Section 4.15) or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made); or

(f) any Seller shall fail to pay when due (whether by acceleration or otherwise) any principal of or interest on any item or items of Debt in an aggregate amount that, when added to all such other defaulted Debt, shall equal or exceed \$10,000,000, or any event shall occur that would permit the holder of any such item or items of Debt of any Seller in such aggregate amount (or any trustee, fiduciary or agent on behalf of such holder, with or without the assent of or direction by such holder) to accelerate such Debt, to terminate its commitment to fund such Debt or to require Stanley or such Seller to purchase, or cause the purchase of, such Debt; or

(g) Any Seller or any Principal Subsidiary shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of any order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Seller or such Principal Subsidiary or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(h) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of any Seller or any Principal Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of such Seller or such Principal Subsidiary or for any substantial part of its property, or ordering the winding up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 30 consecutive days; or

(i) if (i) there shall be at any time any "accumulated funding deficiency," as defined in ERISA, with respect to any Plan or any trust created thereunder, whether or not waived, which deficiency, when added to all other such deficiencies, shall equal or exceed \$25,000,000; or (ii) a trustee shall be appointed by a United States District Court to administer any Plan (other than a Multiemployer Plan); or (iii) the PBGC shall institute proceedings to terminate any Plan (other than a Multiemployer Plan); or (iv) any member of the Controlled Group shall incur any liability to the PBGC in connection with any Plan (other than a Multiemployer Plan), which liability, when added to all other such liabilities, shall equal or exceed \$5,000,000; or (v) any member of the Controlled Group, any Plan (other than a Multiemployer Plan), or any trust created under any Plan (other than a Multiemployer Plan) shall engage in a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) that would subject such Plan or any other Plan, any trust created thereunder, or any trustee or administrator thereof, or any member of the Controlled Group or any Person dealing with any such Plan or trust, to either the tax or penalty on "prohibited transactions" imposed by Section 502 of ERISA or Section 4975 of the Code; or (vi) any member of the Controlled Group shall fail to make full payment when due to all amounts that, under the provisions of any Plan, any member of the Controlled Group is required to pay as contributions thereto, and which amount, when added to all other such amounts, shall equal or exceed \$5,000,000; or

(j) if any of the following shall occur and such occurrence would have, or could reasonably be expected to have, a Material Adverse Effect: (i) a trustee shall be appointed by a United States District Court to administer any Plan that is a Multiemployer Plan; or (ii) the PBGC shall institute proceedings to terminate any such Plan; or (iii) any member of the Controlled Group shall incur any liability to the PBGC in connection with any such Plan; or (iv) any member of the Controlled Group, any such Plan, or any trust created under any such Plan shall engage in a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) that would subject such Plan or any other Plan, any trust created thereunder, or any trustee or administrator thereof, or any member of the Controlled Group or any Person dealing with any such Plan or trust, to either the tax or penalty on "prohibited transactions" imposed by Section 502 of ERISA or Section 4975 of the Code; or

(k) if there shall remain in force, undischarged, unsatisfied and unstayed, for more than 30 days any final judgment against Stanley or any of its Subsidiaries in an amount that, when added to other outstanding final judgments, undischarged, unsatisfied and unstayed, against Stanley or any of its Subsidiaries, exceeds \$5,000,000; or

(l) the Unsupported Stanley Debt shall at any time receive a Debt Rating of Less Than Investment Grade; or

(m) (i) any Person or two or more Persons acting in concert shall have acquired, in a single transaction or series of transactions, beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 25% or more of the outstanding shares of the Voting Stock of Stanley (other than Voting Stock owned by Stanley's two existing employee stock ownership plans for its hourly and salaried employees, respectively, or by an employee stock ownership plan or plans, sponsored and established by Stanley, succeeding to the interest of such existing stock ownership plans); or (ii) as of any date a majority of the Board of Directors of Stanley consists of individuals who were not either (A) directors of Stanley as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of Stanley of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of Stanley of which a majority consisted of individuals described in clause (A) and individuals described in clause (B); or

(n) if any of Stanley's obligations under Article IX ceases to be in full force and effect, or if Stanley shall contest, or repudiate or deny in writing, the validity or enforceability of any of its obligations under Article IX.

SECTION 6.02. Purchase or Repurchase Upon a Repurchase Event. If a Repurchase Event shall occur and be continuing,

(a) If such Repurchase Event is a Repurchase Event set forth in Section 6.01(l) or Section 6.01(m), any Purchaser

may, by notice to Stanley, the Agent and the other Purchasers, (i) terminate and be relieved of all of its obligations to the Sellers hereunder and under its Commitment (which obligations shall thereupon terminate, unless such Purchaser's Commitment is assumed by a third party that acquires such Purchaser's Beneficial Interest) and (ii) require the Sellers to, and the Sellers shall, purchase from such Purchaser such Purchaser's Beneficial Interest on a date specified in such notice (that shall be not less than 5 nor more than 15 Domestic Business Days after such notice is given), at a purchase price (payable to the Agent for such Purchaser's account in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balance for the Settlement Period during which the date so specified for such purchase shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c) (i) (A), the product obtained by multiplying (A) such Purchaser's Commitment Percentage times (B) the product of such Opening Balance times the Yield Rate for such Settlement Period times (C) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase plus (III) subject to any necessary adjustment required by Section 2.10(c) (ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) such Purchaser's Commitment Percentage times (B) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (C) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase, plus (IV) all other amounts payable to such Purchaser hereunder and under the other Facility Documents;

(b) if such Repurchase Event is a Repurchase Event set forth in Section 6.01(g) or Section 6.01(h), (i) all of the Commitments shall be automatically terminated, immediately upon the occurrence thereof, without notice or other action by or on behalf of the Agent or any Purchaser, and (ii) the Sellers shall purchase from the Purchasers all of the Purchased Receivables on that date that is 5 Domestic Business Days after the occurrence of such Repurchase Event at a purchase price (payable to the Agent for the Purchasers' account (or the Agent's account, as the case may be) in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) for each Purchaser, such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balance for the Settlement Period during which such fifth Domestic Business Day shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c) (i) (A), the product obtained by multiplying (A) the product of such Opening Balance times the Yield Rate for such Settlement

Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) such fifth Domestic Business Day plus (III) subject to any necessary adjustment required by Section 2.10(c)(ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) such fifth Domestic Business Day, plus (IV) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents; and

(c) if such Repurchase Event is any Repurchase Event other than those referred to in paragraph (a) or (b) of this Section, the Required Purchasers may, by notice from the Agent (given at the direction of the Required Purchasers) to Stanley (i) terminate all of the Commitments (which shall thereupon terminate) and (ii) require the Sellers to, and the Sellers shall, purchase from the Purchasers all of the Purchased Receivables on a date specified in such notice (that shall be not less than 5 nor more than 15 Domestic Business Days after such notice is given), at a purchase price (payable to the Agent for the Purchasers' account (or the Agent's account, as the case may be) in the manner and at the time set forth in Section 2.10(a)) equal to the sum of (I) for each Purchaser, such Purchaser's Beneficial Interest Percentage multiplied by the Opening Balance for the Settlement Period during which the date so specified for such purchase shall occur plus (II) subject to any necessary adjustment required by Section 2.10(c)(i)(A), the product obtained by multiplying (A) the product of such Opening Balance times the Yield Rate for such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase plus (III) subject to any necessary adjustment required by Section 2.10(c)(ii), an amount in respect of Facility Fees equal to the product obtained by multiplying (A) the product of the Facility Fee Rate then in effect times the total Commitments as in effect on the first day of such Settlement Period times (B) a fraction, the denominator of which is 360 and the numerator of which is the number of days elapsed from (and including) the first day of such Settlement Period to (but excluding) the date so specified for such purchase, plus (IV) all other amounts payable to the Purchasers and the Agent hereunder and under the other Facility Documents.

SECTION 6.03. Billing and Collection of Receivables. Upon the occurrence of any Repurchase Event, the Agent may, and at the direction of the Required Purchasers shall, assume all the Sellers' duties for the billing and collection of the Purchased Receivables. In such event, the provisions of Section 2.07(b) shall apply, and in performance of such duties, the Agent may contract with third-party independent contractors for the performance of any or all of such duties. Upon such assumption, the Sellers shall pay the Agent's Servicing Fees and the Agent's Costs and Expenses to the Agent as provided in Section 2.08(d).

SECTION 6.04. Other Rights and Remedies. (a) Without limiting any Purchaser's other rights and remedies under this Agreement or otherwise available to such Purchaser at law or in equity, if the Sellers shall be required to purchase such Purchaser's Beneficial Interest under Section 6.02(a) and shall fail to do so or to pay the purchase price therefor when and as required thereby, such Purchaser may sell such Beneficial Interest or portions thereof without the consent of any Seller (notwithstanding the provisions of Section 10.07 hereof) in one or more separate sales, to any other Person with or without recourse to the Sellers, or any of them, and with or without the benefits of and recourse to any Seller under this Agreement, and apply the proceeds of such sale to the purchase price due to such Purchaser due under Section 6.02(a). Such Purchaser may commence an action or, from time to time, actions against Sellers in order to recover from the Sellers costs and/or losses incurred by such

Purchaser by reason of the Sellers' failure to purchase such Beneficial Interest in accordance with the provisions of this Agreement or to recover from the Sellers amounts otherwise due and owing to such Purchaser hereunder.

(b) Without limiting the Purchasers' other rights and remedies under this Agreement or otherwise available to the Purchasers at law or in equity, if the Sellers shall be required to repurchase the Purchased Receivables under Section 6.02(b) or Section 6.02(c) and shall fail to do so or to pay the repurchase price therefor when and as required thereby, the Purchasers may sell any or all of the Purchased Receivables without notice to or consent of any Seller (notwithstanding the provisions of Section 10.07 and provided that if notice shall be required under the UCC as enacted and then in effect in any relevant jurisdiction, then 10 days prior notice of the time and place of any public sale, or of the time after which any private sale or other disposition may be made, shall be sufficient and considered to be commercially reasonable) in one or more separate sales, to any other Person with or without recourse to the Sellers, or any of them, and with or without the benefits of and recourse to any Seller under this Agreement, and apply the proceeds of such sale to such repurchase price due to such Purchasers. The Purchasers may commence an action or, from time to time, actions against Sellers in order to recover from the Sellers costs and/or losses incurred by the Purchasers by reason of the Sellers' failure to repurchase the Purchased Receivables in accordance with the provisions of this Agreement or to recover from the Sellers amounts otherwise due and owing to the Purchasers hereunder.

(c) Without regard to whether the Agent shall have assumed the Sellers' duties and responsibilities for the billing and the collection of the Purchased Receivables, in the event that the Sellers shall be required but shall fail to repurchase the Purchased Receivables when and as required under Section 6.02, (i) thereafter Sellers shall not be entitled to any Sellers' Servicing Fee, (ii) no Seller shall be entitled to receive or retain any sum collected in respect of any Purchased Receivable, (iii) except as expressly permitted by Section 2.07(b)(i)(C), no Seller shall withdraw or otherwise remove, or permit the removal other than by the Agent or its agents, of any funds in any Lockbox Account, and (iv) each Seller shall transmit and deliver to the Agent, immediately upon receipt thereof, all payments on account of any Purchased Receivable that such Seller may receive. In such event, the Agent may, and at the direction of any Purchaser shall (x) direct any or all of the Obligors on the Purchased Receivables to remit any and all payments thereon to the Agent or such other Person as the Agent may designate, and for that purpose the Agent may date and deliver to the Obligors on Purchased Receivables the Notices to Obligors delivered to Agent by the Sellers at various times pursuant to Section 3.02, and (y) assume control of and dominion over all funds then on deposit in or thereafter deposited into each Lockbox Account, and for such purpose the Agent may date, otherwise complete and deliver to each Lockbox Depository a Notice to Lockbox Depository delivered to the Agent pursuant to the provisions of Section 2.07(a)(vii). The Agent may, in any Seller's name, endorse all remittances received and all notes (if any) evidencing obligations under the Purchased Receivables and any assignments thereof. Each Seller does hereby irrevocably constitute and appoint the Agent and its officers its true and lawful attorney with full power of substitution, for such Seller and in its name, place and stead, to endorse the name of such Seller on all checks, collection receipts or instruments given in payment or part payment of any Purchased Receivable; provided that the power herein conferred shall be exercisable only if, and from and after such time as, the Sellers shall have been required but shall have

failed to repurchase the Purchased Receivables when and as required under Section 6.02.

SECTION 6.05. Security Interest; Offset. In addition to, and not in limitation of, all rights of offset that any Purchaser may have under applicable law, each Seller hereby grants to each Purchaser, and to each Participant, Assignee or other Transferee, as security for the full and punctual payment and performance of such Seller's or (in the case of Stanley) all of the Sellers' Obligations, a continuing Lien on all deposits and other sums credited by or due from such Purchaser (or such Participant, Assignee or other Transferee) to such Seller or subject to withdrawal by such Seller; and regardless of the adequacy of any collateral or other means of obtaining repayment of such Seller's or (in the case of Stanley) the Sellers' Obligations, such Purchaser (and each such Assignee and, to the extent permitted by applicable law, each such Participant and other Transferee) may, at any time after the failure of the Sellers to repurchase the Purchased Receivables or to purchase a Purchaser's Beneficial Interest when and as required under Section 6.02 and without notice to any Seller, set off the whole or any portion or portions of any or all such deposits and other sums against such Obligations, whether or not any other Person or Persons could also withdraw money therefrom.

SECTION 6.06. Notice of Repurchase Event. The Agent shall give notice to the Sellers pursuant to Section 6.01(d) promptly upon being requested to do so by any Purchaser and shall thereupon notify all the Purchasers thereof.

ARTICLE VII

THE AGENT

SECTION 7.01. Appointment, Powers and Immunities. Each Purchaser hereby appoints and authorizes the Agent to act as its agent hereunder and under the other Facility Documents with such powers as are specifically delegated to the Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. The Agent: (a) shall have no duties or responsibilities except as expressly set forth in this Agreement and the other Facility Documents, and shall not by reason of this Agreement or any other Facility Document be a trustee for any Purchaser; (b) shall not be responsible to the Purchasers for any recitals, statements, representations or warranties contained in this Agreement or any other Facility Document, or in any certificate or other document referred to or provided for in, or received by any Purchaser under, this Agreement or any other Facility Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Facility Document or any other document referred to or provided for herein or therein or for any failure by any Seller to perform, pay or satisfy any of its Obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder or under any other Facility Document except to the extent requested by the Required Purchasers, and then only on terms and conditions satisfactory to the Agent, and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other Facility Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-

in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The provisions of this Article VII are solely for the benefit of the Agent and the Purchasers, and no Seller shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and under the other Facility Documents, the Agent shall act solely as agent of the Purchasers and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for any Seller. The duties of the Agent shall be ministerial and administrative in nature, and the Agent shall not have by reason of this Agreement or any other Facility Document a fiduciary relationship in respect of any Purchaser.

SECTION 7.02. Reliance by Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telefax, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants or other experts selected by the Agent. As to any matters not expressly provided for by this Agreement or any other Facility Document, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and thereunder in accordance with instructions signed by the Required Purchasers (or all the Purchasers when expressly required hereby or thereby), and such instructions of the Required Purchasers in any action taken or failure to act pursuant thereto shall be binding on all of the Purchasers.

SECTION 7.03. Knowledge of Repurchase Events. The Agent shall not be deemed to have knowledge of the occurrence of any Potential Repurchase Event or Repurchase Event (other than the non-payment of amounts known by the Agent to be due from the Sellers) unless the Agent has received notice from a Purchaser or a Seller specifying such Potential Repurchase Event or Repurchase Event and stating that such notice is a "Notice of Repurchase Event". In the event that the Agent receives such a notice of the occurrence of a Potential Repurchase Event or Repurchase Event, the Agent shall give prompt notice thereof to the Purchasers. The Agent shall give each Purchaser prompt notice of each non-payment of monies that the Agent knows are required to be paid to the Agent by any Seller pursuant hereto, whether or not it has received any notice of the occurrence of such non-payment. The Agent shall (subject to Section 10.05) take such action with respect to such Potential Repurchase Event or Repurchase Event as shall be directed by the Required Purchasers, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Potential Repurchase Event or Repurchase Event as it shall deem advisable in the best interests of the Purchasers.

SECTION 7.04. Rights of Agent as a Purchaser. With respect to its Beneficial Interest, the Agent in its capacity as a Purchaser hereunder shall have the same rights and powers hereunder as any other Purchaser and may exercise the same as though it were not acting as the Agent, and the term "Purchaser" or "Purchasers" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent may (without having to account therefor to any Purchaser) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with any Seller (and any of Stanley's Subsidiaries or any of any Seller's Affiliates) as if it were not acting as the Agent, and the Agent may accept fees and other consideration from any Seller (in addition to any

agency fees and arrangement fees heretofore agreed to between the Sellers and the Agent) for services in connection with this Agreement or any other Facility Document or otherwise without having to account for the same to the Purchasers.

SECTION 7.05. Indemnification. Each Purchaser severally agrees to indemnify the Agent, to the extent the Agent shall not have been reimbursed by the Sellers, ratably in accordance with its Commitment Percentage, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, counsel fees and disbursements) or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Facility Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (excluding, unless a Repurchase Event has occurred and is continuing, the normal administrative costs and expenses incident to the performance of its agency duties hereunder, but including the Agent's Servicing Fees and the Agent's Costs and Expenses due to the Agent under Section 2.07(b) or Section 6.03, in the event the Agent shall assume, pursuant to either of said provisions, the Sellers' duties and responsibilities for the collection and billing of the Purchased Receivables and excluding any of such items for which the Agent is not entitled to reimbursement by the Sellers or any of them) or the enforcement of any of the terms hereof or thereof or any such other documents; provided that no Purchaser shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

SECTION 7.06. Original Purchasers Treated as Owners. The Agent may deem and treat each Purchaser identified on the signature pages hereof as the owner and holder of such Purchaser's Beneficial Interest for all purposes hereof unless and until a written notice of the assignment or transfer thereof, expressly consented to by Stanley (if required by Section 10.07), shall have been filed with the Agent. Any requests, authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner and holder of any Beneficial Interest shall be conclusive and binding on any subsequent owner and holder, transferee or assignee of that Beneficial Interest.

SECTION 7.07. Non-Reliance on Agent and Other Purchasers. Each Purchaser agrees that it has, independently and without reliance on the Agent or any other Purchaser, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Sellers, the Purchased Receivables and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Facility Documents. The Agent shall not be required to keep itself informed as to the performance or observance by the Sellers of this Agreement or any of the other Facility Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Sellers or any other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Purchasers by the Agent hereunder or under

the other Facility Documents, the Agent shall not have any duty or responsibility to provide any Purchaser with any credit or other information concerning the affairs, financial condition or business of any Seller, any of Stanley's Subsidiaries or any other Person (or any of their Affiliates) that may come into the possession of the Agent.

SECTION 7.08. Failure to Act. Except for action expressly required of the Agent hereunder or under the other Facility Documents, the Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction by the Purchasers of their indemnification obligations under Section 7.05 against any and all liability and expense that may be incurred by the Agent by reason of taking, continuing to take, or failing to take any such action.

SECTION 7.09. Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving 30 days prior notice thereof to the Purchasers and Stanley and the Agent may be removed at any time with or without cause by the Purchasers holding more than 50% of the Commitments or, if the Commitments are no longer in effect, more than 50% of the Beneficial Interests (the "Majority Purchasers"). Upon any such resignation or removal, the Majority Purchasers shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Purchasers and shall have accepted such appointment within 30 days after the retiring Agent's notice of resignation or the Majority Purchasers' removal of the retiring Agent, then the retiring Agent may, on behalf of the Purchasers, appoint a successor Agent. Any successor Agent shall be a bank that has a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

SECTION 7.10. Transmittal of Documents. Unless otherwise requested in writing by such Purchaser, promptly upon receipt thereof the Agent shall transmit to each Purchaser, in the form received, a copy of all Receivables Schedules, Settlement Statements, notices or other writings received by the Agent from any Seller, provided that, unless specifically requested by a Purchaser, the Agent shall not be required to deliver to the Purchasers copies of any Notice to Obligor, Notice to Lockbox Depository or any other material relating to the Agent's billing or collection of the Purchased Receivables.

ARTICLE VIII

CHANGE IN CIRCUMSTANCES; COMPENSATION

SECTION 8.01. Basis for Determining Euro-Dollar Rate Inadequate or Unfair. If on or prior to the first day of any Settlement Period:

(a) the Agent determines in good faith that deposits in Dollars (in the applicable amounts) are not being offered in the London interbank market for such Settlement Period, or

(b) the Required Purchasers advise the Agent in good faith that the London Interbank Offered Rate as determined by the Agent will not adequately and fairly reflect the cost to such Purchasers of maintaining the Euro-Dollar Rate as the Yield Rate for such Settlement Period,

the Agent shall forthwith give notice thereof to Stanley and the Purchasers, whereupon until the Agent notifies Stanley that the circumstances giving rise to such suspension no longer exist, the Yield Rate for each Settlement Period shall be the Adjusted Base Rate for such Settlement Period. The Agent (in the case of clause (a) above) and the Purchasers (in the case of clause (b) above) agree to deliver to Stanley a written explanation, in reasonable detail, of the basis for their determination.

SECTION 8.02. Illegality. If, after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, regulatory body, central bank or comparable agency charged with the interpretation or administration thereof (any such authority, bank or agency being referred to as an "Authority" and any such event being referred to as a "Change of Law"), or compliance by any Purchaser (or its Office) with any request or directive (whether or not having the force of law) of any Authority shall make it unlawful or impossible for any Purchaser (or its Office) to maintain the Euro-Dollar Rate as the Yield Rate, and such Purchaser shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Purchasers and Stanley, whereupon until such Purchaser notifies Stanley and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Purchaser to maintain the Euro-Dollar Rate as the Yield Rate for any Settlement Period shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Purchaser shall designate a different Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Purchaser, be otherwise disadvantageous to such Purchaser. If any Purchaser shall determine that it may not lawfully continue to maintain the Euro-Dollar Rate as the Yield Rate for the then-current or any subsequent Settlement Period and shall so specify in such notice, if the Yield Rate for any such affected Settlement Period shall be the Euro-Dollar Rate, the Yield Rate shall then be automatically converted to, and for each Settlement Period thereafter during the period of such suspension for which the Stanley shall have selected the Euro-Dollar Rate as the Yield Rate the Yield Rate shall be, a blended rate based on the Adjusted Base Rate for such Settlement Period for each such Purchaser, to the extent of and in proportion to its Beneficial Interest, and on the Euro-Dollar Rate for such Settlement Period for each other Purchaser; in such circumstance, the Agent shall make appropriate adjustments in distributing to the Purchasers their respective pro rata shares of amounts paid by the Sellers in respect of the Purchasers' Yield for each such Settlement Period.

SECTION 8.03. Increased Cost and Reduced Return. (a) If after the date hereof, a Change of Law or compliance by any Purchaser (or its Office) with any request or directive (whether or not having the force of law) of any Authority:

(i) shall subject any Purchaser (or its Office) to any tax, duty or other charge with respect to Settlement Periods for which the Yield Rate is determined by reference to the London Interbank Offered Rate or its obligation to maintain the Euro-Dollar Rate as the Yield Rate for any Settlement Period, or shall change the basis of taxation of payments to any Purchaser (or its Office) of amounts due to it in respect of Settlement Periods for which the Yield Rate is so determined (except for changes in the rate of tax on the overall net income of such Purchaser or its Office imposed by the jurisdiction in which such Purchaser's principal executive office or Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Purchaser (or its Office); or

(iii) shall impose on any Purchaser (or its Office) or on the London interbank market any other condition affecting its obligation to maintain the Euro-Dollar Rate as a basis for the determination of the Yield Rate for any Settlement Period;

and the result of any of the foregoing is to increase the cost to such Purchaser (or its Office) of so maintaining the Euro-Dollar Rate as a basis for determining the Yield Rate for any Settlement Period, or to reduce the amount of any sum received or receivable by such Purchaser (or its Office) under this Agreement with respect any Settlement Period for which the Yield Rate is the Euro-Dollar Rate for such Settlement Period, by an amount deemed by such Purchaser to be material, then, within 15 days after demand by such Purchaser (with a copy to the Agent), Sellers shall pay to such Purchaser such additional amount or amounts as will compensate such Purchaser for such increased cost or reduction.

(b) If any Purchaser shall have determined that after the date hereof the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof, or compliance by any Purchaser (or its Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any Authority, has or would have the effect of reducing the rate of return on such Purchaser's capital as a consequence of its obligations hereunder to a level below that which such Purchaser could have achieved but for such adoption, change or compliance (taking into consideration such Purchaser's policies with respect to capital adequacy) by an amount deemed by such Purchaser to be material, then from time to time, within 15 days after demand by such Purchaser, Sellers shall pay to such Purchaser such additional amount or amounts as will compensate such Purchaser for such reduction.

(c) Each Purchaser will promptly notify Stanley and the Agent of any event of which it has knowledge, occurring after the date hereof, that will entitle such Purchaser to compensation pursuant to this Section (provided that failure to give such notice shall not affect such Purchaser's right to such compensation for any period commencing not more than 60 days before such Purchaser knew of such event) and will designate a

different Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Purchaser, be otherwise disadvantageous to such Purchaser. A certificate of any Purchaser claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder and the basis therefor shall be conclusive in the absence of manifest error. In determining such amount, such Purchaser may use any reasonable averaging and attribution methods.

(d) The provisions of this Section 8.03 shall be applicable with respect to any Participant, Assignee or other Transferee, and any calculations required by such provisions shall be made based upon the circumstances of such Participant, Assignee or other Transferee.

SECTION 8.04. Compensation. Upon the request of any Purchaser, delivered to Stanley and the Agent, the Sellers shall pay to such Purchaser such amount or amounts as shall compensate such Purchaser for any loss, cost or expense incurred by such Purchaser as a result of:

(a) any purchase of a Beneficial Interest or repurchase of any Purchased Receivables pursuant to Section 6.02 or Section 6.04, in each case on a date other than the last day of a Settlement Period; or

(b) any failure by the Sellers to sell to the Purchasers the Initial Offered Receivables or any Subsequently Offered Receivables on the date for the Purchase thereof;

such compensation to include, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser (i) to maintain the Euro-Dollar Rate as the Yield Rate for the Settlement Period in which such payment, Purchase, purchase or repurchase is made (in the case of clause (a) above), or (ii) to fund the Purchase Price for such Receivables (in the case of clause (b) above).

ARTICLE IX

UNCONDITIONAL GUARANTY

SECTION 9.01. Guaranty. Stanley hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, to the Purchasers and the Agent the due and punctual payment of the principal of and interest on, and the due and punctual performance of, the Obligations of Bostitch and of MAC and any and all other amounts due from, or obligations of, Bostitch or MAC under or pursuant to this Agreement or any other Facility Document (collectively, the "Guaranteed Obligations"), when and as the same shall become due and payable (whether at maturity or otherwise) or are required to be performed or observed in accordance with the terms hereof and thereof. Stanley's guaranty under this Section is an absolute, present and continuing guaranty of payment and not of collectibility, and is in no way conditional or contingent upon any attempt to collect

from, or to obtain or enforce performance by, Bostitch or MAC, or any other guarantor of the Guaranteed Obligations (or any portion thereof) or upon any other action, occurrence or circumstances whatsoever. In the event that Bostitch or MAC shall fail so to pay, perform or observe any of the Guaranteed Obligations, Stanley will pay, perform or cause observance of the same forthwith, without demand, presentment, protest or notice of any kind (all of which are waived by Stanley to the fullest extent permitted by law), in Dollars (in the case of payment), to the Agent at the place for payment specified herein. Stanley further agrees, promptly after demand, to pay to the Purchasers and the Agent the reasonable costs and expenses incurred in connection with enforcing the rights of the Purchasers and the Agent against Stanley under this Article IX (whether in a bankruptcy proceeding or otherwise) following any default in payment, performance or observance of any of the Guaranteed Obligations or the obligations of Stanley hereunder, including, without limitation, the reasonable fees and expenses of the Agent's or any Purchaser's counsel.

SECTION 9.02. Absolute, Unconditional Guaranty. The obligations of Stanley under this Article IX are and shall be absolute and unconditional, irrespective of the validity, regularity or enforceability of this Agreement, any of the Guaranteed Obligations or any of the Facility Documents, shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim Stanley may have against MAC, Bostitch, any Purchaser or the Agent hereunder or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, to the fullest extent permitted by law, any circumstance or condition whatsoever (whether or not Stanley shall have any knowledge or notice thereof), including, without limitation:

(a) any amendment or modification of or supplement to this Agreement, any other Facility Document or any other instrument referred to herein or therein, or any assignment or transfer of (or any interest) in this Agreement, any other Facility Document or any other instrument referred to herein or therein, or any furnishing or acceptance of additional security for any of the Guaranteed Obligations;

(b) any waiver, consent or extension hereunder or under any other Facility Document or any such other instrument, or any indulgence or other action or inaction under or in respect of, or any extensions or renewals of, this Agreement, any other Facility Document, any such other instrument or any Guaranteed Obligation;

(c) any failure, omission or delay on the part of any Purchaser or the Agent to enforce, assert or exercise any right, power or remedy conferred on or available to any Purchaser or the Agent against Bostitch or MAC;

(d) any bankruptcy, insolvency, readjustment, composition, liquidation or similar proceeding with respect to Bostitch or MAC or any property of Bostitch or MAC or any unavailability of assets against which the Guaranteed Obligations, or any of them, may be enforced;

(e) any merger or consolidation of Bostitch, MAC or Stanley into or with any other Person or any sale, lease or transfer of any or all of the assets of Stanley, Bostitch or MAC to any Person;

(f) any failure on the part of Bostitch or MAC for any reason to comply with or perform any of the terms of any other agreement with Stanley;

(g) any exercise or non-exercise of any right, remedy, power or privilege under or in respect of any of this Agreement, any other Facility Document or the Guaranteed Obligations, including, without limitation, under this Article IX;

(h) any default, failure or delay, willful or otherwise, in the performance or payment of any of the Guaranteed Obligations;

(i) any furnishing or acceptance of security, or any release, substitution or exchange thereof, for any of the Guaranteed Obligations;

(j) any failure to give notice to Stanley of the occurrence of any breach or violation of, or any Repurchase Event, Potential Repurchase Event or default under or with respect to, this Agreement, any of the other Facility Documents or the Guaranteed Obligations;

(k) any partial payment, or any assignment or transfer, of any of the Guaranteed Obligations; or

(l) any other circumstance (other than infeasible payment, performance and satisfaction in full) that might otherwise constitute a legal or equitable discharge or defense of a guarantor or that might in any manner or to any extent vary the risk of a guarantor.

Stanley covenants that its obligations hereunder will not be discharged except by complete, final and infeasible payment, performance and satisfaction in full of the Guaranteed Obligations. Stanley unconditionally waives, to the fullest extent permitted by law (A) notice of any of the matters referred to in this Section, (B) all notices that may be required by statute, rule of law or otherwise to preserve any of the rights of any Purchaser or the Agent against Stanley under this Article IX, including, without limitation, presentment to or demand of payment from Bostitch, MAC or Stanley with respect to this Agreement or any other Facility Document, notice of acceptance of Stanley's guarantee hereunder and/or notice to Bostitch, MAC or Stanley of default or protest for nonpayment or dishonor, (C) any diligence in collection from or protection of or realization upon all or any portion of the Guaranteed Obligations or any security therefor, any liability hereunder, or any party primarily or secondarily liable for all or any portion of the Guaranteed Obligations, and (D) any duty or obligation of any Purchaser or the Agent to proceed to collect all or any portion of the Guaranteed Obligations from, or to commence an action against, Bostitch, MAC or any other Person, or to resort to any security or to any balance of any deposit account or credit on the books of any Purchaser in favor of Bostitch, MAC or any other Person, despite any notice or request of Stanley to do so.

The obligations of Stanley are full recourse obligations of Stanley and may be enforced against any or all of Stanley's assets notwithstanding any limitation on enforceability of all or any of the Guaranteed Obligations, this Agreement or any of the other Facility Documents against assets of Bostitch or MAC.

SECTION 9.03. Reinstatement. The obligations of Stanley under this Article IX shall continue to be effective or be

automatically reinstated, as the case may be, if any payment made by or on behalf of Bostitch or MAC on, under or in respect of any of the Guaranteed Obligations (including, without limitation, any payment made for the repurchase of any Purchased Receivables under Section 2.06, Section 2.13, Section 6.02 or otherwise, or for the purchase of a Beneficial Interest under Section 6.02 or otherwise) is rescinded or must otherwise be restored or returned by the recipient upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Bostitch or MAC, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to Bostitch or MAC or any substantial part of the property of Bostitch or MAC, or otherwise, all as though such payment had not been made. If an event requiring the repurchase of any Purchased Receivable or the purchase of any Beneficial Interest by the Sellers or any Seller pursuant to Section 2.06, Section 6.02 or otherwise shall at any time have occurred and be continuing, and such repurchase or purchase shall at such time be stayed, enjoined or otherwise prevented for any reason, including without limitation because of the pendency of a case or proceeding relating to Bostitch or MAC under any bankruptcy or insolvency law, for purposes of this Article IX and the obligations of Stanley hereunder, such Guaranteed Obligations shall be deemed to have become immediately due and payable, and such repurchase or purchase shall be deemed to be immediately required, with the same effect as if such Guaranteed Obligations had become due and payable, or such repurchase or purchase had been required, in accordance with the terms of this Agreement or any other applicable Facility Document.

SECTION 9.04. Purchasers' Rights. Stanley authorizes each Purchaser and the Agent, without notice to or demand on Stanley and without affecting its liability under this Article IX, from time to time (i) to obtain additional or substitute endorsers or guarantors; (ii) to exercise or refrain from exercising any rights against, and grant indulgences to, Bostitch, MAC or others; and (iii) to apply any sums, by whomsoever paid or however realized, to the payment of the Guaranteed Obligations. Stanley waives any right to require any Purchaser or the Agent to proceed against any additional or substitute endorsers or guarantors, Bostitch, MAC or any other Person or to pursue any other remedy available to any Purchaser or the Agent.

SECTION 9.05. Information Concerning Bostitch and MAC. Stanley assumes all responsibility for being and keeping itself informed of the financial condition and assets of Bostitch and MAC and of all other circumstances bearing upon the risk of nonpayment, non-performance or non-observance of the Guaranteed Obligations and the nature, scope and extent of the risks that Stanley assumes or assures hereunder, and agrees that no Purchaser or the Agent will have any duty to advise Stanley of

information known to any Purchaser or the Agent regarding or in any manner relevant to any of such circumstances or risks.

SECTION 9.06. Subordination. Stanley agrees that any and all claims of Stanley against Bostitch, MAC or any endorser or any other guarantor of all or any part of the Guaranteed Obligations, or against any of their respective properties, and all indebtedness of Bostitch or MAC to Stanley, shall be absolutely and unconditionally subordinate and subject in right of payment to the prior payment, in full, of all principal and interest, all costs of collection (including reasonable attorneys' fees and expenses) and any other Guaranteed Obligation owing to any Purchaser or the Agent by Bostitch or MAC that may arise under this Agreement or under any of the other Facility Documents, provided that, so long as no Repurchase Event or Potential Repurchase Event shall have occurred and be continuing,

Stanley may receive and accept payments or other appropriate performance in respect of such claims and indebtedness due in the ordinary course.

SECTION 9.07. Subrogation. Notwithstanding anything herein to the contrary, Stanley hereby waives any right of subrogation (under contract, Section 509 of the Bankruptcy Code or otherwise) or any other right of indemnity, reimbursement or contribution and hereby waives any right to enforce any remedy that any Purchaser or the Agent now has or may hereafter have against Bostitch, MAC or any endorser or any other guarantor of all or any part of the Guaranteed Obligations, and Stanley hereby waives any benefit of, and any right to participate in, any security or collateral given to any Purchaser or the Agent to secure payment or performance of the Guaranteed Obligations or any other liability of Bostitch or MAC to any Purchaser. The waiver contained in this Section shall continue and survive the termination of this Agreement and the final and indefeasible payment in full of the Guaranteed Obligations.

SECTION 9.08. Continuing Guarantee. The obligations of Stanley under this Article IX are continuing obligations and shall continue in full force and effect until such time as all of the Guaranteed Obligations (and any renewals and extensions thereof) shall have been finally and indefeasibly paid and satisfied in full and the Commitments shall have terminated.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party at its notice address (or, in the case of any Purchaser for which a notice address is not so set forth, at the address of its Office) or telex number set forth on the signature pages hereof or such other address or telex number as such party may hereafter specify for the purpose by notice to the Agent and each of the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II or Article VIII shall not be effective until received.

SECTION 10.02. No Waivers. No failure or delay by the Agent or any Purchaser in exercising any right, power or privilege hereunder or under any other Facility Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.03. Expenses; Documentary Taxes; Indemnification. (a) Stanley shall pay (i) all out-of-pocket

expenses of the Agent, including reasonable fees and disbursements of special counsel for the Purchasers and the Agent, in connection with the preparation of this Agreement and the other Facility Documents, any waiver or consent hereunder or thereunder or any amendment hereof or thereof or any actual or alleged Potential Repurchase Event or Repurchase Event hereunder or default or breach hereunder or thereunder and (ii) if a Repurchase Event occurs, all out-of-pocket expenses incurred by the Agent or any Purchaser, including reasonable fees and disbursements of counsel, in connection with such Repurchase Event and collection and other enforcement proceedings resulting therefrom, including out-of-pocket expenses incurred in enforcing this Agreement and the other Facility Documents. Stanley shall indemnify each Purchaser against any transfer taxes, documentary taxes, assessments or charges made by any Authority by reason of the execution and delivery of this Agreement or the other Facility Documents.

(b) Except to the extent arising directly from the negligence, willful misconduct or fraudulent or criminal acts of the Person seeking indemnity hereunder or such Person's employees, Stanley agrees to indemnify each Purchaser, the Agent and their respective officers, directors, employees, and agents (each an "Indemnitee") against, and hold each Indemnitee harmless from, any loss, cost, charge, expense (including, without limitation, reasonable attorney's fees, settlement costs and expenses of preparing for litigation or preparation therefor, whether or not the Indemnitee is a party thereto), claims, demands, suits, damages, penalties, taxes, fines, levies and assessments that may be imposed against, or suffered or incurred by, such Indemnitee as a direct or indirect result of: (i) this Agreement, the other Facility Documents, any Seller's Obligations, any action or inaction by or of any Seller or any Subsidiary, the transactions contemplated by this Agreement and the other Facility Documents, the purchase of any Receivables hereunder or the direct or indirect use or application, or proposed use or application, of any proceeds of the purchase price paid by any Purchaser hereunder for any Purchased Receivable; (ii) any violation of any Environmental Laws, the past, present or future operations of Stanley or any Subsidiary or its predecessors in interest, or the past, present or future environmental, health or safety condition of any property of Stanley or any Subsidiary or any "release" (as defined in the Comprehensive Environmental Response, Compensation and Liability Act) or threatened such release; (iii) any representation or warranty of any Seller in this Agreement or any other Facility Document being untrue or inaccurate in any respect; (iv) the failure by any Seller to observe, perform or comply with any of its covenants, undertakings or obligations set forth in this Agreement or any other Facility Document; and/or (v) any warranty, negligence, design, product liability or other claim or demand (whether sounding in tort or contract) of or by any Obligor or other Person with respect to any goods sold or leased, or any services provided, by any Seller, any Subsidiary or any Affiliate of any Seller or any Subsidiary, or any Person that sold or leased such goods, or performed such services, under a Contract or otherwise.

(c) Each Purchaser severally agrees to indemnify Stanley, its officers, directors, employees and agents (each an "Indemnified Party") against, and hold each Indemnified Party harmless from, any loss, cost, charge, expense (including but not limited to reasonable attorney's fees, settlement costs and expenses of preparing for litigation or preparation therefor, whether or not the Indemnified Party is a party thereto), claims, demands, suits, damages, penalties, taxes, fines, levies and assessments that may be imposed against, or suffered or incurred by, such Indemnified Party that is caused by or arises from the gross negligence, willful misconduct or the criminal or fraudulent acts of such Purchaser or such Purchaser's officers, directors, employees or agents related to this Agreement, the other Facility Documents or the transactions contemplated hereby or thereby, provided that no Purchaser shall have any obligation

of indemnity with respect to any consequences of the negligence, willful misconduct or criminal or fraudulent acts of the Agent or of any other Purchaser or the Agent's or any other Purchaser's officers, directors, employees and agents.

SECTION 10.04. Sharing of Set-Offs. Each Purchaser agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of amounts due to such Purchaser hereunder that is greater than the proportion received by any other Purchaser in respect of the aggregate amounts due to such other Purchaser hereunder, the Purchaser receiving such proportionately greater payment shall purchase such participations in the Beneficial Interests held by the other Purchasers, and such other adjustments shall be made, as may be required so that all such payments owing to the Purchasers shall be shared by the Purchasers pro rata in accordance with their respective Commitment Percentages (subject to appropriate adjustments in the event of an unremedied failure by a Purchaser to fund its ratable share of the Purchase Price for the Initial Offered Receivables or a Portfolio Increase); provided that (i) nothing in this Section shall impair the right of any Purchaser to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of any Seller other than its Obligations hereunder, and (ii) if all or any portion of such payment received by the purchasing Purchaser is thereafter recovered from such purchasing Purchaser, such purchase from each other Purchaser shall be rescinded and such other Purchaser shall repay to the purchasing Purchaser the purchase price of such participation to the extent of such recovery together with an amount equal to such other Purchaser's ratable share (according to the proportion of (x) the amount of such other Purchaser's required repayment to (y) the total amount so recovered from the purchasing Purchaser) of any interest or other amount paid or payable by the purchasing Purchaser in respect of the total amount so recovered. Each Seller agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Beneficial Interest, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of such Seller in the amount of such participation.

SECTION 10.05. Amendments and Waivers. (a) Any provision of this Agreement or any other Facility Document may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Sellers and the Required Purchasers (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that, no such amendment or waiver shall, unless signed by all the Purchasers, (i) change the Commitment of any Purchaser or subject any Purchaser to any additional obligation, (ii) change the Yield Rate for any Settlement Period or the applicable interest rates established hereunder for determining the Yield Rate for any Settlement Period, (iii) change the Portfolio Balance or any fees hereunder, (iv) change the date fixed for any payment due from, or for the repurchase of any Purchased Receivable or for the purchase of any Beneficial Interest by, any Seller hereunder, (v) change the amount, due on any date fixed for the payment thereof, of any payment due from any Seller on any Ending Date or of the purchase price for the repurchase of any Purchased Receivable or the purchase of any Beneficial Interest, (vi) change the percentage of the Commitments or of the aggregate Commitment Percentages or the number of Purchasers, that shall be required for the Purchasers or any of them to take any action under this Section or any other provision of this Agreement, (vii) change the manner of application of any payments made under this Agreement, (viii) release or substitute all or any substantial part of the

collateral (if any) held as security for any Seller's Obligations, (ix) release any guaranty given to support payment of any Seller's Obligations, or (x) amend or otherwise modify this Section 10.05, Section 6.01(l) or (m) or Section 6.02(a).

(b) No Seller will solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement unless each Purchaser shall be informed thereof by the Sellers and shall be afforded an opportunity of considering the same and shall be supplied by the Sellers with sufficient information to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or consent effected pursuant to the provisions of this Agreement shall be delivered by the Sellers to each Purchaser forthwith following the date on which the same shall have been executed and delivered by the requisite percentage of Purchasers. No Seller shall, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional Purchasers' Yield, fee or otherwise, to any Purchaser as consideration for or as an inducement to the entering into by such Purchaser of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to all such Purchasers.

SECTION 10.06. Margin Stock Collateral. Each of the Purchasers represents to the Agent and each of the other Purchasers that it in good faith is not relying upon any Margin Stock as collateral in the extension or maintenance of the arrangements provided for in this Agreement.

SECTION 10.07. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that, no Seller may assign, delegate or otherwise transfer any of its rights or duties under this Agreement without the prior written consent of all of the Purchasers.

(b) Any Purchaser may at any time sell to one or more Persons (each a "Participant") participating interests in its Commitment, Beneficial Interest or any other interest of such Purchaser hereunder; provided that (i) such Purchaser's obligations under this Agreement shall remain unchanged, (ii) such Purchaser shall remain solely responsible to the Sellers for the performance thereof, (iii) such Purchaser shall remain the owner and holder of its Beneficial Interest for all purposes under this Agreement, and (iv) the Sellers, the other Purchasers and the Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations under this Agreement. In no event shall a Purchaser that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except with respect to those matters referenced in the proviso to Section 10.05(a). Each Purchaser selling a participating interest in its Commitment, Beneficial Interest or other interest under this Agreement shall, within ten Domestic Business Days of such sale, provide the Sellers and the Agent with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant. The Sellers agree that each Participant shall be entitled to the benefits of Article VIII with respect to its participation.

(c) No Purchaser shall have the right to sell or assign all or a proportionate interest of all of its Commitment, Beneficial Interest or other interest hereunder unless Stanley shall consent in writing, which consent may be given or withheld in Stanley's sole and absolute discretion, provided that, without Stanley's consent a Purchaser may sell or assign its Commitment (if then in effect), Beneficial Interest and other interest hereunder (x) pursuant to Section 6.02 or Section 6.04 or (y) in whole or in part to any affiliate of such Purchaser that is an Eligible Purchaser. Any sale or assignment to a Person (herein an "Assignee") shall be made, and such Assignee shall assume all such rights and obligations, pursuant to an assignment and acceptance in the form attached hereto as Exhibit I (an "Assignment and Acceptance"), executed by such Assignee, such transferor Purchaser and Stanley and acknowledged by the Agent; provided that no Beneficial Interest or other interest may be sold by a Purchaser pursuant to this paragraph (c) unless (i) the Assignee is an Eligible Purchaser (except for an assignment made pursuant to Section 2.13 or Section 6.02), (ii) the Assignee shall agree to assume ratably equivalent portions of the transferor Purchaser's Commitment (if then in effect) and all other obligations of such Purchaser hereunder, (iii) such Purchaser shall have fully funded its ratable share of the Purchase Price for the Initial Offered Receivables and of any Portfolio Increase (except in the case of an assignment made pursuant to Section 2.13, Section 6.02 or Section 6.04), and (iv) the amount of the Beneficial Interest and of the Commitment (if then in effect) of the assigning Purchaser subject to such assignment (determined as of the effective date of the assignment) shall be equal to \$10,000,000 (or any whole multiple thereof) or the entire amount of the assigning Purchaser's Commitment and Beneficial Interest. Upon (A) execution of the Assignment and Acceptance by such transferor Purchaser, such Assignee and Stanley and acknowledgement thereof by the Agent, (B) delivery of an executed copy of the Assignment and Acceptance to Stanley and the Agent, (C) payment by such Assignee to such transferor Purchaser of an amount equal to the purchase price agreed between such transferor Purchaser and such Assignee, and (D) payment of a processing and recordation fee of \$2,500 to the Agent (to be paid by Stanley in the event of an assignment pursuant to Section 2.13), such Assignee shall for all purposes be a Purchaser party to this Agreement and shall have all the rights and obligations of a Purchaser under this Agreement to the same extent as if it were an original party hereto with a Commitment as set forth in such instrument of assumption, and the transferor Purchaser shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by Stanley, the Purchasers or the Agent shall be required.

(d) Subject to the provisions of Section 10.08, the Sellers authorize each Purchaser to disclose to any Participant, Assignee or other transferee (each a "Transferee") and any prospective Transferee any and all financial information in such Purchaser's possession concerning any Seller that has been delivered to the Agent or such Purchaser by any Seller pursuant to this Agreement or that has been delivered to such Purchaser by any Seller in connection with such Purchaser's credit evaluation prior to entering into this Agreement.

(e) Notwithstanding anything in this Agreement to the contrary, in the event that all or any portion of any Commitment shall have been assumed or any Beneficial Interest shall be owned or held, legally or beneficially, by any Person that is not an Eligible Purchaser (pursuant to Section 6.02 or otherwise), then for so long as such Commitment or Beneficial Interest shall be held by any such Person (i) for purposes of voting as a Purchaser on any matter requiring the action of all of the Purchasers or the Required Purchasers hereunder, such Commitment and the Commitment Percentage attributable to such Commitment or

Beneficial Interest shall be deemed to be zero and such Person shall not be considered as a Purchaser, and (ii) the amounts to be credited for payment to the Sellers and for payment to the Agent shall be adjusted as set forth in Section 2.09(e).

SECTION 10.08. Confidentiality. Each Purchaser agrees to exercise its best efforts to keep any information delivered or made available by the Sellers to it that is clearly indicated in writing to be confidential information, confidential from any one other than Persons employed or retained by such Purchaser who are or are expected to become engaged in evaluating, approving, structuring or administering such Purchaser's participation in this Agreement; provided that, nothing herein shall prevent any Purchaser from disclosing such information (i) to any other Purchaser or the Agent, (ii) upon the order of any court, regulatory or administrative agency or other governmental authority, (iii) upon the request or demand of any regulatory or administrative agency or other governmental authority having jurisdiction over such Purchaser, (iv) that has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which the Agent, any Purchaser or their respective affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Purchaser's legal counsel and independent auditors and (viii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder that has agreed in writing to be bound by the provisions of this Section 10.08.

SECTION 10.09. Substitute Debt Ratings. If either or both of Moody's or Standard & Poor's is not providing public ratings of the Unsupported Stanley Debt, the Required Purchasers may substitute another rating agency or other rating agencies of national reputation, approved by the Required Purchasers, for Moody's and/or Standard & Poor's, as the case may be, for the purpose of determining, by reference to the public ratings of two approved rating agencies (which shall include Moody's or Standard & Poor's if one of them is providing public ratings of the Unsupported Stanley Debt), the Debt Rating. If no other rating agency of national reputation is providing public ratings of the Unsupported Stanley Debt, the Required Purchasers may request that Stanley, at Stanley's expense, obtain from either or both of Moody's and Standard & Poor's, as appropriate, a private credit rating for the Unsupported Stanley Debt in lieu of a public rating for the purpose of determining the Debt Rating. In such event the Debt Rating shall be deemed to be the Debt Rating of either or both of Moody's or Standard & Poor's in effect at the time such rating agencies ceased providing public ratings of the Unsupported Stanley Debt. Upon receipt of any such request, Stanley shall use its best efforts to obtain a private credit rating for such purpose as promptly as practicable from either or both of Moody's and Standard & Poor's, as the case may be (or, if either of them declines to provide a private credit rating, the other of them and one rating agency of national reputation, and if both of them so decline, two rating agencies of national reputation, in each case approved by the Required Purchasers). The private credit rating obtained by Stanley shall be deemed to be the Debt Rating for the period during which a public rating was not provided by Moody's and Standard & Poor's or any other rating agency of national reputation and all necessary adjustments shall be made to the calculation of the Purchasers' Yield for such period to reflect the difference, if any, in the Debt Rating deemed to be in effect prior to the receipt of such private credit rating. If Stanley fails to obtain such private credit rating within ninety (90) days of the Required Purchasers' request therefor, the Debt Rating shall be deemed to be Less Than Investment Grade. In the event another rating agency of national reputation is substituted for Moody's or Standard & Poor's, the determination of the Debt Rating shall be made by reference to

the rating designations of such substituted agency that are most nearly comparable to the applicable rating designations, as set forth in the definition of the term "Debt Rating" in Section 1.01, of Moody's or Standard & Poor's, as the case may be (or, in either case, the comparable rating designations then in existence).

SECTION 10.10. Purchasers' Sales Without Recourse or Warranty. Notwithstanding any provision hereof to the contrary (including, without limitation, anything contained in the form of Assignment and Acceptance attached as an exhibit hereto), any sale, transfer or conveyance by a Purchaser of its Beneficial Interest, or by the Purchasers of any Purchased Receivable, to any third party, any Seller, any Subsidiary or any Affiliate or nominee of any Seller or Subsidiary, pursuant to Section 2.06, Section 2.13, Section 6.02 or otherwise, shall be a sale, transfer or conveyance only of all such right, title and interest therein as such Purchaser shall have acquired from the Sellers hereunder and shall be made without recourse to or any representation or warranty by such Purchaser (other than representations to the effect that (a) such Purchaser has the right, power and authority to make such sale, transfer or conveyance and (b) the right, title and interest of such Purchaser in such Beneficial Interest or Purchased Receivables, as the case may be, is being sold, transferred or conveyed free and clear of any liens, claims or encumbrances created by such Purchaser.)

SECTION 10.11. Obligations Several. The obligations of each Purchaser hereunder are several, and no Purchaser shall be responsible for the obligations or Commitment of any other Purchaser hereunder. Nothing contained in this Agreement and no action taken by Purchasers pursuant hereto shall be deemed to constitute the Purchasers to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Purchaser shall be a separate and independent obligation, and each Purchaser shall be entitled to protect and enforce its rights arising out of this Agreement or any other Facility Document and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose.

SECTION 10.12. Georgia Law. This Agreement shall be construed in accordance with and governed by the law of the State of Georgia.

SECTION 10.13. No Setoff. Except as otherwise expressly provided in this Agreement, no act of commission or omission of any kind or at any time upon the part of any Purchaser or the Agent in respect of any matter whatsoever shall in any way affect or impair the rights of such Purchaser, any other Purchaser or the Agent to enforce any right, power or benefit of the Purchasers or the Agent under this Agreement, and no set-off, claim, reduction or diminution of any obligation or any defense of any kind or nature that any Seller has or may have against a Purchaser or the Agent shall be available to such Seller or any other Seller or asserted against such Purchaser, any other Purchaser or the Agent in any suit or action brought by any Purchaser or the Agent to enforce or collect any Obligation of any Seller, right, power or benefit under this Agreement. Nothing in this Agreement shall be construed as a waiver by any Seller of any rights or claims it may have against a Purchaser or the Agent under this Agreement or otherwise, but any recovery upon such rights and claims shall be had from such Purchaser or the Agent separately, the intent of this Agreement being that each Seller shall be unconditionally and absolutely obligated to

perform fully all of its obligations, agreements and covenants hereunder for the benefit of the Purchasers and the Agent.

SECTION 10.14. Consent to Jurisdiction. Each Seller (a) submits to personal jurisdiction in the State of Georgia, the courts thereof and the United States District Courts sitting therein, for the enforcement of this Agreement and the other Facility Documents, (b) waives any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of Georgia for the purpose of litigation to enforce this Agreement or the other Facility Documents, and (c) agrees that service of process may be made upon it in the manner prescribed in Section 10.01 for the giving of notice to the Sellers. Nothing herein contained, however, shall prevent the Agent or any Purchaser from bringing any action or exercising any rights against security, if any, and against any Seller personally, and against any assets of any Seller, within any other state or jurisdiction.

SECTION 10.15. Survival of Obligations. The obligations and covenants of the Sellers under Sections 2.08, 8.03 and 8.04 (collectively, the "Surviving Seller Obligations") shall survive the payment of the Sellers' Obligations, the purchase of any Purchaser's Beneficial Interest or the repurchase of any Purchased Receivables. Except for the Surviving Seller Obligations, all other obligations, representations, warranties, covenants and agreements of the parties under the Facility Documents shall terminate upon the final and indefeasible payment in full of the Sellers' Obligations.

SECTION 10.16. Severability. This Agreement and the other Facility Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable law. If any provision of any of this Agreement or any other Facility Document or the application thereof to any Person or circumstances shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement or such other Facility Document in which such provision is contained nor the application of such provision to other Persons or circumstances or other Facility Documents or other instruments referred to hereinabove shall be affected thereby, but rather, the same shall be enforced to the greatest extent permitted by law.

SECTION 10.17. Captions. Captions in this Agreement are for the convenience of reference only and shall not affect the meaning or interpretation of the provisions hereof.

SECTION 10.18. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signatures follow on separate pages]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

SELLERS:

THE STANLEY WORKS

MAC TOOLS, INC.

By: /s/ Richard Huck
Its: Vice President, Finance

By: /s/ Richard Huck
Its: Vice President, Finance

STANLEY-BOSTITCH, INC.

By: /s/ Richard Huck
Its: Vice President, Finance

Notice Address (All
Purchasers):

The Stanley Works
1000 Stanley Drive
Post Office Box 7000
New Britain, Connecticut
06050
Attention: Director,
Corporate Finance
Telephone: (203) 827-3838
Telecopy: (203) 827-3962
Telex: N/A
Answerback: N/A

[This is a signature page to the Receivables Purchase Agreement,
signed by the parties named above]

[Signatures continued from preceding page]

PURCHASERS:

COMMITMENT:
\$32,000,000

WACHOVIA BANK OF GEORGIA, NATIONAL
ASSOCIATION, as a Purchaser

By: /s/ Linda M. Harris
Its: Senior Vice President

Office:

Association

Wachovia Bank of Georgia, National

28th Floor (MC: G-0373)
191 Peachtree Street NE
Atlanta, Georgia 30303
Attention: U.S. Corporate

Banking

Telephone: (404) 332-1090
Telecopy: (404) 332-6898
Telex: 4611015
Answerback: INT WAGA

[This is a signature page to the Receivables Purchase Agreement,
signed by the party named above]

[Signatures continued from preceding page]

COMMITMENT:
\$24,000,000

BANQUE NATIONALE DE PARIS, NEW YORK
BRANCH, as a Purchaser

By: /s/ Eric Vigne
Its: Senior Vice President

By: Nancy L. Stengel
Its: Assistant Treasurer

Office:

Banque Nationale de Paris
499 Park Avenue
New York, New York 10022
Attention: Roy Johnson/Jessie

Griffiths
415-9785
8206

Telephone: (212) 415-9610/(212)

Telecopy: (212) 415-9695/(212) 418-

Telex: 824211
Answerback: WFC UF

Payment Instructions

Federal Reserve Bank of New York
ABA Routing No.: 026007689
Account No.: 19225300157
Account Name: BNP - New York
Reference: Stanley Works

[This is a signature page to the Receivables Purchase Agreement,
signed by the party named above]

[Signatures continued from preceding page]

COMMITMENT: ROYAL BANK OF CANADA, as a
Purchaser

\$24,000,000

By: /s/ Sheryl H. Greenberg
Its: Manager

Office:

Branch

Grand Cayman (North America No. 1)

Royal Bank of Canada
c/o New York Operations Center
Pierrepoint Plaza
300 Cadman Plaza West
Brooklyn, New York 11201-2701
Attention: Manager, Loans

Administration

Telephone: (212) 858-7168
Telecopy: (718) 522-6292/3
Telex: 420464, 62519
Answerback: RBOCUI Royal Bank,

Royal Bank

with a copy to:

Royal Bank of Canada
Financial Square
New York, New York 10005-3531
Attention: Ms. Sheryl L.

Greenberg

Telephone: (212) 428-6476
Telecopy: (212) 428-6459

[This is a signature page to the Receivables Purchase Agreement,
signed by the party named above]

[Signatures continued from preceding page]

AGENT:

WACHOVIA BANK OF GEORGIA, NATIONAL
ASSOCIATION, as Agent

By: /s/ Linda M. Harris
Its: Senior Vice President

Notice Address:

Association
Inc.

Wachovia Bank of Georgia, National
c/o Wachovia Corporate Services,

26th Floor (MC: GA-0423)
191 Peachtree Street, N.E.
Atlanta, Georgia 30303

Department

Attention: Corporate Finance

Telephone: (404) 332-1084
Telecopy: (404) 332-4605
Telex: 4611015
Answerback: INT WAGA

[This is a signature page to the Receivables Purchase Agreement,
signed by the party named above]

COMPUTATION OF EARNINGS PER SHARE
THE STANLEY WORKS AND SUBSIDIARIES

Exhibit 11

(dollars and shares in thousands except per share amounts)

	Fiscal Year Ended		
	January 1 1994 (52 Weeks)	January 2 1993 (53 Weeks)	December 28 1991 (52 Weeks)
Earnings per common share:			
Weighted average shares outstanding	44,935	45,703	43,266
Earnings before cumulative effect of accounting changes	\$92,630	\$98,118	\$97,112
Cumulative effect of accounting changes:			
Postemployment benefits	(8,489)		
Postretirement benefits			(12,508)
Net earnings	\$84,141	\$98,118	\$84,604
Per share amounts:			
Before cumulative effect of accounting changes	\$2.06	\$2.15	\$2.24
Cumulative effect of accounting changes:			
Postemployment benefits	(0.19)		
Postretirement benefits			(0.29)
Net earnings	\$1.87	\$2.15	\$1.95
Primary:			
Weighted average shares outstanding	44,935	45,703	43,266
Dilutive common stock equivalents - based on the treasury stock method using average market price	713	718	510
	45,648	46,421	43,776
Per share amounts:			
Before cumulative effect of accounting changes	\$2.03	\$2.11	\$2.22
Cumulative effect of accounting changes:			
Postemployment benefits	(0.19)		
Postretirement benefits			(0.29)
Net earnings	\$1.84	\$2.11	\$1.93
Fully Diluted:			
Weighted average shares outstanding	44,935	45,703	43,266
Dilutive common stock equivalents - based on the treasury stock method using the quarter end market price if higher than average market price	757	779	572
	45,692	46,482	43,838
Per share amounts:			
Before cumulative effect of accounting changes	\$2.03	\$2.11	\$2.22
Cumulative effect of accounting changes:			
Postemployment benefits	(0.19)		
Postretirement benefits			(0.29)
Net earnings	\$1.84	\$2.11	\$1.93

Note: This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

THE STANLEY WORKS AND SUBSIDIARIES
 COMPUTATION OF EARNINGS TO FIXED CHARGES
 (in Millions of Dollars)

	Fiscal Year Ended				
	January 1 1994	January 2 1993	December 28 1991	December 29 1990	December 30 1989
Earnings before income taxes and cumulative adjustment for					
accounting change	\$148.0	\$158.1	\$156.5	\$172.0	\$193.9
Add:					
Portion of rents representative of interest factor	\$11.7	\$12.2	\$11.5	\$11.2	\$9.2
Interest expense	31.4	32.6	37.2	35.9	34.4
Amortization of expense on long-term debt	0.4	0.7	0.5	0.8	0.7
Amortization of capitalized interest	0.4	0.4	0.4	0.4	0.3
Income as adjusted	\$191.9	\$204.0	\$206.1	\$220.3	\$238.5
Fixed charges:					
Interest expense	\$31.4	\$32.6	\$37.2	\$35.9	\$34.4
Amortization of expense on long-term debt	0.4	0.7	0.5	0.8	0.7
Capitalized interest	0.1	0.1	0.4	1.3	0.8
Portion of rents representative of interest factor	11.7	12.2	11.5	11.2	9.2
Fixed charges	\$43.6	\$45.6	\$49.6	\$49.2	\$45.1
Ratio of earnings to fixed charges	4.40	4.47	4.16	4.47	5.29

Management Report on Responsibility for Financial Reporting

The management of The Stanley Works is responsible for the preparation, integrity and objectivity of the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles. Preparation of financial statements and related data involves our best estimates and the use of judgment. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the financial statements.

The company maintains a system of internal accounting controls which is designed to provide reasonable assurance, at appropriate cost, as to the reliability of financial records and the protection of assets. This system includes monitoring by a staff of internal auditors. It is further characterized by care in the selection of competent financial managers, by organizational arrangements that provide for delegation of authority and division of responsibility and by disseminating policies and procedures throughout the company.

The Stanley Works also recognizes its responsibility for fostering a strong, ethical climate so that the company's affairs are conducted according to the highest standards of personal and business conduct. This responsibility is reflected in the company's Business Conduct Guidelines which are publicized throughout the organization. The company has a long-established reputation of integrity in business conduct and maintains a systematic program to assess compliance with these policies.

The adequacy of Stanley's internal accounting controls, the accounting principles employed in its financial reporting and the scope of independent and internal audits are reviewed by the Audit Committee of the Board of Directors, consisting solely of outside directors. Both the independent auditors and our internal auditors have unrestricted access to the Audit Committee, and they meet with it periodically, with and without management present.

Richard H. Ayers
Chairman and
Chief Executive Officer

Richard Huck
Vice President, Finance and
Chief Financial Officer

Report of Ernst & Young, Independent Auditors

The Shareholders
The Stanley Works

We have audited the accompanying consolidated balance sheets of The Stanley Works and subsidiaries as of January 1, 1994 and January 2, 1993, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 1, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Stanley Works and subsidiaries at January 1, 1994 and January 2, 1993, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 1, 1994, in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, the company changed its method of accounting for postemployment benefits in 1993 and postretirement benefits other than pensions in 1991.

Hartford, Connecticut
January 31, 1994

Ernst & Young

Business Segment Information
The Stanley Works and Subsidiaries

Industry Segments

The company groups its sales and operating profit by three major categories: Tools, Hardware and Specialty Hardware. Sales for Tools are further divided into Consumer, Industrial and Engineered.

Geographic Areas

The company has manufacturing and distribution facilities and sales offices in the United States, Europe and Other Areas. The company's operations in Europe are principally located in the European Economic Community. Other Areas principally include Canada, Australia, the Far East and Latin America.

General Information

Intercompany sales between geographic areas and between business segments were not significant. Segment information includes insignificant allocations of expenses and assets shared by the segments.

Operating profit represents net sales less operating expenses. In computing operating profit, the following have been excluded: net corporate expenses, interest expense, income taxes and the cumulative effect of accounting changes.

Identifiable assets are those assets used in the company's operations in each segment or area.

Industry Segments (Millions of Dollars)	1993	1992	1991
Net Sales			
Tools			
Consumer	\$726.0	\$723.0	\$624.0
Industrial	411.1	377.7	363.5
Engineered	568.5	540.0	497.2
Total Tools	<u>1,705.6</u>	<u>1,640.7</u>	<u>1,484.7</u>
Hardware	299.4	297.2	225.3
Specialty Hardware	268.1	257.7	232.2
Consolidated	<u>\$2,273.1</u> =====	<u>\$2,195.6</u> =====	<u>\$1,942.2</u> =====
Operating Profit			
Tools			
Hardware	\$158.1	\$171.7	\$169.4
Specialty Hardware	32.9	25.6	28.9
	13.2	18.3	16.5
Total	<u>204.2</u>	<u>215.6</u>	<u>214.8</u>
Net corporate expenses	(24.0)	(24.5)	(20.7)
Interest expense	(32.2)	(33.0)	(37.6)
Earnings before income taxes	<u>\$148.0</u> =====	<u>\$158.1</u> =====	<u>\$156.5</u> =====
Identifiable Assets			
Tools			
Hardware	\$1,238.6	\$1,199.3	\$1,176.2
Specialty Hardware	173.3	171.0	178.0
	83.9	91.3	86.6
	<u>1,495.8</u>	<u>1,461.6</u>	<u>1,440.8</u>
General corporate assets	81.1	146.0	107.1
Total	<u>\$1,576.9</u> =====	<u>\$1,607.6</u> =====	<u>\$1,547.9</u> =====
Capital Expenditures			
Tools			
Hardware	\$53.6	\$ 47.4	\$51.7
Specialty Hardware	8.2	10.7	5.9
	3.8	3.8	4.6
Depreciation and Amortization			
Tools			
Hardware	63.9	63.6	59.7
Specialty Hardware	10.6	10.7	8.4
	4.4	4.0	4.4

Geographic Areas (Millions of Dollars)	1993	1992	1991
Net Sales			
United States	\$1,680.0	\$1,561.5	\$1,361.6
Europe	317.3	354.0	324.2
Other Areas	275.8	280.1	256.4
Consolidated	<u>\$2,273.1</u> =====	<u>\$2,195.6</u> =====	<u>\$1,942.2</u> =====
Operating Profit			
United States	\$153.5	\$148.8	\$145.3
Europe	27.4	38.5	42.8
Other Areas	23.7	27.3	28.9
Eliminations	(.4)	1.0	(2.2)
Total	<u>\$204.2</u> =====	<u>\$215.6</u> =====	<u>\$214.8</u> =====
Identifiable Assets			
United States	\$1,017.6	\$1,002.1	\$941.0
Europe	270.0	259.9	290.4
Other Areas	247.4	223.1	231.2
Eliminations	(39.2)	(23.5)	(21.8)
Total	<u>\$1,495.8</u> =====	<u>\$1,461.6</u> =====	<u>\$1,440.8</u> =====

Note: In 1993, net corporate expenses include a gain of \$29.0 million from the sale of the company's investment in Max Co., Ltd.

In 1992, net corporate expenses include a gain of \$25.8 million from the sale of a portion of the company's investment in Max Co., Ltd., expenses of \$14.1 million related to planned closings of certain company-owned stores and reduction of the goodwill of the company's Taylor Rental operation.

Certain 1992 and 1991 amounts were reclassified to conform with the 1993 presentation.

Summary of Selected Financial Information (A)
The Stanley Works and Subsidiaries
(Millions of Dollars, except per share amounts)

Continuing Operations B

	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Net Sales	\$2,273	\$2,196	\$1,942	\$1,956	\$1,951	\$1,888	\$1,744	\$1,355	\$ 992	\$ 936	\$ 804
Earnings	93	98	97	106	117	102	96	78	70	64	49
Earnings per share	\$ 2.06	\$ 2.15	\$ 2.24	\$ 2.51	\$ 2.70	\$ 2.37	\$ 2.22	\$ 1.84	\$ 1.70	\$ 1.54	\$ 1.20
Percent of Net Sales:											
Cost of sales	68.3%	66.8%	66.0%	65.3%	64.8%	65.6%	64.7%	64.9%	63.2%	63.5%	64.5%
Selling, general and administrative	22.5%	24.0%	23.8%	23.7%	23.0%	23.0%	23.4%	23.9%	24.3%	24.1%	25.1%
Interest-net	1.1%	1.2%	1.3%	1.3%	1.3%	1.3%	1.7%	1.4%	.2%	.1%	.3%
Earnings before income taxes	6.5%	7.2%	8.1%	8.8%	9.9%	9.1%	9.5%	9.7%	12.2%	11.9%	10.1%
Earnings	4.1%	4.5%	5.0%	5.4%	6.0%	5.4%	5.5%	5.8%	7.1%	6.8%	6.1%

Other Key Information

Total assets	\$1,577	\$1,608	\$1,548	\$1,494	\$1,491	\$1,405	\$1,388	\$1,208	\$ 755	\$ 697	\$ 686
Long-term debt	377	438	397	398	416	339	354	363	81	74	85
Shareholders' equity	\$ 681	\$ 696	\$ 689	\$ 679	\$ 659	\$ 684	\$ 626	\$ 555	\$ 503	\$ 444	\$ 435

Ratios:

Current ratio	2.1	2.4	2.4	2.6	2.6	2.6	2.4	2.9	3.7	2.8	3.0
Total debt to total capital	38.7%	40.1%	37.6%	38.7%	39.6%	35.0%	40.9%	43.4%	15.7%	19.4%	19.0%
Income tax rate	37.4%	37.9%	38.0%	38.4%	39.6%	40.8%	41.7%	40.7%	42.0%	42.5%	39.2%

Return on average equity b

	13.5%	14.1%	14.1%	15.8%	17.3%	15.5%	14.7%	14.9%	16.5%	16.5%	12.8%
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Common Stock Data:

Dividends per share	\$1.34	\$ 1.28	\$ 1.22	\$ 1.14	\$ 1.02	\$.92	\$.82	\$.73	\$.67	\$.60	\$.52
Equity per share at year-end	\$15.23	\$15.32	\$15.22	\$16.50	\$15.32	\$15.97	\$14.59	\$13.05	\$12.03	\$11.00	\$10.35
Market price - high	47 7/8	48 1/8	44	39 3/4	39 1/4	31 1/4	36 5/8	30 7/8	22 1/2	19 5/8	19
Market price - low	37 7/8	32 1/2	26	26 5/8	27 1/2	24 3/8	21 1/4	20 1/2	16 3/8	13	13 1/2
Average shares outstanding (in thousands)	44,935	45,703	43,266	42,192	43,378	43,109	43,357	42,279	41,243	41,816	41,465

Other Information:

Earnings from continuing operations	\$ 93	\$ 98	\$ 97	\$ 106	\$ 117	\$ 102	\$ 96	\$ 78	\$ 70	\$ 64	\$ 49
Earnings from discontinued operations	-	-	-	-	-	-	(10)	1	8	8	3
Cumulative effect of accounting change	(9)	-	(12)	-	-	(13)	-	-	-	-	-
Net earnings	\$ 84	\$ 98	\$ 85	\$ 106	\$ 117	\$ 89	\$ 86	\$ 79	\$ 78	\$ 72	\$ 52
Net earnings per share	\$ 1.87	\$ 2.15	\$ 1.95	\$ 2.51	\$ 2.70	\$ 2.07	\$ 2.00	\$ 1.86	\$ 1.90	\$ 1.73	\$ 1.28
Average number of employees	18,988	18,650	17,420	17,784	18,464	18,988	19,142	16,128	13,069	12,788	12,396
Shareholders of record at end of year	20,018	20,661	21,297	22,045	22,376	23,031	23,051	21,752	22,870	23,238	22,656

A) Certain amounts were reclassified to conform with the 1993 presentation.

B) Excluding the cumulative after-tax effect of accounting changes for postemployment benefits of \$8.5 million, or \$.19 per share, in 1993; postretirement benefits of \$12.5 million, or \$.29 per share, in 1991; and income taxes of \$13.1 million, or \$.30 per share, in 1988.

Management's Discussion and Analysis
Results of Operations

Overview

Improved economic conditions, particularly in the United States, resulted in record sales of \$2.3 billion in 1993, or a 3.5% increase over 1992. Earnings, excluding the effects of a change in accounting principle and special charges related to a legal settlement, also strengthened, increasing 4% over 1992.

Earnings were \$93 million, or \$2.06 per share, before the cumulative effect of an accounting change. This compares with \$98 million, or \$2.15

per share, reported in 1992. Earnings were affected by a \$15 million, or

\$.21 per share, charge related to the settlement of lawsuits involving the company's Mac Tools, Inc. subsidiary. The charge reflected these settlements and the accrual of reserves to cover unsettled claims. In addition, a stronger U.S. dollar had a negative effect on the translation of foreign earnings for the year.

Revenues

Sales growth in 1993 was driven by unit volume increases of 4% in our core businesses, which represented the most significant internal growth generated since 1988. Acquisitions and minor price increases added 2% to sales; however, the negative effect of translating foreign revenues offset these incremental improvements.

The company's U.S. businesses experienced strong internal growth, reflecting the improvement in U.S. industrial and construction related markets and the company's efforts in introducing new products. Domestic unit volume growth was 6% for 1993. While the company's consumer businesses experienced only modest growth, engineered and industrial businesses saw higher levels of sales increases. Many of the company's businesses did not raise prices during the year; consequently, pricing had no net effect on U.S. sales. The incremental effect of acquisitions contributed 2% to sales.

European markets, especially continental Europe, remained depressed in 1993, resulting in a 3% volume decline. European currencies also continued to weaken during the year resulting in an 11% decline in sales, or approximately \$40 million. A combination of small price increases and acquisitions added 4% to sales. As a result, total European sales were 10% lower than last year.

Net sales in Other Areas decreased 2% as a result of foreign currency translation and weak sales in Canada. Sales increases in the Far East and Latin America continued to exceed the growth rate experienced by the company overall.

Net sales in 1992 of \$2.2 billion were 13% higher than in 1991, primarily due to the contributions of acquired companies. Excluding acquisitions, the company achieved only minimal growth in domestic markets and sales trends in the lagging European, Australian and Canadian economies were stagnant or negative.

Factors contributing to the year-to-year change in net sales were:

Net Sales Change	Comparison		
	1993 with 1992	1992 with 1991	1991 with 1990
Unit Volume:			
Existing Operations	4.1%	2.1%	(4.8)%
Acquisitions/Divestitures	1.7	10.2	2.4
Price Increase	.7	1.1	2.7
Foreign Currency	(3.0)	(.4)	(1.0)
	-----	-----	-----
	3.5%	13.0%	(.7)%
	=====	=====	=====

During 1993, the highly-inflationary conditions that affect the company's Brazilian operation, while not material to overall operating results and financial position, did affect the above price increase and foreign currency percentages. Price increase and foreign currency effects on the year-to-year sales change without the Brazilian operations were .1% and (2.5%), respectively.

Gross Profit

Gross profit margin was 31.7% in 1993, compared with 33.2% in 1992. Much of the margin decline in 1993 related to costs associated with the transition from purchasing certain fastening tools from foreign sources to U.S. in-house manufacture and to abnormally high wood prices experienced in the company's Door Systems business and the associated expenses of manufacturing process adjustments. The company has continued to control costs and to realize productivity gains from its capital investment programs. These efforts have helped relieve the adverse margin pressures of a competitive pricing environment.

In 1992, margins were affected by the costs of integrating acquisitions and the underutilization of the company's mechanics tool capacity which resulted from the loss of sales to a major retail customer. A portion of that sales volume has been replaced.

Operating and Other Expenses

Operating expenses were 22.5% of sales in 1993 compared with 24.0% in 1992 and 23.8% in 1991. The improvement in 1993 reflects increased operating efficiencies, the integration of recent acquisitions and the absence of non-recurring expenses. The increase in 1992 reflects non-recurring legal costs and increases in product liability reserves, both of which more than offset productivity improvements.

Interest-net expense of \$25 million, reduced from \$27 million in 1992 and \$26 million in 1991, resulted from lower interest rates and the company's active management of overall borrowing costs.

Other-net expense for 1993 included a \$15 million charge for distributor litigation issues at the company's Mac Tools, Inc. subsidiary. It also included a gain on the sale of the company's investment in Max Co., Ltd. of \$29 million, which was substantially offset by additional charges for contingency reserves related to product liability, restructuring activities and environmental remediation.

Other-net expenses in 1992 included charges of \$14 million related to planned closings of certain company-owned Taylor Rental stores, a reduction of the goodwill of the company's Taylor Rental business, and \$8 million for reserves for litigation pending at the company's Mac Tools, Inc. subsidiary. These charges were offset by a \$26 million gain from the sale of a portion of the company's investment in Max Co., Ltd.

Other-net expenses in 1991 were relatively unchanged from 1990.

The effective income tax rates in 1993, 1992 and 1991 were 37.4%, 37.9% and 38.0%, respectively. In 1993, the effect of an increase in the U.S. statutory rate from 34% to 35% was largely offset by favorable tax planning strategies and proportionally lower earnings in high-tax foreign operations.

Accounting Changes

Net earnings for 1993 reflected an after-tax charge of \$8.5 million, or \$.19 per share, for the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." The new standard, which all companies must adopt no later than the first quarter of 1994, requires accrual of postemployment benefits as they are earned by employees rather than as they are paid. The one-time charge represents the cumulative effect of the new accounting standard as of the beginning of fiscal year 1993.

In 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The after-tax effect of this standard was a one-time charge to 1991 earnings of \$12.5 million, or \$.29 per share.

Business Segments

Tools segment sales of \$1.7 billion were 4% higher than in 1992. Unit volume gains of 4% were primarily the result of strong internal growth in the industrial and engineered tools categories. Acquisitions, net of divestitures, accounted for a 2% increase in sales. The net effect of price increases in some tool categories and decreases in others resulted in a net 1% increase in sales for the year. A 3% decline in sales due to currency translation offset price and acquisition gains. Operating profits of \$158 million were down 8% from 1992 and included charges of \$15 million for distributor litigation and \$4 million for a plant closing for the company's Mac Tools, Inc. subsidiary. Profits were also affected by costs related to the transition of certain fastening products to in-house manufacture. As a result, operating margins were 9.3% for 1993, compared with 10.5% in 1992.

Tools segment sales in 1992 were \$1.6 billion or 11% higher than in 1991. Acquisitions accounted for most of the increase. Operating profits of \$172 million were up 1% from the \$169 million reported for this segment in 1991.

Hardware segment sales increased 1% in 1993 to \$299 million, as negative currency effects partially offset 3% unit volume growth. Operating profits increased 29% to \$33 million and operating margins improved to 11.0% from 8.6% in the prior year. Margin improvements are attributable primarily to greater operating efficiencies and the integration of recent acquisitions.

Hardware segment sales in 1992 were \$297 million, an increase of 32% over 1991 results. The sales increase was substantially provided by acquisitions, the integration costs of which reduced operating profits.

Specialty Hardware segment sales for 1993 were 4% higher than in 1992. Virtually all of the increase was generated by internal growth, as the effects of modest price increases were offset by the negative effect of foreign currency translation. Operating profits were affected by abnormally high raw material costs and the expenses of related manufacturing process adjustments at the company's Door Systems business.

Specialty Hardware segment sales in 1992 increased 11% from 1991 and reflected unit volume gains in all geographic areas. Operating profits in 1992 were up 11% for the year, increasing to \$18 million with resulting margins of 7.0%, the same as 1991.

Financial Condition

Liquidity, Sources and Uses of Capital

The company's strong balance sheet, operating cash flows and borrowing capacity provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the capital needs of its businesses and to make appropriate acquisitions as those opportunities arise.

Operating cash flows of \$147 million generated in 1993 were lower than in previous years as internal sales growth required additional working capital. The company continues to place a significant emphasis on working capital management as evidenced by the managed growth in accounts receivable and inventories in relation to sales growth.

Borrowings at year-end 1993 were \$429 million, down from \$467 million at the end of 1992. The reduction in overall debt

resulted from the retirement of certain long-term obligations. Total debt as a percentage of total capital decreased to 38.7% from 40.1% last year. The debt to capital ratio, excluding the company's guarantee on its ESOP debt, was 31.2% in 1993 and 32.4% in 1992. The company continues to restructure its overall debt portfolio, taking advantage of the availability of lower short-term interest rates in the market. In addition, various interest rate management strategies have been employed and include the use of interest rate swap agreements. The company's overall financing strategy does not expose it to significant market or credit risk.

The company has access to financial resources and borrowing capabilities around the world. The company has \$100 million of unissued debt securities registered with the Securities and Exchange Commission. In addition, the company had approximately \$265 million of unused lines of credit at year-end 1993.

Capital Expenditures

The company's capital investment program seeks to improve productivity, customer service and responsiveness. Capital expenditures for the last three years are listed below, in millions of dollars:

	1993	1992	1991
Productivity	\$33	\$39	\$36
Increased capacity	27	20	19
Regulatory	2	2	2
Other	7	3	6
	-----	-----	-----
	\$69	\$64	\$63

Capital expenditures in 1994 are expected to be approximately \$70 million. Productivity, as measured by net sales per employee in constant 1993 dollars, increased by 2.3%. Net sales per employee in 1993 were \$115,100 compared with \$112,500 in 1992.

Other Matters

In the normal course of business the company becomes involved in various lawsuits and claims. The company has estimated the potential cost of these activities and has established appropriate reserves. This litigation activity includes suits and claims associated with the company's Mac Tools, Inc. subsidiary.

The results for 1993 include a fourth quarter charge of \$15 million to reflect both the late-January 1994 settlement of 132 filed and threatened lawsuits by former distributors against Mac Tools, Inc. and the accrual of reserves to cover unsettled claims. After these settlements, there were four suits outstanding. The company has also taken steps to improve its relationship with its current distributors and an ombudsman program has been established to provide liaison with former distributors. Management believes that these actions will reduce the number and size of future settlements and expenses related to this kind of litigation and that any such expenses will not have a material adverse effect on the company's financial position, results of operations or liquidity.

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 involved with remedial and other environmental compliance activities at some of its current and former sites. Additionally, the company, together with other parties, has been named a potentially responsible party ("PRP") with respect to nine 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 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 amounts 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 which becomes available. As of year-end 1993, the company had reserves of \$18 million, primarily for remediation activities associated with company-owned properties as well as for Superfund sites.

Actual costs to be incurred at identified sites 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 material adverse effect on its financial position, results of operations or liquidity.

Consolidated Statements of Earnings
The Stanley Works and Subsidiaries

Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991

(Millions of Dollars, except per share amounts) 1993 1992* 1991*

Net Sales	\$2,273.1	\$2,195.6	\$1,942.2
Costs and Expenses			
Cost of sales	1,553.0	1,466.0	1,281.0
Selling, general and administrative	512.3	526.7	462.3
Interest-net	25.2	26.5	25.9
Other-net	34.6	18.3	16.5
	-----	-----	-----
	2,125.1	2,037.5	1,785.7
	-----	-----	-----
Earnings before Income Taxes and Cumulative Effect of Accounting Changes	148.0	158.1	156.5
Income Taxes			
Currently payable	61.0	72.2	52.3
Deferred	(5.6)	(12.2)	7.1
	-----	-----	-----
	55.4	60.0	59.4
Earnings before Cumulative Effect of Accounting Changes	92.6	98.1	97.1
Cumulative effect of accounting changes	(8.5)		(12.5)
	-----	-----	-----
Net Earnings	\$84.1	\$98.1	\$84.6
	=====	=====	=====
Earnings Per Share of Common Stock:			
Before cumulative effect of accounting changes	\$2.06	\$2.15	\$2.24
Cumulative effect of accounting changes	(.19)		(.29)
	-----	-----	-----
Net Earnings Per Share of Common Stock	\$1.87	\$2.15	\$1.95
	=====	=====	=====

See notes to consolidated financial statements.

* Reclassified to conform with the 1993 presentation.

Consolidated Balance Sheets
The Stanley Works and Subsidiaries

January 1, 1994 and January 2, 1993
(Millions of Dollars)

	1993	1992
ASSETS		
Current Assets		
Cash and cash equivalents	\$43.7	\$81.1
Accounts and notes receivable, net	371.2	354.9
Inventories	308.1	302.0
Other current assets	35.6	40.7
	-----	-----
Total Current Assets	758.6	778.7
Property, Plant and Equipment	566.5	566.6
Goodwill and Other Intangibles	171.5	175.3
Investments and Other Assets	80.3	87.0
	-----	-----
Total Assets	\$1,576.9	\$1,607.6
	=====	=====
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Notes payable to banks	\$42.3	\$20.2
Current maturities of long-term debt	9.8	8.4
Accounts payable	103.3	114.0
Accrued expenses	197.6	184.2
Income taxes	4.1	3.1
	-----	-----
Total Current Liabilities	357.1	329.9
Long-Term Debt	377.2	438.0
Deferred Income Taxes	36.0	54.8
Other Liabilities	125.7	88.6
Shareholders' Equity		
Preferred Stock, without par value:		
Authorized and unissued 10,000,000 shares		
Common Stock, par value \$2.50 per share:		
Authorized 110,000,000 shares;		
issued 46,171,705 shares in 1993 and 1992	115.4	115.4
Capital in excess of par value	73.1	75.8
Retained earnings	871.1	843.7
Foreign currency translation adjustment	(56.7)	(41.5)
ESOP debt	(261.5)	(268.8)
	-----	-----
	741.4	724.6
Less: cost of common stock in treasury		
(1,476,074 shares in 1993 and 732,851		
shares in 1992)	60.5	28.3
	-----	-----
Total Shareholders' Equity	680.9	696.3
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,576.9	\$1,607.6
	=====	=====

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
The Stanley Works and Subsidiaries

Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991

(Millions of Dollars)	1993	1992	1991
Operating Activities:			
Net earnings	\$84.1	\$98.1	\$84.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	80.7	78.5	74.9
Gain on sale of non-operating asset	(29.0)	(25.8)	
Provision for postemployment and postretirement benefits	13.6		20.6
Other non-cash items	9.4	16.0	(.6)
Changes in operating assets and liabilities:			
Accounts and notes receivable	(19.7)	13.1	9.8
Inventories	(15.5)	(6.6)	.5
Accounts payable and accrued expenses	16.0	17.2	(6.1)
Income taxes	1.0	1.8	2.4
Other	5.9	(7.3)	(6.1)
	-----	-----	-----
Net cash provided by operating activities	146.5	185.0	180.0
	-----	-----	-----
Investing Activities:			
Capital expenditures	(69.7)	(65.1)	(61.1)
Proceeds from sales of assets	6.6	8.2	11.8
Proceeds from sale of non-operating asset	38.9	35.2	
Business acquisitions	(13.3)	(105.8)	(54.7)
Proceeds from sale of businesses			2.9
Other	(13.2)	(10.6)	(8.0)
	-----	-----	-----
Net cash used by investing activities	(50.7)	(138.1)	(109.1)
	-----	-----	-----
Financing Activities:			
Payments on long-term debt	(133.8)	(69.8)	(256.3)
Proceeds from long-term borrowings	78.5	120.2	240.3
Loan to ESOP			(180.0)
Net short-term bank financing	22.3	5.1	(2.6)
Proceeds from issuance of common stock	4.6	3.6	184.6
Purchase of common stock for treasury	(42.3)	(25.0)	(37.2)
Cash dividends on common stock	(60.5)	(57.5)	(52.3)
	-----	-----	-----
Net cash used by financing activities	(131.2)	(23.4)	(103.5)
	-----	-----	-----
Effect of exchange rate changes on cash	(2.0)	(.7)	(3.8)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(37.4)	22.8	(36.4)
	-----	-----	-----
Cash and cash equivalents, beginning of year	81.1	58.3	94.7
	-----	-----	-----
Cash and cash equivalents, end of year	\$43.7	\$81.1	\$58.3
	=====	=====	=====

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity
The Stanley Works and Subsidiaries

Fiscal years ended January 1, 1994, January 2, 1993 and December 28, 1991

(Millions of Dollars)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Trans- lation Adjust- ments	ESOP Debt	Treasury Stock	Share- holders Equity
Bal December 30, 1990	\$113.2	\$59.3	\$756.9	\$(8.1)	\$(102.9)	\$(139.1)	\$679.3
Net earnings			84.6				84.6
Cash dividends declared							
- \$1.22 per share			(53.8)				(53.8)
Issuance of common stock	1.5	31.4				152.9	185.8
Purchase of common stock						(37.2)	(37.2)
ESOP debt					(173.2)		(173.2)
ESOP tax benefit			3.0				3.0
Bal Dec 28, 1991	114.7	90.7	790.7	(8.1)	(276.1)	(23.4)	688.5
Pooling of interests	.7	(13.4)	9.8			12.7	9.8
Bal Dec 29, 1991	115.4	77.3	800.5	(8.1)	(276.1)	(10.7)	698.3
Net earnings			98.1				98.1
Currency translation adj				(33.4)			(33.4)
Cash dividends declared							
- \$1.28 per share			(58.5)				(58.5)
Issuance of common stock		(1.5)				10.1	8.6
Purchase of common stock						(27.7)	(27.7)
ESOP debt					7.3		7.3
ESOP tax benefit			3.6				3.6
Bal Jan 2, 1993	115.4	75.8	843.7	(41.5)	(268.8)	(28.3)	696.3
Net earnings			84.1				84.1
Currency translation adj				(15.2)			(15.2)
Cash dividends declared							
- \$1.34 per share			(60.1)				(60.1)
Issuance of common stock		(2.7)				15.7	13.0
Purchase of common stock						(47.9)	(47.9)
ESOP debt					7.3		7.3
ESOP tax benefit			3.4				3.4
Bal Jan 1, 1994	\$115.4	\$73.1	\$871.1	\$(56.7)	\$(261.5)	\$(60.5)	\$680.9

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
The Stanley Works and Subsidiaries

A Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and all subsidiaries, after the elimination of intercompany accounts and transactions.

Fiscal Year-End

The company's fiscal year ends on the Saturday nearest to December 31. Fiscal years 1993 and 1991 were comprised of 52 weeks and fiscal year 1992 was comprised of 53 weeks.

Foreign Currency Translation

For most foreign operations, balance sheet accounts are translated at the current year-end exchange rate and earnings statement items are translated at the average exchange rate for the year. Resulting

translation adjustments are made directly to a separate component of shareholders' equity. Translation adjustments for operations in highly-inflationary countries and gains and losses on transactions are included in earnings.

Cash Equivalents

Highly liquid investments with original maturities of three months or less are considered cash equivalents. Carrying amounts approximate fair values.

Inventories

Inventories of the parent company and all significant inventories of its United States subsidiaries are valued at the lower of last-in, first-out cost or market. The remaining inventories are valued generally at the lower of first-in, first-out cost or market.

Properties, Equipment and Related Depreciation

Property, plant and equipment are stated on the basis of cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets.

Income Taxes

Deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax expense represents the change in the deferred tax asset and liability balances.

Earnings per Share

Earnings per share are based on the weighted average number of shares of common stock outstanding during each year (44,935,000 shares, 45,703,000 shares and 43,266,000 shares in 1993, 1992 and 1991, respectively). The issuance of additional shares under employee stock plans would not result in a material dilution of earnings per share.

Reclassifications

Certain 1992 and 1991 amounts have been reclassified to conform with the 1993 presentation.

B Acquisitions and Divestitures

The company acquired businesses in 1993 for a total of \$24.0 million. The most significant of the businesses acquired were Friess & Co. KG, a German manufacturer and marketer of paint rollers and brushes and Rikkoh-Sha Co. Ltd., a mechanics tools distributor in Japan.

The company acquired several businesses in 1992 for \$90.4 million. The acquisitions included: Goldblatt Tool Co., a manufacturer of masonry, tile and drywall tools; Mail Media (Jensen Tools, Inc. and Direct Safety), known principally as a marketer of precision tool kits through catalog sales; American Brush Co., Inc., a U.S. manufacturer of paint brushes and decorator tools; and a controlling interest in Tona a.s.

Pecky, a major Czech manufacturer of mechanics tools.

The 1993 and 1992 consolidated statements of earnings include the results of these operations, which were accounted for as purchases, from the respective dates of their acquisitions. Pro forma results for 1993 and 1992 acquisitions have not been presented as they would not have been significantly different.

On January 16, 1992, the company exchanged 642,940 shares of common stock for all of the issued and outstanding common stock of LaBounty Manufacturing, Inc., a manufacturer of large hydraulic tools. This business combination was accounted for as a pooling of interests. Periods prior to 1992 were not restated due to the immaterial effect of the pooled company on the consolidated financial statements.

During 1991, the company acquired, for \$69.6 million, the businesses of Mosley Stone, Ltd., Sidchrome Tools, Monarch Mirror Door Company and three smaller companies. These transactions were accounted for as purchases. The operating results of these companies are included in the consolidated statements of earnings from their respective dates of acquisition in 1991.

In connection with the aforementioned purchase transactions, the fair value of assets acquired and liabilities assumed aggregated \$34.5 million and \$10.5 million, respectively, for 1993, \$115.8 million and \$25.4 million, respectively, for 1992 and \$119.3 million and \$49.7 million, respectively, for 1991.

On June 30, 1993, the company sold the franchise operations of its wholly owned subsidiary Taylor Rental Corporation.

C Accounts and Notes Receivable

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. No individual customer balance is material. Adequate provisions have been established to cover anticipated credit losses. At January 1, 1994 and January 2, 1993, allowances for doubtful receivables of \$24.8 million and \$22.9 million, respectively, have been applied as a reduction of current accounts and notes receivable. The company believes it had no significant concentrations of credit risk as of January 1, 1994.

Throughout the year, the company sold, with recourse, certain domestic accounts receivable under a revolving sales agreement. The proceeds for these sales were \$39 million in 1993, \$64 million in 1992 and \$43 million in 1991. At January 1, 1994 and January 2, 1993, the balance of these receivables subject to recourse was approximately \$62 million and \$70 million, respectively. Provisions have been made to cover anticipated losses.

D Inventories

(Millions of Dollars)	1993	1992
Finished products	\$195.7	\$190.9
Work in process	61.1	59.6
Raw materials	48.7	49.0
Supplies	2.6	2.5
	<u>\$308.1</u>	<u>\$302.0</u>
	=====	=====

Inventories in the amount of \$158.9 million at January 1, 1994 and \$155.2 million at January 2, 1993 were valued at the lower of last-in, first-out (LIFO) cost or market. If LIFO inventories had been valued at FIFO costs, they would have been \$118.5 million and \$118.4 million higher than reported at January 1, 1994 and January 2, 1993, respectively.

E Property, Plant and Equipment

(Millions of Dollars)	1993	1992
Land	\$32.4	\$30.7
Buildings	239.7	229.5
Machinery and equipment	846.9	828.6
	<u>1,119.0</u>	<u>1,088.8</u>
Less: accumulated depreciation	552.5	522.2
	<u>\$566.5</u>	<u>\$566.6</u>
	=====	=====

The provisions for depreciation for 1993, 1992 and 1991 were \$63.1 million, \$62.4 million and \$61.4 million, respectively.

F Intangibles

Goodwill and other intangibles, net of accumulated amortization of \$73.5 million and \$62.8 million, respectively, at the end of each fiscal year were as follows:

(Millions of Dollars)	1993	1992
Goodwill, amortized generally over 40 years	\$130.9	\$129.6
Tradenames and other intangibles amortized over periods ranging from 2 to 15 years	40.6	45.7
	<u>\$171.5</u>	<u>\$175.3</u>
	=====	=====

G Accrued Expenses

(Millions of Dollars)	1993	1992
-----------------------	------	------

Salaries and wages	\$33.4	\$33.2
Insurance	39.1	38.9
Taxes, other than income taxes	16.9	16.8
Dividends payable	14.6	15.0
Litigation	24.0	10.5
Other	69.6	69.8
	<u>\$197.6</u>	<u>\$184.2</u>
	=====	=====

H Long-Term Debt and Financing Arrangements

(Millions of Dollars)	1993	1992
Notes payable in 2002 with interest at 7.375%	\$100.0	\$100.0
European Currency Unit (ECU) notes payable in 1993 with interest at 7.75%		66.3
Sinking Fund Debentures due 2016, with interest at 9.25%		65.5
Commercial Paper with interest at 3.4%	62.3	
Dutch Guilder notes payable in 1996 with interest at 6.075%	51.5	55.0
Notes payable in 1998 with interest at 9.00%	34.8	34.8
Industrial Revenue Bonds at various interest rates from 5.75% to 7.5% and due in varying amounts to 2010	30.5	31.1
Dutch Guilder notes payable in 1996 with interest at 6.125%	15.4	
ESOP loan guarantees, payable in varying monthly installments:		
due 1993 with interest at 6.78%		1.8
due 2001 with interest at 7.71%	82.8	87.9
Other	9.7	4.0
	---	---
	387.0	446.4
Less: current maturities	9.8	8.4
	<u>\$377.2</u>	<u>\$438.0</u>
	=====	=====

The company has entered into a variety of foreign currency and interest rate exchange agreements. As of January 1, 1994, these agreements established an effective interest rate of 6.97% on notional principal of \$253 million. The counterparties to these agreements are major international financial institutions. The company is exposed to credit risk to the extent of nonperformance by these counterparties, however, the company considers the risk of default to be remote.

Commercial paper outstanding at January 1, 1994, of \$62.3 million is classified as non-current pursuant to the company's intention and ability to continue to refinance this obligation on a long-term basis. Commercial paper classified as current as of January 1, 1994 and January 2, 1993, was \$36.5 million and \$14.4 million, respectively.

In 1992 the company filed a shelf registration statement with the Securities and Exchange Commission covering the issuance of up to \$200 million of debt securities; as of January 1, 1994, \$100 million remained unissued. The company has unused long-term credit arrangements with several banks to borrow up to \$205 million at the lower of prime or money market rates. Of these lines, \$200 million is available to support the company's commercial paper program. Commitment fees range from .125% to .15%.

The company has short-term lines of credit with numerous foreign banks aggregating \$60.8 million. At January 1, 1994, the unused portion of these credit lines was \$56.2 million. The arrangements are reviewed annually for renewal.

The company has guaranteed the long-term notes payable to banks of its employee stock ownership plans (ESOPs). The notes are secured by shares of the company's common stock held by the ESOPs. The guarantee is reflected in the consolidated balance sheets as long-term debt with a corresponding reduction in shareholders' equity.

Aggregate annual maturities of long-term debt for the years 1995 to 1998 are \$9.4 million, \$77.9 million, \$10.7 million and \$112.8 million, respectively. Interest paid during 1993, 1992 and 1991 amounted to \$34.0 million, \$33.9 million and \$40.0 million, respectively.

The fair values of long-term debt are estimated using discounted cash flow analysis based on the company's incremental borrowing rates. The fair values of foreign currency and interest rate swaps are based on current settlement values. The fair value of long-term debt and debt-related financial instruments was \$393 million and \$12 million, respectively, as of January 1, 1994.

I Capital Stock

Common Stock Share Activity

The activity in common shares for each year, net of treasury stock, was as follows:

	1993	1992	1991
Outstanding, beginning of year	45,438,854	45,240,591	41,176,312
Issued For:			
Employee stock plans	387,196	263,805	5,070,247
Acquisitions		642,940	
Purchased	(1,130,419)	(708,482)	(1,005,968)
Outstanding, end of year	<u>44,695,631</u>	<u>45,438,854</u>	<u>45,240,591</u>
	=====	=====	=====

Common Stock Reserved

At January 1, 1994 and January 2, 1993, the number of shares of common stock reserved for future issuance under various employee stock plans was as follows:

	1993	1992
Employee Stock Purchase Plan	3,061,462	3,200,472
Stock Option Plan	2,316,805	2,542,229
Long-Term Stock Incentive Plan	1,507,945	1,950,312
	<u>6,886,212</u>	<u>7,693,013</u>
	=====	=====

Long-Term Stock Incentive Plan

The Long-Term Stock Incentive Plan, effective through 1997, provides for the granting of awards to senior management employees on the basis of company performance. The Plan is administered by a committee of the Board of Directors consisting of non-employee directors. Awards are payable 55% in cash and 45% in shares of common stock or 100% in shares of common stock. The amounts of \$.5 million, \$2.2 million and \$.3 million were charged to expense in 1993, 1992 and 1991, respectively. Shares totaling 10,092, 33,067 and 15,782 were issued in 1993, 1992 and 1991, respectively.

Preferred Stock Purchase Rights

Each outstanding share of common stock has two-thirds of a share purchase right, which, under certain conditions, may be exercised to purchase one two-hundredth of a share of Series A Junior Participating

Preferred Stock at an exercise price of \$125.00, subject to adjustment to prevent dilution. The rights, which do not have voting rights, expire on March 10, 1996, and may be redeemed by the company at a price of \$.05 per right at any time prior to their expiration or within 30 days following the acquisition of 10 percent of the company's common stock. In the event that the company were 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 10%-or-more shareholder) 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, provision will be made so that each holder of a right (other than a holder who is a 10%-or-more shareholder) 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 January 1, 1994, there were 44,695,631 outstanding rights. There are 175,000 shares of Series A Junior Participating Preferred Stock reserved for issuance in connection with these rights.

Stock Options

The company has a stock option plan to provide nonqualified and incentive stock options to officers and key employees. Options are generally for a ten-year term and are granted at the market price of the common stock on the date of grant. Outstanding options are subject to a two-year transfer restriction on at least half the shares issued upon exercise. In the event of a change of control in the company, all outstanding stock options become immediately exercisable, all transfer restrictions lapse and optionees have the right to sell options to the company at market-related values.

Information relative to the stock option plan is summarized as follows:

	1993	1992	1991
At end of year:			
Options outstanding	1,827,936	2,006,305	2,152,076
Options exercisable	1,716,936	1,929,805	2,079,076
Shares available for grants	488,869	535,924	505,000
During the year:			
Options granted	111,000	76,500	73,000
Options exercised	225,424	114,847	17,924
Options cancelled	63,945	107,424	17,000

Average price per share:			
Options outstanding	\$31.27	\$30.64	\$30.36
Options granted	40.25	37.13	37.06
Options exercised	30.47	30.15	30.13

J Employee Benefit Plans

Employee Stock Purchase Plan

The Employee Stock Purchase Plan enables substantially all employees in the United States and Canada to subscribe to shares of common stock on annual offering dates at a purchase price of 85% of the fair market value of the shares on the offering date or, if lower, 85% of the fair market value of the shares on the exercise date. A maximum of 4,000,000 shares are authorized for subscription over a ten year period. During 1993, 1992 and 1991, shares totaling 139,010, 106,738 and 179,062, respectively, were issued under the Plan at average prices of \$33.07, \$33.31 and \$25.75 per share, respectively. At January 1, 1994, subscriptions were outstanding for 113,620 shares at \$35.59 per share.

Employee Stock Ownership Plans (ESOPs)

The Savings Plans for both Salaried Employees and Hourly-Paid Employees provide opportunities for tax-deferred savings, enabling eligible U.S. employees to acquire a proprietary interest in the company. Such employees may contribute from 1% to 12% of their salary to the Plans. The company contributes an amount equal to one-half of the first 7% of employee contributions up to a maximum of 3 1/2%.

Shares of the company's common stock held by the ESOPs 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. Shareholders' equity reflects both the internal and the external borrowing arrangements.

The company recognizes ESOP activity and makes contributions each year 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 income of \$5.6 million in 1993, \$6.1 million in 1992 and \$3.7 million in 1991.

Dividends on ESOP shares were \$14.2 million, \$13.7 million and \$11.9 million for 1993, 1992 and 1991, respectively. Interest costs incurred by the Plans on external debt for 1993, 1992 and 1991 were \$6.7 million, \$7.2 million and \$7.6 million, respectively.

Pension Plans

The company sponsors non-contributory defined benefit and defined contribution plans covering substantially all employees. Upon retirement, participants in the U.S. generally receive the greater of their defined contribution account or a guaranteed benefit as calculated in the defined benefit plan.

Defined benefits for salaried and non-union hourly employees are generally based on salary and years of service, while those for

collective bargaining employees are based on a stated amount for each year of service. The company's funding policy is to contribute amounts determined annually on an actuarial basis that 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. If the plans are terminated or merged with another plan within three years following a change in control of the company, any excess plan assets are to be applied to increase the benefits of all participants.

The company funds the defined contribution plan which covers U.S. salaried and certain hourly employees, based on 2%, 4% or 6% of an employee's salary, depending on the employee's length of service.

Additionally, the company contributes to several union-sponsored multi-employer plans which provide defined benefits.

Total pension expense includes the following components:

(Millions of Dollars)	1993	1992	1991
Defined benefit plans:			
Service cost	\$ 9.0	\$ 9.2	\$ 8.6
Interest cost	20.3	20.5	19.7
Actual return on plan assets	(25.3)	(25.9)	(50.2)
Net amortization and deferral	1.0	.6	26.4
Net pension expense	<u>5.0</u>	<u>4.4</u>	<u>4.5</u>
Defined contribution plan	8.0	7.8	6.3
Multi-employer plans	.5	.5	.5
Total pension expense	<u>\$ 13.5</u> =====	<u>\$ 12.7</u> =====	<u>\$ 11.3</u> =====

The funded status of the company's defined benefit plans at the end of each fiscal year was as follows:

(Millions of Dollars)	1993		1992	
Plans	Plans	Plans	Plans	
Where	Where	Where	Where	
Assets	Accumulated	Assets	Accumulated	
Exceed	Benefits	Exceed	Benefits	
Accumulated	Exceed	Accumulated	Exceed	
Benefits	Assets	Benefits	Assets	

Actuarial Present
value of benefit
obligations:

Vested	\$203.7	\$ 9.6	\$181.1	\$ 12.3
Non-vested	1.5	2.2	1.0	2.3
Accumulated benefit obligation	205.2	11.8	182.1	14.6
Additional amounts related to projected pay increases	52.8	3.3	49.0	3.1
Total projected benefit obligation (PBO)	258.0	15.1	231.1	17.7
Funded assets at fair value	306.8	7.0	279.1	8.6
Assets in excess of (less than) PBO	48.8	(8.1)	48.0	(9.1)
Unrecognized net (gain) or loss at transition	(11.2)	.4	(13.0)	.3
Unrecognized net (gain) or loss	(26.9)	.1	(24.1)	(.5)
Unrecognized prior service cost	17.8	1.0	18.9	1.1
Adjustment required to recognize minimum liability		(1.8)		(1.8)
Prepaid (accrued) pension expense (long-term)	----- \$ 28.5 =====	----- \$ (8.4) =====	----- \$ 29.8 =====	----- \$(10.0) =====

Assumptions used for significant defined benefit plans were as follows:

	1993	1992	1991
Discount rate	7.5%	8.0%	8.0%
Average wage increase	5.0%	5.7%	5.7%
Long-term rate of return on assets	9.0%	9.0%	9.0%

Postretirement and Postemployment Benefits

The company provides medical and dental benefits for certain retired employees in the United States. In addition, domestic employees who retire from active service are eligible for life insurance benefits.

In 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The standard requires companies to recognize the estimated future cost of providing health and other postretirement benefits on an accrual basis. These benefits had previously been recognized as expense when paid. The cumulative effect of this accounting change reduced 1991 net earnings by \$12.5 million (\$20.6 million less related deferred income taxes of \$8.1 million) or \$.29 per share.

The status of the company's plans at the end of each fiscal year was as follows:

(Millions of Dollars)	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	\$19.9	\$12.5
Fully eligible active plan participants	2.6	1.0
Other active plan participants	4.7	5.2
	-----	-----
Accumulated obligation	27.2	18.7
Unrecognized net loss	(10.7)	(1.8)
Accrued postretirement benefit expense	\$16.5	\$16.9
	=====	=====

Net periodic postretirement benefit expense was \$3.3 million in 1993 and \$2.2 million in both 1992 and 1991.

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% reducing to 9% by 1996 and 6% over 20 years. A one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by \$4.2 million at January 1, 1994 and \$1.3 million at January 2, 1993, and net periodic postretirement benefit expense for fiscal years 1993 and 1992 by \$.4 million and \$.2 million, respectively. Weighted average discount rates of 7.5% in 1993 and 8.0% in 1992 were used in determining the accumulated benefit obligations.

The company provides certain postemployment benefits to eligible employees and, in some cases, their dependents. These benefits include

severance, continuation of medical coverage and other benefits when employees leave the company for reasons other than retirement.

In 1993, the company adopted, effective January 3, 1993, Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1993, postemployment benefits were recognized as expense when paid. The cumulative effect of adopting this new standard was a one-time charge to 1993 earnings of \$8.5 million (\$13.6 million less related deferred income taxes of \$5.1 million) or \$.19 per share. The effect of this change on 1993 operating results was immaterial.

K Other Costs and Expenses

Interest-net for 1993, 1992 and 1991 included interest income of \$6.8 million, \$7.2 million and \$12.2 million, respectively.

Other-net in 1993 includes a gain of \$29.0 million (\$.39 per share) from the sale of the company's investment in Max Co., Ltd. and a charge of \$15.0 million (\$.21 per share) related to the settlement of lawsuits involving a subsidiary, Mac Tools, Inc. Also included in Other-net were additional charges for a fine levied by U.S. District Court in Missouri for \$5.0 million (\$.07 per share) and contingency reserves of \$23.3 million (\$.32 per share) related to product liability litigation, restructuring activities and environmental remediation.

Other-net in 1992 includes a gain of \$25.8 million (\$.35 per share) from the sale of a portion of the company's investment in Max Co., Ltd., expenses of \$14.1 million (\$.21 per share) related to planned closings of certain company-owned stores and reduction of the goodwill of the company's Taylor Rental operation, and expense of \$7.8 million (\$.11 per share) for reserves for litigation pending at the company's Mac Tools, Inc. subsidiary.

Fluctuations in foreign currency rates affect the company's financial statements in several ways. Adjustments resulting from the translation of most foreign subsidiary financial statements are included as a separate component of shareholders' equity. The revenues and expenses of foreign operations are included in U.S. dollar reported results translated at the average exchange rates for the year.

In addition to the above, the company engages in activities denominated in currencies other than its own. Fluctuations in the exchange rates of those currencies expose the company to gains and losses. These transactional gains and losses, together with the translation adjustments related to foreign operations in highly-inflationary economies, amounted to net losses for 1993, 1992 and 1991 of \$6.0 million (\$.08 per share), \$8.5 million (\$.12 per share) and \$5.9 million (\$.08 per share), respectively.

Research and development expenses amounted to \$14.6 million in 1993, \$15.2 million in 1992 and \$13.9 million in 1991.

L Operations by Industry Segment and Geographic Area

Industry Segment and Geographic Area information included on page 15 of this report is an integral part of the financial statements.

M Income Taxes

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

(Millions of Dollars)	1993	1992	1991
-----------------------	------	------	------

Depreciation	\$73.1	\$68.8	\$67.8
Amortization	2.6	3.8	2.5
Capitalized interest	1.8	1.9	2.2
Deferred state tax liabilities	5.4	6.8	7.8
Other	3.1	3.5	11.8
	-----	-----	-----
Total deferred tax liabilities	86.0	84.8	92.1
	-----	-----	-----
Employee benefit plans	(20.4)	(12.9)	(12.5)
Doubtful accounts	(6.9)	(7.9)	(5.6)
Inventories	(4.1)	(6.7)	(7.7)
Benefit of deferred state taxes	(1.9)	(2.3)	(2.5)
Other	(24.6)	(13.6)	(5.7)
	-----	-----	-----
Total deferred tax assets	(57.9)	(43.4)	(34.0)
	-----	-----	-----
Net deferred tax liabilities	\$28.1	\$41.4	\$58.1
	=====	=====	=====

Income tax expense consisted of the following:

(Millions of Dollars)	1993	1992	1991
Current:			
Federal	\$40.2	\$47.1	\$22.9
Foreign	13.6	18.0	23.8
State	7.2	7.1	5.6
	-----	-----	-----
Total current	61.0	72.2	52.3
	-----	-----	-----
Deferred:			
Federal	(4.8)	(12.3)	7.1
Foreign	.6	1.2	.4
State	(1.4)	(1.1)	(.4)
	-----	-----	-----
Total deferred	(5.6)	(12.2)	7.1
	-----	-----	-----
Total	\$55.4	\$60.0	\$59.4
	=====	=====	=====

Income taxes paid during 1993, 1992 and 1991 were \$63.4 million, \$64.4 million and \$56.7 million, respectively.

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

	1993	1992	1991
--	------	------	------

Statutory federal income tax rate	35.0%	34.0%	34.0%
State income taxes, net of federal benefit	2.7	2.9	2.0
Difference between foreign and federal income tax rates		.6	1.0
Other - net	(.3)	.4	1.0
	-----	-----	-----
Effective tax rate	37.4%	37.9%	38.0%
	=====	=====	=====

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

(Millions of Dollars)	1993	1992	1991
United States	\$110.5	\$108.1	\$101.0
Foreign	37.5	50.0	55.5
	-----	-----	-----
Total pre-tax earnings	\$148.0	\$158.1	\$156.5
	=====	=====	=====

Undistributed foreign earnings of approximately \$201 million as of January 1, 1994 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.

N Leases

The company leases certain facilities, vehicles, machinery and equipment under long-term operating leases with varying terms and expiration dates.

Future minimum lease payments under noncancelable operating leases, in millions of dollars, as of January 1, 1994, were \$28.5 in 1994, \$23.3 in 1995, \$18.9 in 1996, \$12.8 in 1997, \$10.4 in 1998 and \$28.3 thereafter. Rental expense for operating leases amounted to \$35.0 million in 1993, \$36.7 million in 1992 and \$34.5 million in 1991.

O Contingencies

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 in a number of administrative proceedings for the remediation of various waste sites, including nine 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.

In the normal course of business, the company is also involved in various lawsuits and claims. 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 which 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.

P Foreign Exchange Contracts

The company enters into forward exchange contracts and options to hedge certain foreign currency exposures. The options and forward exchange contracts are used to minimize the impact of foreign currency fluctuations on the company's revenues and costs and are not used to engage in speculation. Such contracts generally have maturities of one year or less and the counterparties are typically major international financial institutions. Gains and losses on these contracts resulting from exchange rate movements generally are deferred and included as a component of the related transaction. At January 1, 1994, the contract value and fair value of forward exchange contracts and options outstanding aggregated \$44 million and \$2 million, respectively. Fair values were estimated based on quoted market prices of comparable contracts.

Quarterly Results Of Operations (Unaudited)

(Millions of Dollars, except per share amounts)	Quarter				Year
	First	Second	Third	Fourth	-----
1993					
Net Sales	\$553.4	\$565.2	\$576.3	\$578.2	\$2,273.1
Gross Profit	178.7	181.7	179.5	180.2	720.1
Selling, General and Administrative Expenses	130.1	128.5	126.1	127.6	512.3
Earnings Before Cumulative Effect of Accounting Change	23.0	27.0	25.0	17.6	92.6
Net Earnings	14.5	27.0	25.0	17.6	84.1
Per Share:					
Earnings Before Cumulative Effect of Accounting Change	\$.51	\$.60	\$.56	\$.39	\$2.06
Net Earnings	.32	.60	.56	.39	1.87

1992					
Net Sales	\$497.1	\$555.5	\$550.4	\$592.6	\$2,195.6
Gross Profit	165.5	187.7	184.6	191.8	729.6
Selling, General and Administrative Expenses	126.8	129.8	132.3	137.8	526.7
Net Earnings	17.5	28.8	25.4	26.4	98.1
Net Earnings Per Share	\$.38	\$.63	\$.56	\$.58	\$2.15

Note: The first quarter of 1993 has been restated to reflect the cumulative effect of adopting Statement of Financial Accounting Standards No. 112. The first quarter of 1993 includes a gain of \$24.0 million (\$.33 per share) from the sale of a portion of the company's investment in Max Co., Ltd., and additional charges for a fine levied by U.S. District Court in Missouri for \$7.0 million (\$.10 per share) and contingency reserves of \$15.7 million (\$.21 per share) related to product liability litigation, restructuring activities and environmental remediation. The third quarter includes a gain of \$5.0 million (\$.06 per share) from the sale of the company's investment in Max Co., Ltd., which was substantially offset by reserves established for the closing of a manufacturing facility of the company's subsidiary, Mac Tools, Inc. The fourth quarter of 1993 includes a charge of \$15.0 million (\$.21 per share) related to the settlement of lawsuits involving a subsidiary, Mac Tools, Inc. The fourth quarter of 1992 includes a gain of \$25.8 million (\$.35 per share) from the sale of a portion of the company's investment in Max Co., Ltd., expenses of \$14.1 million (\$.21 per share) related to planned closings of certain company-owned stores and reduction of the goodwill of the company's Taylor Rental operation, and expense of \$7.8 million (\$.11 per share) for reserves for litigation pending at the company's subsidiary, Mac Tools, Inc.

Certain 1992 amounts in the consolidated statements of earnings were reclassified to conform with the 1993 presentation.

EXHIBIT 21

(All subsidiaries are included in the Consolidated Financial Statements of The Stanley Works)

Corporate Name	Jurisdiction of Incorporation
The Stanley Works	Connecticut
The Farmington River Power Company	Connecticut
Mac Tools, Inc.	Ohio
Stanley-Vidmar, Inc.	Connecticut
Stanley-Vidmar Systems, Inc.	Delaware
Stanley Germany Inc.	Delaware
Stanley International Sales, Inc.	Delaware
Stanley Inter-America Distribution Center, Inc.	Delaware
Stanley Foreign Sales Corporation	Virgin Islands
Stanley Works Financial Inc.	Delaware
Stanley Door Systems Inc.	Michigan
Stanley Structures, Inc.	Delaware
Wyoming Prestress Co.	Wyoming
Stanley Magic-Door, Inc.	Delaware
Stanley Home Automation, Inc.	Delaware
General Rental Co., Inc.	Florida
Taylor Rental Center, Inc.	Massachusetts
Taylor Financial Corp.	Nevada

EXHIBIT 21

Incorporation (The Stanley Works)	Jurisdiction of
J. B. Acquisition Corp.	Delaware
JB Supplies, Inc.	Minnesota
American Brush Company, Inc.	Massachusetts
Jensen Tools, Inc.	Delaware
Wondura Products, Inc. dba Monarch Mirror Door, Inc.	New Jersey
Monarch Mirror Door Company Inc.	California
Monarch Norcal, Inc.	California
Monarch Mirror Door, Canada, Inc.	Ontario, Canada
LaBounty Manufacturing, Inc.	Minnesota
LaBounty Manufacturing (60%) Allied Construction (49%) Equipment, Ltd.	Australia U.K.
Stanley-Bostitch, Inc.	Delaware
Stanley-Bostitch Holding Corporation	Delaware
Hartco Company	Illinois
Halstead Enterprises, Inc.	California
The Stanley Works Funding Corporation	Delaware
Stanley Canada Inc.	Canada
Stanley Acmetrack Limited	Canada
Stanley Tools (N.Z.) Ltd.	New Zealand
Ferramentas Stanley Ltda.	Brazil

EXHIBIT 21

Incorporation (The Stanley Works)	Jurisdiction of
Herramientas Stanley S.A. de C.V.	Mexico
Herramientas Stanley S.A.	Colombia
Stanley-Bostitch, S.A. de C.V.	Mexico
Stanley Tools SpA	Italy
S.I.C.F.O.-Stanley S.A.	France
Stanley Europe B.V.	Netherlands
Stanley Atlantic, Inc.	Delaware
The Stanley Works Ltd.	U.K.
Mosley-Stone Ltd.	U.K.
K. J. Tool Company Ltd	England
Mosley-Stone (1979) Ltd	England
E. Mosley (Brushes) Ltd	England
J. C. Hayes (Tools) Ltd	England
Faulkner Roller Company Ltd	England
Stone Brothers (Brushes) Ltd	England
Pear Tree Tools Ltd	England
Alpha Handles Ltd	England
Sentinal Forge Ltd	England
Stanley Works (Nederland) B.V.	Netherlands
Stanley Magic-Door Netherlands B.V.	Netherlands

EXHIBIT 21

Incorporation (The Stanley Works)	Jurisdiction of
Placements et Rangements Nirva S.a.R.L.	France
Societe Civile Immobiliere WAT	France
Stanley Vaerktoej og beslag Aps	Denmark
Stanley Svenskas A.B.	Sweden
Suomen Stanley oy	Finland
Bostitch G.m.b.H.	Germany
Friess G.m.b.H.	Germany
Stanley Bostitch S.A.	France
Soc. de Fab. Bostitch S.A. (Simax)	France
Bostitch Europe, A.G.	Switzerland
Bostitch A.G.	Switzerland
S.A. Stanley Works Belgium N.V.	Belgium
Stanley International Holdings Inc.	Delaware
Stanley Pacific Inc.	Delaware/Australia
Stanley-Bostitch Pty. Limited	Australia
The Stanley Works Pty. Ltd.	Australia
Stanley Works Asia Pacific Pte. Ltd.	Singapore
The Stanley Works (Hong Kong) Ltd.	Hong Kong
The Stanley Works Sales (Philippines), Inc.	Philippines
The Stanley Works Asia Pacific Ltd.	Taiwan
Chiro Tool Manufacturing Corporation	Taiwan

EXHIBIT 21

Incorporation (The Stanley Works)	Jurisdiction of
The Stanley Works (Bermuda) Ltd.	Bermuda
The Stanley Works Japan K.K. (95%)	Japan
Stanley Tools Thailand Ltd.	Thailand
Stanley Tools Poland Ltd. (51%)	Poland
Tona a.s. Pecky (78%)	Czech Republic
Dudley Shearing Sales Limited	U.K.

The names of certain subsidiaries have been omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Savings Plan for Salaried Employees of The Stanley Works

Audited Financial Statements
and Supplemental Schedules

Years ended December 31, 1993 and 1992

Contents

Report of Independent Auditors	1
Audited Financial Statements	
Statement of Financial Condition at December 31, 1993	2
Statement of Financial Condition at December 31, 1992	3
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1993	4
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1992	5
Notes to Financial Statements	6
Supplemental Schedules	
Assets Held for Investment	11
Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets	12

Report of Independent Auditors

Pension Committee of the Board of Directors
The Stanley Works

We have audited the accompanying statements of financial condition of the Savings Plan for Salaried Employees of The Stanley Works as of December 31, 1993 and 1992, and the related statements of income and changes in plan equity for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Plan at December 31, 1993 and 1992, and its income and changes in plan equity for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment as of December 31, 1993, and transactions or series of transactions in excess of 5% of the current value of plan assets for the year then ended, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the 1993 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1993 financial statements taken as a whole.

Ernst & Young

March 18, 1994

Savings Plan for Salaried Employees of The Stanley Works
Statement of Financial Condition
December 31, 1993

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Assets				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
3,165,104 shares (cost				
\$77,647,302)	\$140,847,128			\$140,847,128
5,044,086 shares				
(cost \$181,564,822)		\$224,461,827	224,461,827	
Short-term investments	1,021,005		7,683	1,028,688

	141,868,133	224,469,510	366,337,643	
Dividends and interest receivable				
	1,073,558		1,724,163	2,797,721
Loans to participants				
		\$5,500,195		5,500,195
Due from Savings Plan for Hourly Paid Employees of The Stanley Works				
	157,530			157,530

	\$143,099,221	\$5,500,195	226,193,673	374,793,089
=====				
Liabilities and plan equity				
Liabilities:				
Due to Retirement Plan for Salaried Employees of The Stanley Works				
	\$ 163,434			\$ 163,434
Debt				
		199,879,591		199,879,591
Deferred employer contributions				
	1,088,466			1,088,466
Plan forfeitures				
	206,022			206,022
Benefits payable				
	1,402,969			1,402,969

	2,860,891	199,879,591	202,740,482	
Plan equity				
	140,238,330	\$ 5,500,195	26,314,082	172,052,607

	\$143,099,221	\$ 5,500,195	226,193,673	374,793,089
=====				

See accompanying notes.

Savings Plan for Salaried Employees of The Stanley Works
Statement of Financial Condition
December 31, 1992

Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
--------------------------	--------------	--------------------------------------	-------

Assets

Investments, at current market value:

The Stanley Works			
Common Stock:			
3,009,472 shares (cost			
\$70,556,560)	\$127,902,560		\$127,902,560
5,352,255 shares			
(cost \$191,291,733)		\$227,470,838	227,470,838
Short-term investments	864,000	3,000	867,000
	128,766,560	227,473,838	356,240,398

Cash (overdraft)	716	(165)	551
Dividends and interest receivable	987,573	1,778,028	2,765,601
Loans to participants	\$ 5,569,694		5,569,694
Due from Savings Plan for Hourly Paid Employees of The Stanley Works	95,753		95,753
	\$129,850,602	\$ 5,569,694	\$229,251,701
			\$364,671,997

Liabilities and plan equity

Liabilities:			
Due to Retirement Plan for Salaried Employees of The Stanley Works			
\$ 163,434		\$ 163,434	
Debt		\$204,922,630	204,922,630
Deferred employer contributions	923,336		923,336
Plan forfeitures	210,772		210,772
Benefits payable	712,775		712,775
	2,010,317	204,922,630	206,932,947

Plan equity	127,840,285	\$ 5,569,694	24,329,071	157,739,050
	\$129,850,602	\$ 5,569,694	229,251,701	364,671,997

See accompanying notes.

Savings Plan for Salaried Employees of The Stanley Works
Statement of Income and Changes in Plan Equity
Year ended December 31, 1993

Stanley

Unallocated

	Stock Fund	Loan Fund	Stanley Stock Fund	Total
Investment income:				
Dividends	\$ 4,188,809		\$ 6,921,604	\$ 11,110,413
Interest	41,528	\$ 384,173	33,853	459,554
	-----	-----	-----	-----
	4,230,337	384,173	6,955,457	11,569,967
Net realized and unrealized appreciation in The Stanley Works Common Stock				
	9,730,283		6,717,900	16,448,183
Contributions:				
Employee	11,294,400			11,294,400
Employer	5,994,747			5,994,747
Transfers from Savings Plan for Hourly Paid Employees of The Stanley Works	139,047			139,047
	-----	-----	-----	-----
	17,428,194			17,428,194
Withdrawals:				
In cash	(10,437,951)			(10,437,951)
In The Stanley Works Common Stock	(3,581,491)			(3,581,491)
Transfers to Retirement Plan for Salaried Employees of The Stanley Works	(284,789)			(284,789)
	-----	-----	-----	-----
	(14,304,231)			(14,304,231)
Administrative expenses				
	(120,533)			(120,533)
Plan forfeitures	(206,022)			(206,022)
Interest expense			(16,502,001)	(16,502,001)
Interfund transfers--net	(4,359,983)	(453,672)	4,813,655	
	-----	-----	-----	-----
Net increase (decrease)	12,398,045	(69,499)	1,985,011	14,313,557
Plan equity at beginning of year	127,840,285	5,569,694	24,329,071	157,739,050
	-----	-----	-----	-----
Plan equity at end of year	\$140,238,330	\$5,500,195	\$ 26,314,082	\$172,052,607
	=====	=====	=====	=====

See accompanying notes.

Savings Plan for Salaried Employees of The Stanley Works
Statement of Income and Changes in Plan Equity
Year ended December 31, 1992

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Investment income:				
Dividends	\$ 3,737,041		\$ 7,059,682	\$ 10,796,723
Interest	38,805	\$ 388,759	46,182	473,746
	-----		-----	
	3,775,846	388,759	7,105,864	11,270,469
Net realized and unrealized appreciation in The Stanley Works Common Stock	9,277,986		4,452,040	13,730,026
Contributions:				
Employee	11,061,742			11,061,742
Employer	5,099,206			5,099,206
Transfers from Savings Plan for Hourly Paid Employees of The Stanley Works	359,926			359,926
	-----			-----
	16,520,874			16,520,874
Withdrawals:				
In cash	(8,748,952)			(8,748,952)
In The Stanley Works Common Stock	(3,156,367)			(3,156,367)
Transfers to Retirement Plan for Salaried Employees of The Stanley Works	(362,675)			(362,675)
	-----			-----
	(12,267,994)			(12,267,994)
Administrative expenses	(83,734)			(83,734)
Plan forfeitures	(210,772)			(210,772)
Interest expense			(16,916,982)	(16,916,982)
Interfund transfers--net	(4,768,886)	(53,186)	4,822,072	-
	-----		-----	
Net increase (decrease)	12,243,320	335,573	(537,006)	12,041,887
Plan equity at beginning of year	115,596,965	5,234,121	24,866,077	145,697,163
	-----		-----	
Plan equity at end of year	\$127,840,285	\$5,569,694	\$24,329,071	\$157,739,050
	=====		=====	

See accompanying notes.

Savings Plan for Salaried Employees of The Stanley Works
Notes to Financial Statements

December 31, 1993

1. Significant Accounting Policies

Investments

Plan investments consist primarily of shares of The Stanley Works Common Stock (hereinafter referred to as Stanley Stock, Common Stock or shares). The Stanley Works Common Stock is

traded on a national exchange and is valued at the last reported sales price on the last business day of the plan year. Short-term investments consist of short-term bank-administered trust funds which earn interest daily at rates approximating U.S. Government securities; cost approximates market value.

Dividend Income

Dividend income is accrued on the ex-dividend date.

Gains or Losses on Sales of Investments

Gains or losses realized on the sales of investments are determined based on average cost.

Expenses

Administrative expenses not paid by The Stanley Works (the Company) are paid by the Plan.

Reclassifications

Certain amounts for 1992 have been reclassified to conform to 1993 presentation.

2. Description of the Plan

The Plan operates as a leveraged employee stock ownership plan, is designed to comply with the Internal Revenue Code of 1986, as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended. The Plan is a voluntary savings, defined contribution plan for eligible United States salaried employees of The Stanley Works.

Participants may contribute, through pre-tax payroll deductions, generally up to 12% of their salary. Participant contributions are matched in an amount equal to 50% of a participant's pre-tax contribution to a maximum of 3 1/2% of the participant's salary.

Effective July 1, 1985, participant and Company matching contributions are invested in the Stanley Stock Fund with a guarantee, which, if necessary, is satisfied by the Retirement Plan for Salaried Employees of The Stanley Works, that the investment return on such stock acquired with employee contributions will not be less than an investment return based on two-year U.S. Treasury notes. This investment return guarantee also is applicable to total cumulative retirement account balances and cumulative employee savings account balances at June 30, 1985.

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

The assets of the Plan are held in trust by an independent corporate trustee (the Trustee) pursuant to the terms of a written Trust Agreement between the Trustee and the Company. State Street Bank and Trust Company has been selected by the Board of Directors of the Company as Trustee.

Participants are vested in 100% of the value of Company matching contributions made on their behalf after five years of service, with no vesting in the matching contributions during the first through fifth years of service.

Benefits generally are distributed upon termination of employment from death, disability, retirement or other termination. Normally, a lump-sum distribution is made in cash or shares of Common Stock or, in certain cases, a combination thereof, at the election of the participant.

During active employment, subject to financial hardship rules, participants may withdraw, in cash only, all or a portion of vested amounts in their accounts.

Participants may borrow from their savings account up to an aggregate amount equal to the lesser of \$50,000 or 50% of the value of their vested interest in such accounts with a minimum loan of \$1,000. Each loan is evidenced by a negotiable promissory note bearing a rate of interest equal to the prime rate as reported in The Wall Street Journal on the first business day of the month immediately preceding the calendar quarter during which the loan was made, which is payable, through payroll deductions, over a term of not more than five years. Starting in 1989, a participant may take up to ten years to repay the loan if the money is used to purchase a principal residence. Only one loan per participant may be outstanding at any time.

Effective for loans made after 1986, the \$50,000 loan amount limitation is reduced by the participant's highest outstanding loan balance during the 12 months preceding the date the loan is made. If a loan is outstanding at the time a distribution becomes payable to a participant (or beneficiary), the distribution is made net of the loan outstanding and the distribution shall fully discharge the Plan with respect to the participant's account value attributable to the outstanding loan balance.

The Plan borrowed \$54,500,000 from a group of financial institutions and \$153,500,000 from the Company (see Notes 3 and 4) to acquire 1,683,213 and 4,134,680 shares, respectively, of

Common Stock from the Company's treasury and previously unissued shares. The shares purchased from the proceeds of the loans were placed in the Unallocated Stanley Stock Fund (the Unallocated Fund). Under the loan agreement with the financial institutions, the Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the Plan to repay the loan plus interest.

2. Description of the Plan (continued)

The Unallocated Fund makes monthly transfers of shares, in accordance with Plan provisions, to the Stanley Stock Fund in return for proceeds equivalent to the closing fair market value of the shares on the day prior to the transfer date. These proceeds, along with dividends received on allocated and unallocated shares and additional Company contributions, if necessary, are used to make monthly payments of principal and interest on the debt. Remaining unallocated dividends, if any, are applied to reduce the Company's matching contributions. As dividends on the allocated shares are applied to the payment of debt service, shares having a fair market value at least equal to the amount of the dividends so applied are allocated to the savings accounts of participants who would otherwise have received cash dividends. Forfeitures of nonvested employee accounts are used to reduce Company matching contributions.

The fair market value of shares released from the Unallocated Fund pursuant to loan repayments made during any year may exceed the total of employee contributions and Company matching contributions for that year. If that occurs, all participants who made contributions at any time during that year and who are employed by the Company on the last day of that year receive, on a pro rata basis, such excess value.

Each participant is entitled to exercise voting rights attributable to the shares allocated to the participant's account. The Trustee is not permitted to vote participant shares for which instructions have not been given by the participant. Shares in the Unallocated Fund are voted by the Trustee in the same proportion as allocated shares.

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant at the time prescribed by the Plan terms and the Internal Revenue Code.

The Plan sponsor has engaged The Wyatt Company to maintain separate accounts for each participant. Such accounts are credited with each participant's contributions, the allocated portion of the Company's matching contribution, related gains, losses and dividend income, and loan activity.

There were 4,547 and 4,532 participants (4,002 and 4,100 of whom were active employees) in the Plan as of December 31, 1993 and 1992, respectively, of whom 1,127 and 1,128, respectively, had loans outstanding.

Savings Plan for Salaried Employees of The Stanley Works

Notes to Financial Statements (continued)

3. Debt

Debt consisted of the following at December 31:

	1993	1992
Note payable in monthly installments to 1993 with interest at 6.78%		\$1,750,000
Note payable in monthly installments to 2001 with interest at 7.71%	\$47,496,679	50,406,710
Note payable to the Company in monthly installments to 2026 with interest at 8.3%	152,382,912	152,765,920
	-----	-----
	\$199,879,591	\$204,922,630
	=====	=====

The scheduled maturities of debt for the next five years are as follows: 1994--\$4,981,000; 1995--\$5,718,000; 1996--\$5,470,000; 1997--\$5,860,000 and 1998--\$6,350,000.

The note payable to the Company is secured by shares held in the Unallocated Stock Fund. The number of shares held as security is reduced as shares are released to the Stanley Stock Fund pursuant to principal and interest payments. During the year, 112,610 shares were released and at December 31, 1993, 3,843,852 shares were pledged as security.

Payment of the Plan's debt has been guaranteed by the Company. Should the principal and interest due exceed the dividends paid on shares held in the Stanley Stock and Unallocated Stock Funds, and employee and Company matching contributions, the Company is responsible for funding such shortfall.

4. Transactions with Parties-in-Interest

Fees paid during 1993 and 1992 for management and other services rendered by parties-in-interest were based on customary and reasonable rates for such services. The majority of such fees were paid by The Stanley Works. Fees incurred and paid by the Plan during 1993 and 1992 were \$120,533 and \$83,734, respectively.

In 1991, the Plan borrowed \$153,500,000 from The Stanley Works, the proceeds of which were used to purchase 4,134,680 shares of Company Stock from the Company. The Plan made \$13,047,932 of principal and interest payments related to such debt in 1993; at December 31, 1993, \$152,382,912 was outstanding on such debt.

5. Income Tax Status

The Internal Revenue Service has ruled (letter dated August 10, 1990) that the Plan and the trust qualify under Sections 401(a) and 401(k) of the Internal Revenue Code (IRC) and are therefore not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Plan participants are not subject to federal income taxes on employer contributions, employee contributions to the extent that they are below the IRS limitation, or on dividends accruing to their accounts until taxable distributions are made from the Plan. Lump-sum distributions are taxable to the extent of realized appreciation of the participant's account, employer's contributions and the employee's contributions.

Savings Plan for Salaried Employees of The Stanley Works

Assets Held for Investment

December 31, 1993

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value	Cost	Current Value
Common Stock:			
The Stanley Works*	8,209,190 shares of Common Stock	\$259,212,124	\$365,308,955
Trust Fund:			
State Street Bank and Trust Company* (GSTIF)	Short-Term Investment Fund--United States Government securities	1,006,073	1,006,073
State Street Bank and Trust Company* (STIF)	Short-Term Investment Fund--Pooled Bank Fund	22,615	22,615
Loans to participants	Promissory notes at prime rate with maturities of not more than five years	5,500,195	5,500,195
Total investments		\$265,741,007	\$371,837,838
		=====	=====

* Indicates party-in-interest to the Plan.

Savings Plan for Salaried Employees of The Stanley Works

Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets
Year ended December 31, 1993

Identity of Party Involved	Purchase Description of Assets	Selling Price	Lease Price	Rental	Expenses Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain (Loss)
Category (iii)--series of transactions in excess of 5 percent of plan assets								
State Street Bank and Trust Company*	Short-Term Investment Fund--United States Government securities					\$22,618,301	\$22,618,301	
State Street Bank and Trust Company*	Short-Term Investment Fund--United States Government securities	\$22,417,228				22,417,228	22,417,228	

There were no category (i), (ii) or (iv) reportable transactions during 1993.

* Indicates party-in-interest to the Plan.

Savings Plan for Hourly Paid Employees of The Stanley Works

Audited Financial Statements
and Supplemental Schedules

Years ended December 31, 1993 and 1992

Contents

Report of Independent Auditors	1
Audited Financial Statements	
Statement of Financial Condition at December 31, 1993	2
Statement of Financial Condition at December 31, 1992	3
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1993	4
Statement of Income and Changes in Plan Equity for the Year Ended December 31, 1992	5
Notes to Financial Statements	6
Supplemental Schedules	
Assets Held for Investment	11
Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets	12

Report of Independent Auditors

Pension Committee of The Board of Directors
The Stanley Works

We have audited the accompanying statements of financial condition of the Savings Plan for Hourly Paid Employees of The Stanley Works as of December 31, 1993 and 1992, and the related statements of income and changes in plan equity for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Plan at December 31, 1993 and 1992, and its income and changes in plan equity for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment as of December 31, 1993, and transactions or series of transactions in excess of 5% of the current value of plan assets for the year then ended, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the 1993 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1993 financial statements taken as a whole.

Ernst & Young

March 18, 1994

Savings Plan for Hourly Paid Employees of The Stanley Works

Statement of Financial Condition

December 31, 1993

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Assets				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
1,001,474 shares (cost \$33,098,825)	\$44,565,593			\$ 44,565,593
1,555,538 shares (cost \$53,515,799)			\$ 69,221,441	69,221,441
Short-term investments	266,786		2,731	269,517
	44,832,379		69,224,172	114,056,551
Dividends and interest receivable	337,675		533,183	870,858
Loans to participants		\$ 3,327,218		3,327,218
Due from The Stanley Works	134,930			134,930
	\$45,304,984	\$ 3,327,218	\$69,757,355	\$118,389,557
Liabilities and plan equity				
Liabilities:				
Due to Savings Plan for Salaried Employees of The Stanley Works	\$ 157,530			\$ 157,530
Benefits payable	175,600			175,600
Debt			\$61,603,171	61,603,171
Plan forfeitures	45,652			45,652
	378,782		61,603,171	61,981,953
Plan equity	44,926,202	\$3,327,218	8,154,184	56,407,604
	\$45,304,984	\$3,327,218	\$69,757,355	\$118,389,557

See accompanying notes.

Savings Plan for Hourly Paid Employees of The Stanley Works

Statement of Financial Condition

December 31, 1992

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Assets				
Investments, at current market value:				
The Stanley Works				
Common Stock:				
797,505 shares (cost \$25,502,826)	\$33,893,963			\$ 33,893,963
1,669,556 shares (cost \$57,299,782)			\$70,956,130	70,956,130
Short-term investments	737,000		1,000	738,000
	34,630,963		70,957,130	105,588,093
Cash	163		1,240	1,403
Dividends and interest receivable	254,817		554,355	809,172
Loans to participants		\$2,558,968		2,558,968
Due from The Stanley Works	167,688			167,688
	\$35,053,631	\$2,558,968	\$71,512,725	\$109,125,324
Liabilities and plan equity				
Liabilities:				
Due to broker for securities purchased	\$ 396,147			\$ 396,147
Due to Savings Plan for Salaried Employees of The Stanley Works	95,753			95,753
Benefits payable	31,338			31,338
Debt			\$63,831,676	63,831,676
Plan forfeitures	53,527			53,527
	576,765		63,831,676	64,408,441

Plan equity	34,476,866	\$2,558,968	7,681,049	44,716,883

	\$35,053,631	\$2,558,968	\$71,512,725	\$109,125,324
	=====			

See accompanying notes.

Savings Plan for Hourly Paid Employees of The Stanley Works

Statement of Income and Changes in Plan Equity

Year ended December 31, 1993

	Stanley Stock Fund	Loan Fund	Unallocated Stanley Stock Fund	Total
Investment income:				
Dividends	\$ 1,222,981		\$ 2,155,635	\$ 3,378,616
Interest	18,706	\$ 230,786	10,999	260,491
	-----		-----	-----
	1,241,687	230,786	2,166,634	3,639,107
Net realized and unrealized appreciation in The Stanley Works Common Stock				
	3,129,309		2,049,294	5,178,603
Contributions:				
Employee	7,068,089			7,068,089
Employer	3,380,681			3,380,681
	-----			-----
	10,448,770			10,448,770
Withdrawals:				
In cash	(2,110,312)			(2,110,312)
In The Stanley Works Common Stock	(229,570)			(229,570)
Transfers to the Savings Plan for Salaried Employees of The Stanley Works	(139,047)			(139,047)
	-----			-----
	(2,478,929)			(2,478,929)
Administrative expenses	(39,101)			(39,101)
Plan forfeitures	(45,652)			(45,652)
Interest expense			(5,012,077)	(5,012,077)
Interfund transfers-net	(1,806,748)	537,464	1,269,284	-
	-----		-----	-----
Net increase	10,449,336	768,250	473,135	11,690,721
Plan equity at beginning of year	34,476,866	2,558,968	7,681,049	44,716,883
	-----		-----	-----
Plan equity at end of year	\$44,926,202	\$ 3,327,218	\$ 8,154,184	\$56,407,604
	=====		=====	=====

See accompanying notes.

Savings Plan for Hourly Paid Employees of The Stanley Works

Statement of Income and Changes in Plan Equity

Year ended December 31, 1992

	Fund	Stanley Stock Fund	Loan Stock Fund	Unallocated Stanley Total
Investment income:				
Dividends	\$ 913,144		\$2,195,699	\$3,108,843
Interest	17,918	\$ 202,597	14,330	234,845
	-----	-----	-----	-----
	931,062	202,597	2,210,029	3,343,688
Realized gain on sales of The Stanley Works Common Stock:				
Proceeds	853,000			853,000
Cost	748,677			748,677
	-----	-----	-----	-----
	104,323			104,323
Unrealized appreciation in The Stanley Works Common Stock	1,914,173		1,932,962	3,847,135
Contributions:				
Employee	6,104,979			6,104,979
Employer	2,957,081			2,957,081
	-----	-----	-----	-----
	9,062,060			9,062,060
Withdrawals:				
In cash	(2,003,174)			(2,003,174)
In The Stanley Works Common Stock	(158,916)			(158,916)
Transfers to the Savings Plan for Salaried Employees of The Stanley Works	(359,926)			(359,926)
	-----	-----	-----	-----
	(2,522,016)			(2,522,016)
Administrative expenses	(28,304)			(28,304)
Plan forfeitures	(53,527)			(53,527)
Interest expense			(5,141,425)	(5,141,425)
Interfund transfers--net	(1,216,172)	193,854	1,022,318	-
	-----	-----	-----	-----
Net increase	8,191,599	396,451	23,884	8,611,934
Plan equity at beginning of year	26,285,267	2,162,517	7,657,165	36,104,949
	-----	-----	-----	-----
Plan equity at end of year	\$34,476,866	\$ 2,558,968	\$ 7,681,049	\$44,716,883
	=====	=====	=====	=====

See accompanying notes.

Savings Plan for Hourly Paid Employees of The Stanley Works

Notes to Financial Statements

December 31, 1993

1. Significant Accounting Policies

Investments

Plan investments consist primarily of shares of The Stanley Works Common Stock (hereinafter referred to as Stanley Stock, Common Stock or shares). The Stanley Works Common Stock is traded on a national exchange and is valued at the last reported sales price on the last business day of the plan year. Short-term investments consist of short-term bank-administered trust funds which earn interest daily at rates approximating U.S. Government securities; cost approximates market value.

Dividend Income

Dividend income is accrued on the ex-dividend date.

Gains or Losses on Sales of Investments

Gains or losses realized on the sales of investments are determined based on average cost.

Expenses

Administrative expenses not paid by The Stanley Works (the Company) are paid by the Plan.

2. Description of the Plan

The Plan operates as a leveraged employee stock ownership plan, is designed to comply with the Internal Revenue Code of 1986, as amended, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended. The Plan is a voluntary savings, defined contribution plan for eligible United States hourly paid employees of The Stanley Works.

Participants may contribute, through pre-tax payroll deductions, generally up to 12% of their compensation. Participant contributions are matched in an amount equal to 50% of a participant's pre-tax contribution to a maximum of 3 1/2% of compensation.

Participant and Company contributions are invested in the Stanley Stock Fund with a guarantee, which, if necessary, is satisfied by the Pension Plan for Hourly Paid Employees of The Stanley Works, that the investment return on such stock acquired with employee contributions will not be less than an investment return based on two-year U.S. Treasury notes.

The assets of the Plan are held in trust by an independent corporate trustee (the Trustee) pursuant to the terms of a written Trust Agreement between the Trustee and the Company. State Street Bank and Trust Company has been selected by the Board of Directors of the Company as Trustee.

Savings Plan for Hourly Paid Employees of The Stanley Works

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

Employees are fully vested as to amounts in their savings accounts attributable to their own contributions and amounts transferred from the other qualified plans on their behalf. Participants with three or more years of service on January 1, 1987 who terminated employment before January 1, 1989 are vested in the portion of their savings account attributable to the Company matching contributions as follows: 0% during the first through fourth years of service, 40% after four years of service, 10% additional for each of the next six years, to 100% after ten years of service. All other participants are vested in 100% of the value of the Company matching contributions made on their behalf after five years of service, with no vesting in the matching contributions during the first through fifth years of service.

Benefits generally are distributed upon termination of employment resulting from death, disability, retirement or other termination. Normally, a lump-sum distribution is made in cash or shares of Common Stock, at the election of the participant, from the Stanley Stock Fund.

During active employment, subject to financial hardship rules, participants may withdraw, in cash only, all or a portion of vested amounts in their accounts.

Participants may borrow from their savings account up to an aggregate amount equal to the lesser of \$50,000 or 50% of the value of their vested interest in such accounts with a minimum loan of \$1,000. Each such loan is evidenced by a negotiable promissory note bearing a rate of interest equal to the prime rate as reported in The Wall Street Journal on the first business day of the month immediately preceding the calendar quarter during which the loan was made, which is payable, through payroll deductions, over a term of not more than five years. Starting in 1989, participants are allowed ten years to repay the loan if the proceeds are used to purchase a principal residence. Only one loan per participant may be outstanding at any time.

Effective for loans made after 1986, the \$50,000 loan amount limitation is reduced by the participant's highest outstanding loan balance during the 12 months preceding the date the loan is made. If a loan is outstanding at the time a distribution becomes payable to a participant (or beneficiary), the distribution is made net of the loan outstanding, and the distribution shall fully discharge the Plan with respect to the participant's account value attributable to the outstanding loan balance.

Savings Plan for Hourly Paid Employees of The Stanley Works

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

The Plan borrowed \$40,500,000 in 1989 from a group of financial institutions and \$26,500,000 in 1991 from the Company (see Notes 3 and 4) to acquire 1,250,831 and 713,804 shares, respectively, of Common Stock from the Company's treasury and previously unissued shares. The shares purchased from the proceeds of the loans were placed in the Unallocated Stanley Stock Fund (the Unallocated Fund). Under the 1989 loan agreement, the Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the Plan to repay the loan plus interest.

The Unallocated Fund makes monthly transfers of shares, in accordance with Plan provisions, to the Stanley Stock Fund in return for proceeds equivalent to the closing fair market value of the shares on the day prior to the transfer date. These proceeds, along with dividends received on allocated and unallocated shares and additional Company contributions, if necessary, are used to make monthly payments of principal and interest on the debt. Remaining unallocated dividends, if any, are applied to reduce the Company's matching contributions. As dividends on the allocated shares are applied to the payment of debt service, a number of shares having a fair market value at least equal to the amount of the dividends so applied are allocated to the savings accounts of participants who would otherwise have received cash dividends. Forfeitures of nonvested employee accounts are used to reduce future Company matching contributions.

The fair market value of shares released from the Unallocated Fund pursuant to loan repayments made during any year may exceed the total of employee contributions and Company matching contributions for that year. If that occurs, all participants who made contributions at any time during that year and who are employed by the Company on the last day of that year receive, on a pro rata basis, such excess value as an additional allocation of Stanley Stock for that year, a pro rata portion of such excess value.

Each participant is entitled to exercise voting rights attributable to the shares allocated to their account. The Trustee is not permitted to vote participant shares for which instructions have not been given by the participant. Shares in the Unallocated Fund are voted by the Trustee in the same proportion as allocated shares.

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Internal Revenue Code.

Savings Plan for Hourly Paid Employees of The Stanley Works

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

The Plan sponsor has engaged The Wyatt Company to maintain separate accounts for each participant. Such accounts are credited with each participant's contributions, the allocated portion of the Company's matching contributions, related gains, losses and dividend income and loan activity.

There were 4,662 and 4,219 participants (4,405 and 4,058 of whom were active employees) in the plan as of December 31, 1993 and 1992, respectively, and 1,234 and 1,073, respectively, of whom had loans outstanding.

3. Debt

Debt consisted of the following at December 31:

	1993	1992
Note payable in monthly installments to 2001 with interest at 7.71%	\$ 35,295,697	\$ 37,458,202
Note payable to the Company in monthly installments to 2026 with interest at 8.3%	26,307,474	26,373,474
	-----	-----
	\$61,603,171	\$63,831,676
	=====	=====

The note payable to the Company is secured by shares held in the Unallocated Stock Fund. The number of shares held as security is reduced as shares are released to Stanley Stock Fund pursuant to principal and interest payments. During the year 19,436 shares were released and at December 31, 1993, 663,610 shares are pledged as security.

The scheduled maturities of debt for the next five years are as follows: 1994--\$3,483,000; 1995--\$3,830,000; 1996--\$4,026,000; 1997--\$4,352,000 and 1998--\$4,716,000.

Payment of the Plan's debt has been guaranteed by the Company. Should the principal and interest due exceed the dividends paid on shares in the Stanley Stock and Unallocated Stock Funds, and employee and Company matching contributions, the Company is responsible for funding such shortfall.

4. Transactions with Parties-in-Interest

Fees paid during 1993 and 1992 for management and other services rendered by parties-in-interest were based on customary and reasonable rates for such services. The majority of such fees were paid by the Company. Fees incurred and paid by the Plan during 1993 and 1992 were \$39,101 and \$28,304, respectively.

In 1991, the Plan borrowed \$26,500,000 from the Company, the proceeds of which were used to purchase 713,804 shares of stock from the Company. The Plan made \$2,252,476 of principal and interest payments related to such debt in 1993; at December 31, 1993, \$26,307,474 was outstanding on such debt.

5. Income Tax Status

The Internal Revenue Service has ruled (September 13, 1990) that the Plan and the trust qualify under Sections 401(a) and 401(k) of the Internal Revenue Code (IRC) and are therefore not subject to tax under present income tax law. Once qualified, the Plan is required to operate in accordance with the IRC to maintain its qualification. The Pension Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Plan participants are not subject to federal income taxes on employer contributions or employee contributions, to the extent that such amounts meet IRC guidelines, or on dividends accruing to their accounts until distributions are made from the Plan. Lump-sum distributions are taxable to the extent of realized appreciation of the participant's account, employer's contributions and the employee's contributions which have not already been subject to tax.

Savings Plan for Hourly Paid Employees of The Stanley Works

Assets Held for Investment

December 31, 1993

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value	Cost	Current Value
Common Stock:			
The Stanley Works*	2,557,012 shares of Common Stock	\$86,614,624	\$113,787,034
Trust Fund:			
State Street Bank and Trust Company* (GSTIF)	Short-Term Investment Fund--United States Government securities	266,786	266,786
State Street Bank and Trust Company* (STIF)	Short-Term Investment Fund--Pooled Bank Fund	2,731	2,731
Loans to participants	Promissory notes at prime rate with maturities of not more than five years	3,327,218	3,327,218
Total investments		\$90,211,359	\$117,383,769

* Indicates party-in-interest to the Plan.

Savings Plan for Hourly Paid Employees of The Stanley Works

Transactions or Series of Transactions in Excess of 5% of the Current Value of Plan Assets

Year ended December 31, 1993

Identity of Party Involved	Purchase Description of Assets	Selling Price	Lease Price	Rental	Expenses Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain (Loss)
Category (iii)--series of transactions in excess of 5 percent of plan assets								
State Street Bank and Trust Company*	Short-Term Investment Fund-U.S. Government Securities					\$11,333,552	\$11,333,552	
State Street Bank and Trust Company*	Short-Term Investment Fund-U.S. Government Securities	\$11,803,766				11,803,766	11,803,766	
The Stanley Works*	109,077 shares of The Stanley Works Common Stock					4,447,121	4,447,121	

There were no category (i), (ii) or (iv) reportable transactions during 1993.
 * Indicates party-in-interest to the Plan.

